



AB Linas Agro Group
Consolidated unaudited
Financial Statements
For the 3 month period
of the financial year 2018/19

*Prepared according to
Additional Information Preparing And Presentation
Instructions issued by the Bank of Lithuania*



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2018	As at 30 June 2018
ASSETS			
Non-current assets			
Intangible assets	5	1,488	1,496
Property, plant and equipment	6	124,858	122,590
Investment property	7	1,316	1,316
Animals and livestock		8,460	8,726
Non-current financial assets			
Other investments and prepayments for financial assets		16	16
Non-current receivables		2,326	1,841
Total non-current financial assets		2,342	1,857
Non-current prepayments		–	1,590
Deferred income tax asset		2,520	2,803
Total non-current assets		140,984	140,378
Current assets			
Crops		3,524	12,856
Livestock		2,792	2,312
Inventories		186,914	95,873
Current prepayments		7,133	12,206
Accounts receivable			
Trade receivables		82,924	117,036
Receivables from related parties	12	715	255
Income tax receivable		541	843
Other accounts receivable		5,056	7,128
Total accounts receivable		89,236	125,262
Derivative financial instruments		45	70
Other current financial assets		2,571	1,485
Cash and cash equivalents		10,462	10,495
Total current assets		302,677	260,559
Total assets		443,661	400,937

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The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	As at 30 September 2018	As at 30 June 2018
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	1	46,093	46,093
Share premium	1	23,038	23,038
Legal reserve		3,419	3,419
Own shares		(453)	(453)
Foreign currency translation reserve		(24)	(22)
Cash flow hedge reserve		(40)	(40)
Retained earnings		106,224	102,951
Total equity attributable to equity holders of the parent		178,257	174,986
Non-controlling interest		2,216	2,088
Total equity		180,473	177,074
Liabilities			
Non-current liabilities			
Grants and subsidies		6,173	6,299
Non-current borrowings	8	29,109	27,180
Finance lease obligations		1,123	1,172
Deferred income tax liability		99	110
Non-current employee benefits		442	442
Total non-current liabilities		36,946	35,203
Current liabilities			
Current portion of non-current borrowings	8	6,592	6,835
Current portion of finance lease obligations		662	559
Current borrowings	8, 12	159,465	118,109
Trade payables		37,329	39,079
Payables to related parties		39	1
Income tax payable		184	103
Derivative financial instruments		1,839	987
Other current liabilities		20,132	22,987
Total current liabilities		226,242	188,660
Total equity and liabilities		443,661	400,937

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the period 1 July to 30 September)

	Notes	2018/2019 1 Q	2017/2018 1 Q
Sales	4	156,159	129,192
Cost of sales		(143,763)	(114,668)
Gross profit		12,396	14,524
Operating (expenses)	9	(8,637)	(8,776)
Other income	10	546	320
Other (expenses)		132	(451)
Operating profit		4,437	5,617
Income from financing activities		113	159
(Expenses) from financing activities		(774)	(577)
Profit before tax		3,776	5,199
Income tax		(373)	(484)
Net profit		3,403	4,715
Net profit attributable to:			
Equity holders of the parent		3,272	4,292
Non-controlling interest		131	423
		3,403	4,715
Basic and diluted earnings per share (EUR)		0.02	0.03
Net profit		3,403	4,715
Other comprehensive income			
Exchange differences on translation of foreign operations		(2)	–
Total other comprehensive income, to be reclassified to profit or loss in subsequent periods		(2)	–
Total comprehensive income, after tax		3,401	4,715
Total comprehensive income attributable to:			
The shareholders of the Company		3,270	4,292
Non-controlling interest		131	423
		3,401	4,715

