INVL BALTIC FARMLAND

AB INVL Baltic Farmland Consolidated Interim Condensed Not-audited Financial Statements for the six months ended 30 June 2018

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

DETAILS OF THE COMPANY

Board of Directors

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

Management (director)

Ms. Eglė Surplienė

Principal place of business and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 303299781

Banks

Luminor Bank AB
AB Šiaulių Bankas

The financial statements were approved and signed by the Management and the Board of Directors on 26 July 2018.

Ms. Eglė Surplienė
Director

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

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Notes	1st Half Year 2018	1st Half Year 2017
Revenue		**281**	**269**
Other income		1	3
Land plots administration fees		(55)	(49)
Legal, professional and securities administration fees		(15)	(16)
(Allowance for) reversal of impairment of trade receivables	4	(5)	(5)
Direct property operating expenses		-	-
Employee benefits expense		(36)	(5)
Other expenses		-	(7)
Operating profit		**171**	**190**
Finance costs		-	-
Profit before income tax		**171**	**190**
Income tax expense	6	(31)	(28)
NET PROFIT FOR THE YEAR		**140**	**162**
Other comprehensive income for the year, net of tax		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**140**	**162**
Attributable to:			
Equity holders of the parent		140	162
Basic and diluted earnings per share (in EUR)	7	0.04	0.05

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated statement of financial position

	Notes	As at 30 June 2018	As at 31 December 2017
ASSETS			
Non-current assets			
Investment properties	3	12,964	12,964
Total non-current assets		**12,964**	**12,964**
Current assets			
Trade and other receivables	4	324	195
Prepayments and deferred charges		1	1
Cash and cash equivalents		104	199
Total current assets		**429**	**395**
Total assets		**13,393**	**13,359**
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent			
Share capital		955	955
Own shares		(203)	(203)
Share premium		1,387	1,387
Reserves		3,237	3,232
Retained earnings		6,281	6,631
Total equity		**11,657**	**12,002**
Liabilities			
Non-current liabilities			
Deferred income tax liability		1,239	1,235
Advances received		21	21
Total non-current liabilities		**1,260**	**1,256**
Current liabilities			
Trade payables		79	28
Income tax payable		27	45
Deferred revenue	4	281	-
Other current liabilities		89	28
Total current liabilities		**476**	**101**
Total liabilities		**1,736**	**1,357**
Total equity and liabilities		**13,393**	**13,359**

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated statements of changes in equity

					Reserves			
Group	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2017		**955**	**(203)**	**1,387**	**153**	**3,079**	**6,631**	**12,002**
Net profit for the 6 months ended 30 June 2018		-	-	-	-	-	140	**140**
Total comprehensive income for the 6 months ended 30 June 2018		**-**	**-**	**-**	**-**	**-**	**140**	**140**
Transfer to reserves		-	-	-	5	-	(5)	**-**
Dividends approved	5	-	-	-	-	-	(485)	**(485)**
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**-**	**5**	**-**	**(490)**	**(485)**
Balance as at 30 June 2018		**955**	**(203)**	**1,387**	**158**	**3,079**	**6,281**	**11,657**

					Reserves			
Group	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2016		**955**	**(203)**	**1,387**	**152**	**3,079**	**5,973**	**11,343**
Net profit for the 6 months ended 30 June 2017		-	-	-	-	-	162	**162**
Total comprehensive income for the 6 months ended 30 June 2017		**-**	**-**	**-**	**-**	**-**	**162**	**162**
Transfer to reserves		-	-	-	1	-	(1)	**-**
Dividends approved	5	-	-	-	-	-	(226)	**(226)**
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**-**	**1**	**-**	**(227)**	**(226)**
Balance as at 30 June 2017		**955**	**(203)**	**1,387**	**153**	**3,079**	**5,908**	**11,279**

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated statement of cash flows

	Notes	1st Half Year 2018	1st Half Year 2017
Cash flows from (to) operating activities			
Net profit for the period		140	162
Adjustments for non-cash items and non-operating activities:			
Deferred taxes	6	4	8
Current income tax expenses	6	27	20
Allowances	4	36	5
Changes in working capital:			
Decrease (increase) in trade and other receivables		55	71
Decrease (increase) in other current assets		-	4
(Decrease) increase in trade payables		46	(80)
(Decrease) increase in other liabilities		87	22
Cash flows (to) from operating activities		**395**	**212**
Income tax paid		(45)	(25)
Net cash flows (to) from operating activities		**350**	**187**
Cash flows from (to) investing activities			
Acquisition of investment properties		-	-
Net cash flows from (to) investing activities		**-**	**-**
Cash flows from (to) financing activities			
Cash flows related to Group owners			
Acquisition of own shares		-	-
Dividends paid to equity holders of the parent		(445)	(219)
		(445)	(219)
Net cash flows (to) from financing activities		**(445)**	**(219)**
Net increase (decrease) in cash and cash equivalents		**(95)**	**(32)**
Cash and cash equivalents at the beginning of the period		**199**	**209**
Cash and cash equivalents at the end of the period		**104**	**177**

(all amounts are in EUR thousand unless otherwise stated)

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 INVL (company code 121304349). Entities, which business is investment into agricultural land and its rent, were transferred to the Company.

