

# INVL Baltic Farmland

## CONFIRMATION OF RESPONSIBLE PERSONS

27 February 2015

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 22) of the Republic of Lithuania, management of INVL Baltic Farmland, AB hereby confirms that, to the best of our knowledge, the attached Consolidated Interim Condensed Unaudited Financial Statements for the 12 months of 2014 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss of INVL Baltic Farmland and Consolidated Group.

### ENCLOSURE:

1. INVL Baltic Farmland, AB Consolidated Interim Condensed Unaudited Financial Statements for 12 months of 2014.

Director



Darius Šulnis

Person authorised to conduct accounting



Raimondas Rajeckas

### INVL Baltic Farmland, AB

Kalvarijų str. 11A-20, LT-09310 Vilnius, Lithuania. Office address: Šeimyniškių str. 1A, LT-09312 Vilnius, Lithuania.  
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Code 303299781. Registered at the Centre of Registers. Account: LT934010051001989356, AB DNB Bank.

# AB INVL BALTIC FARMLAND

CONSOLIDATED INTERIM CONDENSED NOT-AUDITED FINANCIAL STATEMENTS  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014 PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN  
UNION

**AB INVL BALTIC FARMLAND**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**GENERAL INFORMATION**

**Board of Directors**

Mr. Alvydas Banys (chairman of the Board)  
Ms. Indrė Mišeikytė  
Mr. Darius Šulnis

**Management**

Mr. Darius Šulnis (director)

**Principal place of business and company code**

Office address  
Šeimyniškių Str. 1A,  
Vilnius,  
Lithuania

Company code 303299781

**Banks**

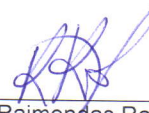
AB DNB Bankas  
AB Šiaulių Bankas  
"Swedbank", AB

The financial statements were approved and signed by the Management and the Board of Directors on 27 February 2015.



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Mr. Darius Šulnis  
Director



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Mr. Raimondas Rajeckas  
Authorized person according to the  
agreement to conduct accounting

**AB INVL BALTIC FARMLAND****CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Consolidated and Company statements of comprehensive income**

	Notes	2014	
		2014 Audited	IV Quarter 2014 Unaudited
<b>Revenue</b>		<b>794</b>	<b>328</b>
Interest income		1	-
Other income		13	6
Net changes in fair value of subsidiaries at fair value through profit or loss		-	
Legal, professional and securities administration fees		(149)	(57)
Allowance for (reversal of) impairment of trade receivables		(98)	(37)
Direct property operating expenses		(77)	(52)
Employee benefits expense		(72)	(34)
Depreciation and amortisation		(7)	(3)
Other expenses		(24)	(9)
<b>Operating profit</b>		<b>381</b>	<b>142</b>
Finance costs		(1)	-
<b>Profit before income tax</b>		<b>380</b>	<b>142</b>
Income tax expense		(71)	(27)
<b>NET PROFIT FOR THE YEAR</b>		<b>309</b>	<b>115</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>309</b>	<b>115</b>
Attributable to:			
Equity holders of the parent		309	115
Basic and diluted earnings per share (in LTL)		0.09	0.03

**AB INVL BALTIC FARMLAND****CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Interim consolidated statement of financial position**

	Notes	<u>As at 31 December 2014</u>
		Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment		3
Investment properties	4	36,456
Intangible assets		11
Deferred income tax asset		15
<b>Total non-current assets</b>		<u><b>36,485</b></u>
<b>Current assets</b>		
Trade and other receivables		78
Prepayments and deferred charges		4
Cash and cash equivalents		726
<b>Total current assets</b>		<u><b>808</b></u>
<b>Total assets</b>		<u><u><b>37,293</b></u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	3	3,294
Own shares	5	(21)
Share premium	3	4,789
Reserves	3	11,113
Retained earnings		15,115
<b>Total equity</b>		<u><b>34,290</b></u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred income tax liability		2,889
<b>Total non-current liabilities</b>		<u><b>2,889</b></u>
<b>Current liabilities</b>		
Trade payables		12
Income tax payable		30
Advances received		50
Other current liabilities		22
<b>Total current liabilities</b>		<u><b>114</b></u>
<b>Total liabilities</b>		<u><b>3,003</b></u>
<b>Total equity and liabilities</b>		<u><u><b>37,293</b></u></u>