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent										
	Notes	Share capital	Own shares	Share premium	Legal reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interest	Total
Balance as at 1 July 2017		46,093	(453)	23,038	3,186	(73)	(22)	95,177	166,946	2,271	169,217
Net profit for the year		–	–	–	–	–	–	4,292	4,292	423	4,715
Total comprehensive income		–	–	–	–	–	–	4,292	4,292	423	4,715
Acquisition of minority interest		–	–	–	–	–	–	7	7	(13)	(6)
Balance as at 30 September 2017		46,093	(453)	23,038	3,186	(73)	(22)	99,476	171,245	2,681	173,926
Balance as at 1 July 2018		46,093	(453)	23,038	3,419	(40)	(22)	102,951	174,986	2,088	177,074
Net profit for the year		–	–	–	–	–	–	3,272	3,272	131	3,403
Exchange differences on translation of foreign operations		–	–	–	–	–	(2)	–	(2)	–	(2)
Total comprehensive income		–	–	–	–	–	(2)	3,272	3,270	131	3,401
Dividends declared by the subsidiaries		–	–	–	–	–	–	–	–	(1)	(1)
Acquisition of minority interest		–	–	–	–	–	–	1	1	(2)	(1)
Balance as at 30 September 2018		46,093	(453)	23,038	3,419	(40)	(24)	106,224	178,257	2,216	180,473

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The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2018/2019 1 Q	2017/2018 1 Q
Cash flows from (to) operating activities		3,403	4,715
Net profit			
Adjustments for non-cash items:			
Depreciation and amortisation		2,502	2,982
Subsidies amortisation		(102)	(237)
(Gain) on disposal of property, plant and equipment		(51)	(93)
Change in allowance and write-offs for receivables and prepayments		191	39
Inventories write down to net realisable value		30	–
Change in accrued expenses		(4,072)	704
Change in fair value of biological assets		(550)	56
Change in deferred income tax		267	42
Current income tax expenses		104	443
Expenses (income) from change in fair value of financial instruments		(6,334)	445
Dividend (income)		(3)	(121)
Interest (income)		(113)	(159)
Interest expenses		774	576
		(3,954)	9,392
Changes in working capital:			
Decrease in biological assets		9,751	11,111
(Increase) in inventories		(83,856)	(94,565)
Decrease (increase) in prepayments		5,080	(4,791)
Decrease in trade and other accounts receivable		30,190	3,464
(Increase) in restricted cash		(363)	(510)
Increase in trade and other accounts payable		(4,562)	9,315
Income tax (paid)		(111)	(208)
Net cash flows from (to) operating activities		(47,825)	(66,792)

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The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

Notes	2018/2019 1 Q	2017/2018 1 Q
Cash flows from (to) investing activities		
(Acquisition) of intangible assets, property, plant and equipment and investment property	(4,650)	(4,940)
Proceeds from sale of intangible assets, property, plant and equipment and investment property	208	168
Loans (granted)	(67)	(4)
Repayment of granted loans	65	185
Interest received	13	25
Dividend received	3	121
Net cash flows from (to) investing activities	(4,428)	(4,445)
Cash flows from (to) financing activities		
Proceeds from loans	66,120	81,672
(Repayment) of loans	(13,005)	(9,296)
Finance lease (payments)	(181)	(226)
Grants received	–	593
Interest (paid)	(713)	(520)
Acquisition of non-controlling interest	(1)	(6)
Net cash flows from (to) financing activities	52,220	72,217
Net (decrease) increase in cash and cash equivalents	(33)	980
Cash and cash equivalents at the beginning of the year	10,495	8,897
Cash and cash equivalents at the end of the year	10,462	9,877
Supplemental information of cash flows:		
Non-cash investing activity:		
Property, plant and equipment acquisitions financed by grants and subsidies	–	593
Property, plant and equipment acquisitions financed by finance lease	203	140

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AB Linas Agro Group (hereinafter the Company or the parent) is a public limited liability company registered in the Republic of Lithuania. The Company was registered on 27 November 1995.

The address of its registered office is as follows: Smėlynės Str. 2C, LT-35143 Panevėžys, Lithuania.

The principal activities of the Group are described in Note 4.

The financial year of the Group starts on 1 July of the calendar year and ends on 30 June of the following calendar year.

As at 30 September 2018 and as at 30 June 2018 the shareholders of the Company were:

	As at 30 September 2018		As at 30 June 2018	
	Number of shares held	Percentage	Number of shares held	Percentage
Akola ApS (Denmark)	109,909,167	69.15 %	109,909,167	69.15 %
Darius Zubas	17,049,995	10.73 %	17,049,995	10.73 %
Tomas Pučkis	4,781,306	3.01 %	4,359,078	2.74 %
Swedbank AS (Estonia) clients	4,472,774	2.81 %	4,472,774	2.81 %
Other shareholders (private and institutional investors)	22,727,156	14.30 %	23,149,384	14.57 %
Total	158,940,398	100.00 %	158,940,398	100.00 %

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each as at 30 September 2018 (EUR 0.29 each as at 30 June 2018) and were fully paid as at 30 September 2018 and as at 30 June 2018.