The address of the office is Gynėjų str. 14, Vilnius, Lithuania.

The Group consists of the Company and its directly owned subsidiaries (hereinafter the Group, Note 5 of annual financial statements for year ended 31 December 2017).

The Company manages shares of entities investing into agricultural land and provides finance. Now the Company has 100% in 18 companies owning more than 3 thousand hectares of agricultural land in Lithuania, 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 3,291,549 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. The Company owns 63,039 units of shares, which do not grant voting rights. The total amount of voting rights of the shares of the Company equals to 3,228,510 units. As at 30 June 2018 and 31 December 2017 the shareholders of the Company were (by votes)*:

	As at 30 June 2018		As at 31 December 2017	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	977,751	30.29	977,751	30.29
Mrs. Irena Ona Mišeikienė	931,831	28.86	931,831	28.86
UAB Lucrum Investicija (sole shareholder Mr. Darius Šulnis)	730,068	22.61	730,068	22.61
Mr. Alvydas Banys	252,875	7.83	252,875	7.83
Ms. Indrė Mišeikytė	64,450	2.00	64,450	2.00
Other minor shareholders	271,535	8.41	271,535	8.41
Total	3,228,510	100.00	3,228,510	100.00

* One shareholder sold part of his shares under repo agreement (so did not hold the legal ownership title of shares), but he retained the voting rights of transferred shares.

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

2 Accounting policies

Basis of preparation

The interim condensed financial statements for the 6 months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except adoption of new Standards and Interpretations as of 1 January 2018, noted below.

A number of new or amended standards became applicable for the current reporting period:
- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 *Share-based Payments* (effective for annual periods beginning on or after 1 January 2018);
- *Annual Improvements* to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (changes to IFRS 1 and IAS 28);
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply overlay approach).

IFRS 9 *Financial Instruments*

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

2 Accounting policies (cont'd)

IFRS 9 *Financial Instruments* (cont'd)

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group and the Company have only financial assets attributed to the category of financial assets 'Loans and receivables' and have only financial liabilities attributed to the category 'Other financial liabilities'. Therefore, there will be no impact on the Group's and the Company's accounting for financial liabilities. The business model for the Group's and the Company's financial assets is held to collect contractual cash flows and they are SPPI. Therefore, the financial assets would be measured at amortised cost as before. The changes in hedge accounting would not have impact on the Group's and the Company's financial statements as the Group and the Company has not hedge accounting. The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, lease receivables. Based on the assessments undertaken to date, it may result in an earlier recognition of credit losses in future, but at the date of initial application the Group and the Company and for the Group's financial statements for the six months ended 30 June 2018 the Group/Company assessed that that there is not significant impact on allowance of trade receivables, loans granted to subsidiaries, cash and cash equivalents. Therefore, there will be no material impact on the Group's/Company's financial position or performance due to application of IFRS 9 until issue of these financial statements. The new standard also introduces expanded disclosure requirements and changes in presentation. The new standard also introduces expanded disclosure requirements and changes in presentation, but they do not have impacted the Group's financial statements for the six months ended 30 June 2018. The Group/the Company has applied the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 is not restated.

IFRS 15 *Revenue from Contracts with Customers*
Amendments to IFRS 15 *Revenue from Contracts with Customers*

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The impact of the standard on the Group's financial statements for six months ended 30 June 2018 is non-material, because the main revenue of the Group is rental income. All revenue is recognised at a point in time.

The other amendments to existing standards and interpretation are not relevant to the Group.

3 Investment properties

During 1st Half Year of 2018 and 2017 the Group has not acquired, nor sold investment properties. 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 December 2017. There were no significant changes in the market since the end of 2017 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 30 June 2018.

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.

In January 2017 the Group received letters from Ministry of Transport and Communications informing about possibility to take for the purpose of Rail Baltica project 6 land plots owned by the Group. The Group has no right to sell, pledge, restructure or in any other way restrict rights to those land plots. Cumulative area of the above mentioned land plots is 91.8 ha, while the value of the plots in the statement of financial position was EUR 467 thousand as at 31 December 2017 and 30 June 2018. The Republic of Lithuania plans to finalize procedures of land redemption for public needs in the second half of 2018. Only after the procedures have been finalized will be clear how much of the land owned by the Group will be taken for the public needs and the size of the compensation received by the Group. The Group was informed that according to the preliminary results 11.227 ha of above mentioned land plots might possibly be taken for the public needs.