**AB INVL BALTIC FARMLAND**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Consolidated statement of changes in equity**

Group	Notes	Equity attributable to equity holders of the parent								
		Share capital	Own shares	Share premium	Reserves			Subtotal	Non-controlling interests	Total equity
					Legal reserve	Reserve of purchase of own shares	Retained earnings (accumulated deficit)			
<b>The Group's equity formed on 29 April 2014 under split-off conditions according to predecessor values method</b>	3	<b>3,294</b>	-	<b>4,789</b>	<b>454</b>	<b>10,659</b>	<b>14,806</b>	<b>34,002</b>	-	<b>34,002</b>
Profit for the year		-	-	-	-	-	309	309	-	309
Other comprehensive income for the year		-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-	-	<b>309</b>	<b>309</b>	-	<b>309</b>
Own shares buy back	5	-	(21)	-	-	-	-	(21)	-	(21)
<b>Balance as at 31 December 2014 (audited)</b>		<b>3,294</b>	<b>(21)</b>	<b>4,789</b>	<b>454</b>	<b>10,659</b>	<b>15,115</b>	<b>34,290</b>	-	<b>34,290</b>

**AB INVL BALTIC FARMLAND****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Consolidated statement of cash flows**

	<b>Notes</b>	<b>2014</b>
		Audited
<b>Cash flows from (to) operating activities</b>		
Net profit (loss) for the period		309
<b>Adjustments for non-cash items and non-operating activities:</b>		
Depreciation and amortization		7
Interest (income)		(1)
Interest expenses		1
Deferred taxes		41
Current income tax expenses		30
Allowances		98
		<u>98</u>
<b>Changes in working capital:</b>		
Decrease (increase) in trade and other receivables		(96)
Decrease (increase) in other current assets		4
(Decrease) increase in trade payables		(19)
(Decrease) increase in other current liabilities		11
		<u>11</u>
<b>Cash flows (to) from operating activities</b>		<b>385</b>
Income tax (paid)		(6)
		<u>(6)</u>
<b>Net cash flows (to) from operating activities</b>		<b>379</b>
		<u>379</u>
<b>Cash flows from (to) investing activities</b>		
Repayment of granted loans		1,657
Interest received		1
		<u>1</u>
<b>Net cash flows (to) investing activities</b>		<b>1,658</b>
		<u>1,658</u>
<b>Cash flows from (to) financing activities</b>		
Cash flows related to Group owners		
Cash received according to split-off terms	3	979
Acquisition of own shares		(21)
		<u>958</u>
Cash flows related to other sources of financing		
Repayment of loans	3	(2,268)
Interest paid		(1)
		<u>(2,269)</u>
<b>Net cash flows (to) from financial activities</b>		<b>(1,311)</b>
		<u>(1,311)</u>
<b>Impact of currency exchange on cash and cash equivalents</b>		-
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>726</b>
		<u>726</u>
<b>Cash and cash equivalents at the beginning of the period</b>		-
<b>Cash and cash equivalents at the end of the period</b>		<b>726</b>
		<u>726</u>

*(the end)*

## AB INVL BALTIC FARMLAND

### INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014

(all amounts are in LTL thousand unless otherwise stated)

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## Notes to the interim condensed financial statements

### 1 General information

AB INVL Baltic Farmland (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania. It was established on 29 April 2014, following the split-off of 14.45% assets, equity and liabilities from AB Invalda LT (code 121304349). Entities, which business is investment into agricultural land and its rent, were transferred to the Company (hereinafter split-off). More details about the split-off are disclosed in Note 3.

The address of the office is as follows:

Šeimyniškių str. 1A,  
Vilnius,  
Lithuania.

These financial statements cover the interim financial period, starting from the Company's establishment date 29 April 2014 and ending on 31 December 2014.

The Company manages shares of entities investing into agricultural land. Now the Company has 100% in 18 companies owning more than 3 thousand hectares of agricultural land in Lithuania (detailed list of subsidiaries is presented below), that is rented to farmers and agricultural companies. The Company focuses on growth of quality of owned land and environmental sustainability. The Group is operated in one segment – agricultural land segment.