The Company holds 781,972 of its own shares, percentage 0.50%, as at 30 September 2018 (781,972 as at 30 June 2018). Subsidiaries and other related companies did not hold any shares of the Company as at 30 September 2018 and as at 30 June 2018.

All of the Company's 158,940,398 ordinary shares are included in the Official list of NASDAQ OMX Vilnius stock exchange (ISIN code LT0000128092). The Company's trading ticker in NASDAQ OMX Vilnius stock exchange is LNA1L.

As at 30 September 2018 the number of employees of the Group was 2,174 (2,199 as at 30 June 2018).

No changes in share capital occurred during the years ending 30 September 2018 and 30 June 2018.

2. ACCOUNTING PRINCIPLES

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU), which include IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2017/2018 financial year.

3.GROUP STRUCTURE AND CHANGES IN THE GROUP

As at 30 September 2018 and as at 30 June 2018 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

	Place of registration	Effective share of the stock held by the Group		Main activities
		30 September 2018	30 June 2018	
Investments into directly controlled subsidiaries				
AB Linas Agro	Lithuania	100%	100%	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100%	100%	Management of the subsidiaries engaged in agriculture
UAB Dotnuva Baltic	Lithuania	100%	100%	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Linas Agro Grūdų Centras KŪB	Lithuania	100%	100%	Preparation and warehousing of grains for trade
UAB Jungtinė Ekspedicija	Lithuania	100%	100%	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 5*	Lithuania	100 %	100%	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	100%	Rent and management of agricultural purposes land
UAB Lineliai	Lithuania	100%	100%	Rent and management of agricultural purposes land
AS Putnu fabrika Kekava	Latvia	97.10%	97.09%	Broiler breeding, slaughtering and sale of products
SIA PFK Trader	Latvia	97.10%	97.09%	Retail trade of food production
SIA Lielzeltini	Latvia	100%	100%	Broiler breeding, slaughtering and sale of products, feedstuffs
SIA Cerova	Latvia	100%	100%	Egg incubation and chicken sale
SIA Broileks	Latvia	100%	100%	Chicken breeding and sale
SIA Erfolg Group	Latvia	97.10%	97.09%	Not operating company
UAB Kekava Foods	Lithuania	97,10%	97.09%	Retail trade of food production
Investments into indirectly controlled subsidiaries (through AB Linas Agro)				
SIA Linas Agro	Latvia	100%	100%	Wholesale trade of grains and oilseeds, agricultural inputs
UAB Gerera	Lithuania	100%	100%	Not operating company
UAB Linas Agro Grūdų Centras	Lithuania	100%	100%	Management services
UAB Linas Agro Grūdų Centras KŪB	Lithuania	100%	100%	Preparation and warehousing of grains for trade
Linas Agro A/S	Denmark	100%	100%	Wholesale trade of grains and oilseeds, feedstuffs
ŽŪB Landvesta 3*	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 4*	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 6*	Lithuania	100%	100%	Rent and management of agricultural purposes land