There were no other restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during 1st Half Year of 2018 and 2017. No contractual obligations to purchase investment properties existed at the end of the period.

(all amounts are in EUR thousand unless otherwise stated)

4 Trade and other receivables

	As at 30 June 2018	As at 31 December 2017
Trade receivables, gross	406	141
Accrued lease income, gross	23	23
Other receivables, gross	-	39
Taxes receivable, gross	5	66
Less: allowance for doubtful trade and other receivables	(110)	(74)
	324	195

Changes in allowance for doubtful trade and other receivables for the 1st Half Year of 2018 and 2017 have been included within 'Allowance for (reversal of) impairment of trade receivables' in the statement of comprehensive income.

In the caption of statement of financial position 'Deferred revenue' is recognised current year's invoiced rental income, net of on a straight line basis recognised rental income for 1st Half Year of 2018 (EUR 281 thousand). This amount would be recognised as rental income during 3rd – 4th Quarters of current year.

As at 30 June 2018 and 31 December 2017 the Group's trade and other receivables with nominal value of EUR 155 thousand and 101 thousand were past due and impaired, respectively. The net amount of EUR 45 thousand is presented in the statement of financial position of the Group as at 30 June 2018 (31 December 2017 – EUR 27 thousand).

Movements in the allowance for accounts receivable of the Group (assessed individually) were as follows:

	Individually impaired Group
Balance as at 31 December 2017	74
Charge for the 6 months ended 30 June 2018	44
Write-offs charged against the allowance	-
Recoveries of amounts previously written-off	(8)
Balance as at 30 June 2018	110

	Individually impaired Group
Balance as at 31 December 2016	51
Charge for the 6 months ended 30 June 2017	38
Write-offs charged against the allowance	(9)
Recoveries of amounts previously written-off	(6)
Balance as at 30 June 2017	74

The ageing analysis of trade and other receivables of the Group are as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	Less than 30 days	30–90 days	91–180 days	More than 180 days	Total
As at 30 June 2018	103	-	169	-	2	274
As at 31 December 2017	67	-	30	-	5	102

5 Dividends

A dividend in respect of the year ended 31 December 2017 of EUR 0.15 per share, amounting to a total dividend of EUR 485 thousand, was approved at the annual general meeting on 10 April 2018.

A dividend in respect of the year ended 31 December 2016 of EUR 0.07 per share, amounting to a total dividend of EUR 226 thousand, was approved at the annual general meeting on 22 March 2017.

6 Income tax

	1st Half Year 2018	1st Half Year 2017
Components of the income tax expenses		
Current year income tax	(27)	(20)
Deferred income tax expenses	(4)	(8)
Income tax expenses charged to profit or loss – total	(31)	(28)

7 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for the six months ended 30 June 2017 and 30 June 2018 was 3,228 thousand.

The following table reflects the income and share data used in the basic earnings per share computations:

	1st Half Year 2018	1st Half Year 2017
Net profit (loss), attributable to the equity holders of the parent	140	162
Weighted average number of ordinary shares (thousand)	3,228	3,228
Basic earnings (deficit) per share (EUR)	0.04	0.05

For 1st Half Year of 2018 and 2017 diluted earnings per share of the Group are the same as basic earnings per share.

(all amounts are in EUR thousand unless otherwise stated)

8 Related party transactions

The related parties of the Group were the shareholders of the Company, who have significance influence (Note 1), key management personnel, including companies under control or joint control of key management and shareholders having significant influence. AB Invalda INVL and the entities controlled by AB Invalda INVL are also considered to be related parties, because the shareholders of the Company, having significance influence, also have a joint control over AB Invalda INVL group through shareholders' agreement.

The Group's transactions with related parties during 1st half year of 2018 and related half year-end balances were as follows:

1st Half Year 2018 Group	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	7	-	1
UAB INVL Farmland Management (administration fees)	-	55	-	78
	-	62	-	79

In 2018 to the Board members, which are shareholders of the Company, were paid EUR 40 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 232 thousand of dividends, net of tax and as at 30 June 2018 were owed EUR 24 thousand of dividends, net of tax. To the natural persons related to the Board members the Company paid EUR 119 thousand of dividends, net of tax.

The Group's transactions with related parties during 1st half year of 2017 and related half year-end balances were as follows:

1st Half Year 2017 Group	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
AB Invalda INVL (accounting services)	-	7	-	-
UAB INVL Farmland Management (administration fees)	-	49	-	42
	-	56	-	42

In 2017 to the Board members, which are shareholders of the Company, were paid EUR 19 thousand of dividends, net of tax. To the entities, which are controlled by the Board members, were paid EUR 120 thousand of dividends, net of tax. To the natural persons related to the Board members the Company paid EUR 55 thousand of dividends, net of tax.