Investments into agricultural land are classified as long term and are recommended for investors who are satisfied with the return on rent and possible income from increase of agricultural land prices. Since prices of agricultural products are determined in the world markets, this investment allow to participate in the world food supply chain.

The Company's share capital is divided into 3,294,209 ordinary registered shares with the nominal value of LTL 1 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. The Company bought-back 1,950 own shares during the implementation of the share buy-back procedure which finished on 30 September 2014. Given the fact that the treasury shares do not grant voting rights, the total amount of voting rights in INVL Baltic Farmland equalled to 3,292,259 units as of 3 October 2014. As at 31 December 2014 the shareholders of the Company were (by votes)\*:

	<b>Number of votes held</b>	<b>Percentage</b>
UAB LJB Investments	1,002,724	30.44
Mrs. Irena Ona Mišeikiene	952,072	28.90
UAB Lucrum Investicija	743,546	22.57
Mr. Alvydas Banyš	252,875	7.68
Ms. Indrė Mišeikytė	65,758	2.00
Other minor shareholders	275,284	8.36
Total	<u>3,292,259</u>	<u>100.00%</u>

\* Some shareholders have sold part of their shares under repo agreement (so did not hold the legal ownership title of shares), but they retained the voting rights of transferred shares.

The Company's shares are traded on the Baltic Secondary List of NASDAQ OMX Vilnius from 4 June 2014.



**AB INVL BALTIC FARMLAND****INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**1 General information (cont'd)**

The Group had the following directly held by the Company subsidiaries:

<b>Company</b>	<b>Registration country</b>	<b>Share of the stock held by the Group (%)</b>	<b>Main activities</b>
UAB Avižėlė	Lithuania	100.00	Agricultural land owner and lessor
UAB Beržytė	Lithuania	100.00	Agricultural land owner and lessor
UAB Dirvolika	Lithuania	100.00	Agricultural land owner and lessor
UAB Duonis	Lithuania	100.00	Agricultural land owner and lessor
UAB Ekotra	Lithuania	100.00	Agricultural land owner and lessor
UAB Kvietukas	Lithuania	100.00	Agricultural land owner and lessor
UAB Laukaitis	Lithuania	100.00	Agricultural land owner and lessor
UAB Lauknešys	Lithuania	100.00	Agricultural land owner and lessor
UAB Linažiedė	Lithuania	100.00	Agricultural land owner and lessor
UAB Pušaitis	Lithuania	100.00	Agricultural land owner and lessor
UAB Puškaitis	Lithuania	100.00	Agricultural land owner and lessor
UAB Sėja	Lithuania	100.00	Agricultural land owner and lessor
UAB Vasarojus	Lithuania	100.00	Agricultural land owner and lessor
UAB Žalvė	Lithuania	100.00	Agricultural land owner and lessor
UAB Žemgalė	Lithuania	100.00	Agricultural land owner and lessor
UAB Žemynėlė	Lithuania	100.00	Agricultural land owner and lessor
UAB Žiemkentys	Lithuania	100.00	Agricultural land owner and lessor
UAB Cooperor	Lithuania	100.00	Dormant

**2 Basis of preparation and accounting policies**

The principal accounting policies applied in preparing the Group's financial statements for the twelve months ended 31 December 2014 are as follows:

**2.1. Basis of preparation**

The interim condensed financial statements for the twelve months ended 31 December 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

These financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value. The financial statements are presented in thousands of Litas (LTL) and all values are rounded to the nearest thousand except when otherwise indicated.