3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

	Place of registration	Effective share of the stock held by the Group		Main activities
		30 September 2018	30 June 2018	
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)				
ŽŪK KUPIŠKIO GRŪDAI	Lithuania	98.49%	98.96%	Preparation and warehousing of grains for trade
Biržai district Medeikių ŽŪB	Lithuania	98.34%	98.34%	Growing and sale of crops
Šakiai district Lukšių ŽŪB	Lithuania	98.80%	98.80%	Mixed agricultural activities
Panevėžys district Aukštadvario ŽŪB	Lithuania	97.65%	97.65%	Mixed agricultural activities
Sidabravo ŽŪB	Lithuania	95.21%	95.21%	Mixed agricultural activities
Kėdainiai district Labūnavos ŽŪB	Lithuania	98.60%	98.60%	Mixed agricultural activities
Užupės ŽŪB	Lithuania	100%	100%	Growing and sale of crops
UAB Paberžėlė	Lithuania	100%	100%	Rent and management of agricultural purposes land
Panevėžys district Žibartonių ŽŪB	Lithuania	99.89%	99.89%	Mixed agricultural activities
Investments into indirectly controlled subsidiaries (through UAB Dotnuva Baltic)				
SIA DOTNUVA BALTIC	Latvia	100%	100%	Trade of machinery and equipment for warehousing of grains, certified seeds
AS Dotnuva Baltic	Estonia	100%	100%	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Dotnuvos technika	Lithuania	100%	100%	Not operating company
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Grūdų centras KŪB)				
Karčemos kooperatinė bendrovė	Lithuania	20%*	20%*	Preparation and warehousing of grains for trade
SIA Linas Agro Graudu centrs	Latvia	100%	100%	Preparation and warehousing of grains for trade
SIA Paleo	Latvia	100%	100%	Warehousing activity
Investment into indirectly controlled subsidiaries (through Panevėžys district Žibartonių ŽŪB)				
Karčemos kooperatinė bendrovė	Lithuania	4.00%*	4.00%*	Preparation and warehousing of grains for trade

* The Group indirectly controls 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has control over this entity and, therefore, it has been consolidated when preparing these financial statements.

3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the 3 month period ended 30 September 2018

During 3 month period, ended 30 September 2018, the Company acquired 0.01% AS Putnu fabrika Kekava share capital for EUR 1 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 1 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

Changes in the Group during the year ended 30 June 2018

During 12 month period, ended 30 June 2018, the Company acquired 3.24% AS Putnu fabrika Kekava share capital for EUR 423 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 173 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

During 12 month period, ended 30 June 2018, the Company increased share capital of UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 5, ŽŪB Noreikiškių, UAB Lineliai in amount EUR 2,000 thousand, EUR 35 thousand, EUR 70 thousand, EUR 80 thousand, respectively.

During the 12 month period, new company UAB Kekava Foods LT was established.

4. SEGMENT INFORMATION

For management purpose the Group is organized into five operating segments based on their products and services as follows:

- the grain and feedstuff handling and merchandising includes trade in wheat, rapeseed, barley and other grains and oilseeds, suncake and sunmeal, sugar beat pulp, soyameal, vegetable oil, rapecake and other feedstuffs, grain storage and logistics services;
- the products and services for farming segment includes sales of fertilizers, seeds, plant protection products, machinery and equipment, grain storage facilities, spare parts and other equipment to agricultural produce growers and grain storage companies;
- the agricultural production segment includes growing of grains, rapeseed and others as well as sales of harvest, breeding of livestock and sales of milk and livestock. Milk is sold to local dairy companies, other production is partly used internally, partly sold;
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

The Group's chief financial officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between the Group companies are based on normal selling prices in a manner similar to transactions with third parties.

Group	Grain and feedstuff handling and merchandising	Products and services for farming	Agricultural production	Food products	Other products and services	Not attributed to any specified segment	Adjustments and eliminations	Total
Financial year ended 30 September 2018								
Revenue								
Third parties	90,674	41,182	5,124	19,400	(221)	–	–	156,159
Intersegment	294	2,234	2,543	–	–	–	(5,071) ¹⁾	–
Total revenue	90,968	43,416	7,667	19,400	(221)	–	(5,071)¹⁾	156,159
Results								
Operating expenses	(2,341)	(3,248)	(589)	(1,600)	(5)	(854)	–	(8,637)
Segment operating profit (loss)	2,385	1,892	(424)	1,653	(196)	(873)	–	4,437

Group	Grain and feedstuff handling and merchandising	Products and services for farming	Agricultural production	Food products	Other products and services	Not attributed to any specified segment	Adjustments and elimina- tions	Total
Financial year ended 30 September 2017								
Revenue								
Third parties	70,944	35,765	6,126	16,321	36	–	–	129,192
Intersegment	780	2,008	2,797	–	–	–	(5,585) ¹⁾	–
Total revenue	71,724	37,773	8,923	16,321	36	–	(5,585)¹⁾	129,192
Results								
Operating expenses	(2,167)	(3,179)	(673)	(1,260)	(34)	(1,463)	–	(8,776)
Segment operating profit (loss)	4,368	847	547	1,309	3	(1,457)	–	5,617

1) Intersegment revenue is eliminated on consolidation.

4. SEGMENT INFORMATION (CONT'D)

Below is the information relating to the geographical segments of the Group:

Revenue from external customers	3 month period ended	
	30 September 2018	30 September 2017
Lithuania	47,508	39,815
Europe (except for Scandinavian countries, CIS and Lithuania)	50,191	44,732
Scandinavian countries	28,246	8,881
Asia	13,401	28,335
Africa	9,556	4,165
CIS	7,257	3,264
	156,159	129,192

The revenue information above is based on the location of the customer.

Non-current assets	As at 30 September 2018	As at 30 June 2018
Lithuania	68,948	68,245
Latvia	57,602	55,957
Estonia	1,111	1,200
	127,661	125,402

Non-current assets for this purpose consist of property, plant and equipment, investment property and intangible assets.

5. INTANGIBLE ASSETS

Group	Software	Other intangible assets	Provisional goodwill	Total
Cost:				
Balance as at 30 June 2017	949	203	1,971	3,123
Additions	246	47	–	293
Write-offs	(106)	(23)	–	(129)
Reclassifications	(50)	50	–	–
Balance as at 30 June 2018	1,039	277	1,971	3,287
Additions	22	4	–	26
Write-offs	–	(6)	–	(6)
Balance as at 30 September 2018	1,061	275	1,971	3,307
Accumulated amortization:				
Balance as at 30 June 2017	612	59	–	671
Charge for the year	100	18	–	118
Write-offs	(106)	(13)	–	(119)
Reclassifications	(25)	25	–	–
Balance as at 30 June 2018	581	89	–	670
Charge for the year	26	7	–	33
Write-offs	–	(5)	–	(5)
Balance as at 30 September 2018	607	91	–	698
Impairment losses:				
Balance as at 30 June 2017	–	–	1,121	1,121
Balance as at 30 June 2018	–	–	1,121	1,121
Balance as at 30 September 2018	–	–	1,121	1,121
Net book value as at 30 September 2018	454	184	850	1,488
Net book value as at 30 June 2018	458	188	850	1,496
Net book value as at 30 June 2017	337	144	850	1,331

The Group has no internally generated intangible assets. Amortization expenses of intangible assets are included within operating expenses in the statement of comprehensive income.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Cost:							
Balance as at 30 June 2017	17,230	89,643	52,131	5,433	5,562	8,061	178,060
Additions	2,219	30	3,327	723	407	12,728	19,434
Disposals and write-offs	(271)	(1,864)	(3,425)	(979)	(1,225)	(367)	(8,131)
Transfers from investment property	302	–	–	–	–	–	302
Transfers to investment property	(219)	–	–	–	–	–	(219)
Reclassifications	107	8,518	1,830	157	68	(10,680)	–
Balance as at 30 June 2018	19,368	96,327	53,863	5,334	4,812	9,742	189,446
Additions	517	114	1,039	189	76	3,061	4,996
Disposals and write-offs	(2)	(32)	(266)	(120)	(13)	–	(433)
Reclassifications	10	7,322	2,258	104	15	(9,709)	–
Balance as at 30 September 2018	19,893	103,731	56,894	5,507	4,890	3,094	194,009
Accumulated depreciation:							
Balance as at 30 June 2017	37	30,480	22,440	3,170	3,578	–	59,705
Charge for the year	46	5,770	4,544	706	734	–	11,800
Disposals and write-offs	(1)	(788)	(2,833)	(903)	(1,025)	–	(5,550)
Transfers to investment property	(1)	–	–	–	–	–	(1)
Reclassifications	–	–	–	128	(128)	–	–
Balance as at 30 June 2018	81	35,462	24,151	3,101	3,159	–	65,954
Charge for the year	12	1,163	1,095	146	144	–	2,560
Disposals and write-offs	–	(4)	(129)	(119)	(13)	–	(265)
Reclassifications	–	–	5	–	(5)	–	–
Balance as at 30 September 2018	93	36,621	25,122	3,128	3,285	–	68,249
Impairment losses:							
Balance as at 30 June 2017	–	399	10	–	–	–	409
Charge for the year	–	297	154	–	42	–	493
Balance as at 30 June 2018	–	696	164	–	42	–	902
Balance as at 30 September 2018	–	696	164	–	42	–	902
Net book value as at 30 September 2018	19,800	66,414	31,608	2,379	1,563	3,094	124,858
Net book value as at 30 June 2018	19,287	60,169	29,548	2,233	1,611	9,742	122,590
Net book value as at 30 June 2017	17,193	58,764	29,681	2,263	1,984	8,061	117,946

As at 30 June 2018 the Group reviewed useful lives, residual values and depreciation methods and made decision to change the useful lives, residual values for property, plant and equipment groups and subgroups and related grants.