## **AB INVL BALTIC FARMLAND**

### **INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014**

(all amounts are in LTL thousand unless otherwise stated)

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## **2 Basis of preparation and accounting policies (cont'd)**

### **2.2. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

### **2.3. Functional and presentation currency**

The financial statements are prepared in Litas (LTL), which was local currency of the Republic of Lithuania, till 31<sup>st</sup> December of 2014, and presented in LTL thousand. Litas is the Company's and the Group's functional and presentation currency. Starting from 2 February 2002 until 31 December 2014 Lithuanian Litas is pegged to euro at the rate of 3.4528 Litas for 1 euro. The exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

As these financial statements are presented in LTL thousand, individual amounts were rounded. Due to the rounding, totals in the tables may not add up.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.4. Business combinations and goodwill**

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred from 1 January 2010 (until that they were included in the acquisition cost). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

### **2.5. Business combinations under common control**

IFRS provides no guidance on the accounting for common control transactions, but requires that entities develop an accounting policy for them [IAS 8.10]. The two methods most commonly chosen for accounting for business combinations between entities under common control are (1) the acquisition method and (2) the predecessor values method. Once a method has been adopted it should be applied consistently as a matter of accounting policy. Neither IFRS 3 nor any other IFRS require or prohibit the application of either method to business combinations involving entities under common control.

The Group elected to apply predecessor values method for transactions under common control. The principles of predecessor accounting are:

- No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. These are the carrying values that are related to the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. This is because the transaction is under the control of that entity, and it is a portion of the controlling entity that is being moved around in the transaction. In some cases, the controlling party, that is, the party that controls both combining businesses, may not prepare consolidated financial statements. This can occur, for example, because it is not a parent company. In such situations, the book values used are those from the highest set of consolidated financial statements available. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity.
- No new goodwill arises in predecessor accounting. The combining entities are looked at from the perspective of a transfer made by the controlling party. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Predecessor accounting may lead to differences on consolidation. For example, there may be a difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. The differences are included in equity in retained earnings or in a separate reserve.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.5 Business combinations under common control (cont'd)**

The Group incorporated the acquired entities results and balance sheets prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entities for the period before the transaction occurred. The corresponding amounts for the previous year are also not restated.

### **2.6. Property, plant and equipment**

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. Depreciation is calculated using the straight-line method over the estimated useful lives of 3 to 6 years.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income within "other income" in the year the asset is derecognised.

### **2.7. Investment properties**

Properties that are held for long-term rental yields and for capital appreciation are classified as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income within "Net gains (losses) from fair value adjustments on investment property" in the year of retirement or disposal.

### **2.8. Intangible assets other than goodwill**

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised using the straight-line method over their useful lives of 3 years.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.9. Financial assets**

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through amortisation process. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets

### **2.10. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.11. Impairment of financial assets**

#### Assets carried at amortised cost

The Group assesses at each reporting date whether is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group assesses whether objective evidence of impairment exists individually for financial assets. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When financial asset is assessed as uncollectible the impaired asset is derecognised.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss within "Allowance for (reversal of) impairment of trade receivables".

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss within "Allowance for (reversal of) impairment of trade receivables", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### **2.12. Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with an original maturity of three months or less.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.13. Financial liabilities**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of borrowings, net of directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as follows:

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **2.14. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.15. Leases**

#### Group company is the lessor in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group company are classified as operating leases. Payments, including pre-payments, received under operating leases (net of any incentives granted to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

Land leased out under operating leases is included in investment property in the consolidated statement of financial position (Note 4). See Note 2.16 for the recognition of rental income.

### **2.16. Revenue recognition**

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

#### Rental income

Rental income arising from operating leases of land is accounted for on a straight-line basis over the lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

According to agreements land rent consists of two parts - a fixed rent for a year and a variable part equal to land tax paid to the State for the year. In the first quarter fixed rental fee is invoiced to the tenants. In the fourth quarter variable part of the rent is invoiced to the tenants, when State tax authorities provide an estimate of the land tax and the rental income equal to the variable rent amount as well as land tax expenses are recognised.

#### Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

### **2.17. Borrowing costs**

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



## **2 Basis of preparation and accounting policies (cont'd)**

### **2.18. Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The standard income tax rate in Lithuania was 15 % in 2014. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Following the provisions of Law on Corporate Income Tax the sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person shall not be taxed where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or is expected to be met by the management of the Company, no deferred tax liabilities or assets are recognised in respect of temporary differences associated with carrying amounts of these investments.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. From 1 January 2014 current year taxable profit could be decreased by previous year tax losses only up to 70%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.19. Employee benefits**

#### Social security contributions

The Company and the Group pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

#### Bonus plans

The Company and the Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

#### Pension obligations

If there is an individual arrangement with an employee the Company and the Group may make payments into defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