As the result of these changes, the Group's depreciation charge for the period ended 30 September 2018 is EUR 2,560 thousand, instead of EUR 3,101 thousand calculated by previous useful lives and residual values. The amortization of grants for the period ended 30 September 2018 is EUR 124 thousand, instead of EUR 194 thousand calculated by previous useful lives and residual values.

7. INVESTMENT PROPERTY

Investment property of the Group consists of land and buildings leased out under the operating lease which generates lease income.

Cost:	Land	Buildings	Total
Balance as at 30 June 2017	1,376	131	1,507
Transfers to property, plant and equipment	(302)	–	(302)
Transfers from property, plant and equipment	219	–	219
Balance as at 30 June 2018	1,293	131	1,424
Balance as at 30 September 2018	1,293	131	1,424
Accumulated depreciation:			
Balance as at 30 June 2017	–	48	48
Charge for the year	1	7	8
Transfers from property, plant and equipment	1	–	1
Balance as at 30 June 2018	2	55	57
Balance as at 30 September 2018	2	55	57
Impairment losses:			
Balance as at 30 June 2017	51	–	51
Balance as at 30 June 2018	51	–	51
Balance as at 30 September 2018	51	–	51
Net book value as at 30 September 2018	1,240	76	1,316
Net book value as at 30 June 2018	1,240	76	1,316
Net book value as at 30 June 2017	1,325	83	1,408

Investment property of the Company consists of buildings leased out under the operating lease which generates lease income.

8. BORROWINGS

	As at 30 September 2018	As at 30 June 2018
Non-current borrowings		
Bank borrowings secured by the Group assets	29,100	27,171
Other non-current borrowings	9	9
	29,109	27,180
Current borrowings		
Current portion of non-current bank borrowings	6,592	6,835
Current bank borrowings secured by the Group assets	158,912	117,110
Other current borrowings (Note 12)	553	999
	166,057	124,944
	195,166	152,124

Interest payable is normally settled monthly throughout the financial year.

9. OPERATING EXPENSES

	2018/2019 1 Q	2017/2018 1 Q
Wages and salaries and social security	(5,422)	(5,724)
Consulting expenses	(126)	(139)
Depreciation and amortization	(303)	(434)
Other	(2,786)	(2,479)
	(8,637)	(8,776)

10. OTHER INCOME (EXPENSES)

	2018/2019 1 Q	2017/2018 1 Q
Other income		
Gain from currency exchange	108	43
Rental income from investment property and property, plant and equipment	61	61
Gain from disposal of investment property and property, plant and equipment	51	117
Dividend income	3	121
Change in fair value of currency financial instruments	267	(28)
Other income	56	6
	546	320
Other (expenses)		
Direct operating expenses arising on rental and non-rental earning investment properties and property, plant and equipment	(57)	(114)
Loss from disposal of property, plant and equipment	–	(13)
Change in fair value of currency financial instruments	223	(324)
Other expenses	(34)	–
	132	(451)

11. COMMITMENTS AND CONTINGENCIES

As at 30 September 2018 the Group is committed to purchase property, plant and equipment for the total amount of EUR 1,486 thousand (EUR 4,168 thousand as at 30 June 2018).

A few Group companies (Panevėžys district Aukštadvario ŽŪB, Kėdainiai district Labūnavos ŽŪB, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB and Panevėžys district Žibartonių ŽŪB) received grants from the European Union and National Paying Agency for acquisition of agricultural equipment.

Panevėžys district Aukštadvario ŽŪB, Kėdainių district Labūnavos ŽŪB, Sidabravo ŽŪB, Panevėžys district Žibartonių ŽŪB are committed not to discontinue operations related to agricultural up to the end of 2019 and 2021, 2022, Šakiai district Lukšių ŽŪB – up to 2020 and 2021. UAB Linas Agro Grūdų Centras KŪB received grants from the European Union and National Paying Agency (Lithuania) for grain handling and storage facility upgrade. UAB Linas Agro Grūdų Centras KŪB is committed not to discontinue operations related to preparation and warehousing of grains for trade agriculture up to 2020 and 2021.

SIA Lielzeltini and AS Putnu fabrika Kekava received grants from the European Union and Rural Support Service (Latvia) for poultry farm, feedstuffs production and storages upgrade. SIA Lielzeltini is committed not to discontinue broiler breeding, slaughtering and sale of products, feedstuffs up to 2020, AS Putnu fabrika Kekava – up to the end 2020, 2022 and 2023.

In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania and Latvia amounting to EUR 3,080 thousand as at 30 September 2018 (EUR 3,080 thousand as at 30 June 2018).

In August 2018 the Group company AB Linas Agro received a ruling from the Customs of the Republic of Lithuania (hereafter – Customs) stating that Customs made additional calculation for the calendar year 2016 – 2017. The decision increased the taxes in EUR 644 thousand for fertilizers import in mentioned period. The AB Linas Agro management estimate the possibility to pay the taxes is 50 % and recognized as accruals in EUR 322 thousand amount and deferred tax asset in EUR 48 thousand for the year ended 30 September 2018. The AB Linas Agro management does not concur with Customs assessment and the decision is appealed.

12. RELATED PARTIES TRANSACTIONS

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

The related parties of the Company and Group for the years ended 30 September 2018 and 30 June 2018 were as follows:

Members of the board of the Company:

Darius Zubas (chairman of the board, ultimate controlling shareholder);
 Dainius Pilkauskas;
 Arūnas Zubas;
 Andrius Pranckevičius;
 Tomas Tumėnas;
 Darius Jaloveckas from 1 June 2018;
 Jonas Bakšys from 1 June 2018;
 Vytautas Šidlauskas till 30 March 2018
 Artūras Pribušauskas till 30 March 2018;

Subsidiaries: List provided in Note 3.

Akola ApS group companies:

Akola ApS (Denmark) (controlling shareholder);
 UAB MESTILLA (same ultimate controlling shareholders).

UAB Baltic Fund Investments (Tomas Tumėnas is a director of this company).
 Lobiu Sala AS (Sweden) (Jonas Bakšys is the Member of Board of this company).

The Group's transactions with related parties in 3 month period ended 30 September 2018 were as follows:

2018 1 Q

	Purchases	Sales	Receivables		Non-current loans receivable	Payables	Current payable loans
			Trade receivables	Other receivable			
Akola ApS group companies	–	6,036	715	–	–	39	–
Members of management board	–	–	–	–	–	–	–

Transactions with related parties include sales and purchases of goods and services, sales and purchases of property, plant and equipment as well as financing transactions in the ordinary course of business and on terms equivalent to arm's length transactions.

There were no guarantees or pledges related to the Group's payables to or receivables from related parties. Receivables and payables from / to related parties will be settled in cash or offset with the payables / receivables from / to respective related parties.

Terms and conditions of the financial assets and liabilities:

- Receivables from related parties are non-interest bearing and are normally settled on 30-day terms.
- Payables to related parties are non-interest bearing and are normally settled on 30-90-day terms.
- Interest payable is normally settled at the end of the loan term.

The Group's receivables from related parties were nor due neither impaired as at 30 September 2018 and 30 June 2018.

13. SUBSEQUENT EVENTS

In October 2018 the Company transferred 9,000 own shares to the Group employees under AB Linas Agro Group Rules for shares issues.

On 24 October 2018 the Group increased the capital of LLC LINAS AGRO UKRAINA UAH 2,800 thousand (EUR 87 thousand).

On 31 October 2018 the Group reduced the capital of Užupės ŽŪB by paying out EUR 140 thousand to shareholders.

On 8 November 2018 the Company increased the capital of Linas Agro Grūdų Centras KŪB by EUR 1,000 thousand.

On 12 November 2018 the Group increased the capital of SIA Linas Agro by EUR 1,000 thousand.