### **2.20. Contingencies**

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

### **2.21. Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position as at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

### **2.22. Significant accounting judgements and estimates**

The preparation of financial statements requires management of the Group and the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **AB INVL BALTIC FARMLAND**

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(all amounts are in LTL thousand unless otherwise stated)

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## **2 Basis of preparation and accounting policies (cont'd)**

### **2.22 Significant accounting judgements and estimates (cont'd)**

#### **Judgements**

In the process of applying the Group accounting policies, management has made the following judgement, which has most significant effect on the amounts recognised in these financial statements:

#### **Initial accounting of the assets received and liabilities assumed during split-off**

AB Invalda LT management has made a judgement that the split-off completed in 2014 as a result of which the Company was established was not in scope of IFRIC 17 „Distribution of Non-cash Assets to Owners“. IFRIC 17 includes an exemption that the Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. During the split-off shares were allocated proportionally to all shareholders of AB Invalda LT and in the newly established entities, AB Invalda LT was controlled according to the agreement by the same shareholders' group before and after the Split-off, therefore this exemption could be applied. As a result the Company and the Group elected to apply predecessor values method for transactions under common control. The Group incorporated the acquired entities results and balance sheets prospectively from the date on which the business combination between entities under common control occurred. More details are described in Note 2.5

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant areas of estimation used in the preparation of these financial statements are discussed below.

#### **Fair value of investment properties in consolidated financial statements**

Fair value of investment properties was based on the market approach by reference to sales in the market of comparable properties. Market approach refers to the prices of the analogous transactions in the market. These values are adjusted for differences in key attributes such as land size and productivity.

The fair value of the investment properties as at 31 December 2014 was LTL 36,456 thousand (described in more details in Note 4).

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#### 3 Split-off

##### The Group

On 21 March 2014 the split-off terms of AB Invalda LT (code 121304349) were announced. The Extraordinary General Shareholders Meeting approved the terms of the Company's split-off on 28 April 2014. The Split-off was completed on 29 April 2014. According to the terms, three entities AB INVL Baltic Farmland, AB INVL Baltic Real Estate and AB INVL Technology, comprising 47.95% of AB Invalda LT assets calculated at carrying amounts, were split-off from AB Invalda LT. Following the split-off, 14.45% of the assets, equity and liabilities were transferred to the Company.

The Group elected to apply predecessor values method for transactions under common control (Note 2.5). No assets or liabilities were restated to their fair values. Instead, the Group incorporated predecessor carrying values.

Transferred net assets to the Group were as follows:

Intangible assets	17
Property, plant and equipment	3
Investment properties	36,456
Deferred income tax asset	68
Other loans granted	1,657
Prepayments and deferred charges	8
Trade and other receivables	776
Cash and cash equivalents	979
<b>Total assets</b>	<b>39,964</b>
Share capital	3,294
Share premium	4,789
Reserves	11,113
Retained earnings	14,806
<i>Total equity (net assets)</i>	<i>34,002</i>
Deferred income tax liability	2,901
Borrowings	2,268
Trade payables	31
Income tax payable	6
Advances received	746
Other current liabilities	10
<i>Total liabilities</i>	<i>5,962</i>
<b>Total equity and liabilities</b>	<b>39,964</b>

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**4 Investment properties**

<b>Fair value hierarchy</b>	<b>Level 2</b>
<b>Received during split-off on 29 April 2014</b>	<b>36,456</b>
Additions	-
Subsequent expenditure	-
Disposals	-
Gain from fair value adjustment	-
Loss from fair value adjustment	-
<b>Balance as at 31 December 2014</b>	<b><u>36,456</u></b>
<b>Unrealised gains and losses for the period included within 'Net gains (losses) from fair value adjustments on investment property' in the income statement</b>	<b><u>-</u></b>

Investment properties are stated at fair value and are valued by accredited valuer UAB korporacija Matininkai using sales comparison method. The valuation was performed in July 2014. Most of analogues transactions, on which property's fair value was based, took part during the period from January till April of 2014. Therefore, the investment properties are recognised at newly established fair value at the starting date of the Group activities on 29 April 2014. There were no significant changes in the market from August until December 2014 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 31 December 2014.

The fair value represents the price that would be received selling an asset in an orderly transaction between market participants at the measurement date. An investment property's fair value was based on the market approach by reference to sales in the market of comparable properties. Market approach refers to the prices of the analogues transactions in the market. These values are adjusted for differences in key attributes such as land plot size and productivity. The most significant input into this valuation approach is price per hectare.

There were no changes to the valuation techniques during the period.

On 1 May 2014 changes to the Agricultural Land Acquisition temporary law entered into force, providing restrictions of the purchase of agricultural land (including restriction of purchase of shares in the legal entity owning agricultural land). These restrictions mean that the Group cannot purchase additional agricultural land and/or acquire shares in entities owning agricultural land. As a result of restrictions the land sale market in Lithuania became less liquid. There were no other restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during 2014. No contractual obligations to purchase investment properties existed at the end of the period.

## AB INVL BALTIC FARMLAND

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(all amounts are in LTL thousand unless otherwise stated)

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#### 5 Acquisition of own shares

From 14 August 2014 until 30 September 2014 the share buy-back was implemented through the tender offer market. Maximum number of shares to be acquired was 16,471. Share acquisition price established at EUR 2.86 (LTL 9.88) per share. During buy-back 1,950 shares (0.06% of share capital) were acquired for LTL 21 thousand, including brokerage fees. The acquired shares were settled on 3 October 2014. Acquired own shares do not have voting rights. There was no decision of shareholders of the Company taken to reduce the share capital by cancelling own shares, therefore own shares with a nominal value of LTL 2 thousand and acquisition value of LTL 21 thousand are presented on the statement of financial position as at 31 December 2014.

#### 6 Related party transactions

The related parties of the Group were the shareholders of the Company (note 1), key management personnel, including companies under control or joint control of key management and shareholders having significant influence, the entities of the group of AB Invalda LT and entities of other groups, which were split-off from AB Invalda LT. The Group was established after the split-off from Invalda LT.

Interest income and expenses are presented in the 'revenue' and 'purchases' columns, respectively.

The Group's transactions with related parties during 2014 and related balances as at 31 December 2014 were as follows:

2014 Group	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
AB Invalda LT (accounting services)	-	34	-	1
UAB BAIP (Information technology maintenance services)	-	1	-	-
UAB Cedus Invest (loan)	1	-	-	-
AB FMĮ Finasta	-	1	-	2
	<u>1</u>	<u>36</u>	<u>-</u>	<u>3</u>
Liabilities to shareholders and management	-	-	-	-

#### 7 Events after the reporting period

##### Acquisition of own shares and dividends

From 29 January 2015 until 26 February 2015 the Company implemented share buy-back through the tender offer market. Maximum number of shares to be acquired was 16,471. Share acquisition price established at EUR 2.86 (LTL 9.88) per share. During buy-back 710 shares (0.02% of share capital) were acquired for LTL 8 thousand, including brokerage fees. Acquired own shares do not have voting rights.

A dividend in respect of the year ended 31 December 2014 of EUR 0.06 (LTL 0.21) per share, amounting to a total dividend of EUR 197 thousand (LTL 682 thousand), is to be proposed at the annual general meeting on 24 March 2015. These financial statements do not reflect this dividend payable.

## **AB INV L BALTIC FARMLAND**

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(all amounts are in LTL thousand unless otherwise stated)

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#### **8 Important events, which have occurred during 2014**

On 20 May 2014 the company informed that the Supervisory Authority of the Bank of Lithuania decided to treat the information submitted in the split-off terms of Invalda LT, AB related documentation, in the list of references related to AB INV L Baltic Farmland in the description of the risk factors as information equivalent to the information that is required to be disclosed in the prospectus of AB INV L Baltic Farmland. The Board of AB INV L Baltic Farmland decided to apply NASDAQ OMX Vilnius stock exchange to admit company's shares into the Secondary list since 4 June 2014.

On 30 May 2014 AB INV L Baltic Farmland disclosed its managed assets and plans. The company owns 18 companies, managed about 3 thousand hectares of land. The total value of the managed land was LTL 36.972 million (EUR 10.7 million). Consolidated shareholders' equity amounted to LTL 34.313 million (EUR 9.94 million).

The General Shareholders Meeting of AB INV L Baltic Farmland that was held on 25 June 2014 approved resolution to purchase of own shares. A reserve for purchase of own shares, which is equal to LTL 10,659,595.78, was formed in AB INV L Baltic Farmland. Max number of shares to be acquired – the total nominal value of own shares acquired during the whole period may not exceed 1/10 of share capital. The period during which the company may acquire its own shares - 12 months from the day of this resolution. The maximum one share acquisition price – EUR 4.00 (LTL 13.81), minimum one share acquisition price – EUR 2.86 (LTL 9.88). Purchased own shares may be cancelled by the decision of the General Shareholders Meeting or sold by the decision of the Board upon the condition that minimum sale price for one share isn't lower than value of consolidated equity per one share calculated according to the last financial statements of AB INV L Baltic Farmland, which was announced before the decision of the Board, and the sale procedure will ensure equal possibilities for all shareholders to purchase these shares.

On 8 August 2014 AB INV L Baltic Farmland announced unaudited results for 6 months of 2014. Consolidated net profit as well as consolidated net profit attributable to shareholders of AB INV L Baltic Farmland amounted to LTL 112 thousand (EUR 32.4 thousand).

On 12 August 2014 the Board of AB INV L Baltic Farmland taking into account that INV L Baltic Farmland's share price on NASDAQ OMX Vilnius stock exchange is more than 5 percent lower than the equity value per one share (EUR 3 or LTL 10.36) and considering the Resolution of the General Shareholders meeting held on 25 June 2014, initiated an acquisition of own ordinary registered LTL 1 (one) nominal value shares. Share acquisition started on 14 August 2014. Share acquisition ended on 30 September 2014. Max number of shares to be acquired: 16,471. Share acquisition price: EUR 2.86 (LTL 9.88) per share's.

On 30 September 2014 AB INV L Baltic Farmland finished implementation of the share buy-back procedure. The company will acquire 0.06% of own shares for the total amount of EUR 5,577 (LTL 19,256) (excluding brokerage fees). AB INV L Baltic Farmland could purchase up to 16 471 units of shares. During the share buy-back procedure it was offered to buy 1 950 units of shares.

On 3 October 2014 AB INV L Baltic Farmland settled for treasury shares and acquired 1,950 units of shares (0.06 % of share capital) for the amount of EUR 5,577 (LTL 19,256) during the share buy-back procedure, which took place from 14 August till 30 September. The company paid EUR 2.86 (LTL 9.88) for one share.

On 29 October 2014 unaudited results of AB INV L Baltic Farmland for 9 months of 2014 were announced. Unaudited consolidated net profit as well as consolidated net profit attributable to shareholders of AB INV L Baltic Farmland amounted to LTL 194 thousand (EUR 56.2 thousand).

23 December General Shareholder Meeting of the company passed the following resolutions: to elect joint-stock company PricewaterhouseCoopers, code 111473315, to audit annual financial statements for the financial year 2014 and to set the payment for the audit services not more than LT 24 000 (twenty four thousand litas), VAT is not included in this amount; to change the registered office of AB INV L Baltic Farmland and to register the new address in the premises located at Seimyniskiu str. 1A, Vilnius, Lithuania (unique No. 1399-8031-1015); to elect Danute Kadanaite and Tomas Bubinas (independent member) to the Audit Committee of AB INV L Baltic Farmland for the 4 (four) years term of office; for a work in the Audit Committee of AB INV L Baltic Farmland to set a rate not higher than 500 Litass per hour, to delegate to the Board of the Company to determine the remuneration payment procedure for the Audit Committee members; to approve the regulations of the formation and activity of the Audit Committee of AB INV L Baltic Farmland

The investors' calendar for 2015 was announced on 30 December: 27 January 2015 – preliminary result for 12 months of 2014. 27 February 2015 - Interim information for 12 months of 2014. 28 April 2015 - Interim information for 3 months of 2015. 24 July 2015 - Interim information for 6 months of 2015. 27 October 2015 - Interim information for 9 months of 2015.