

AB Anykščių Vynas

Interim Financial statements
for the ended 31 March 2010

CONFIRM OF RESPONSIBLE PERSONS

Following the Article No.22 of Law on Securities of the Republic of Lithuania and Rules on Submission of Periodic and Additional Information approved by Securities of the Republic of Lithuanian we, Vidas Lagūnas, Director at interim and Audronė Zemlevičienė, accountant-general, hereby confirm that, to the our knowledge, the interim statements for the ended 31 March 2010 have been prepared in accordance with International Financial Reporting Standard as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of AB "Anykščių vynas".

Director at interim



Vidas Lagūnas

Accountant-general



Audronė Zemlevičienė

Statement of financial position

As at 31 March

	Notes	2010	2009
ASSETS			
Property, plant and equipment	12	21,697	22,070
Intangible assets		17	19
Other receivables	14	196	196
Total non-current assets		21,910	22,285
Inventories	13	4,690	6,803
Trade and other receivables	14	12,691	15,115
Cash and cash equivalents	15	2	6
Total current assets		17,383	21,924
Total assets		39,293	44,209
EQUITY			
Share capital	17	49,081	49,081
Accumulated losses		(24,120)	(23,339)
Total equity attributable to shareholders		24,961	25,742
LIABILITIES			
Deferred tax liability		953	953
Deferred income	18	196	196
Total non-current liabilities		1,149	1,149
Loans and borrowings	19	8,632	8,632
Trade and other payables	20	4,474	8,579
Employee benefits	21	77	107
Total current liabilities		13,183	17,318
Total liabilities		14,332	18,467
Total equity and liabilities		39,293	44,209

The notes on pages 7-28 are an integral part of these financial statements.

Director at interim



Vidas Lagūnas

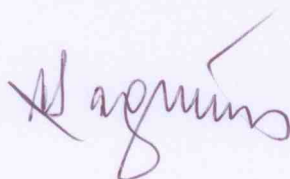
Statement of comprehensive income

For the ended 31 March

	Notes	<u>2010</u>	<u>2009</u>
Revenue	6	5,503	4,674
Cost of sales	6	(5,064)	(4,275)
Gross profit		<u>440</u>	<u>400</u>
Other income	7	206	286
Selling expenses	8	(442)	(355)
Administrative expenses	9	(690)	(649)
Other expenses	7	(209)	(220)
Results from operating activities		<u>(694)</u>	<u>(537)</u>
Finance income	11	9	13
Finance costs	11	(96)	(197)
Net finance costs		<u>(87)</u>	<u>(184)</u>
Loss for the period		<u>(781)</u>	<u>(721)</u>
Earnings per share			
Basic earnings per share (in Litas)	17	(0,02)	(0,01)
Diluted earnings per share (in Litas)			

The notes on pages 7-28 are an integral part of these financial statements.

Director at interim



Vidas Lagūnas

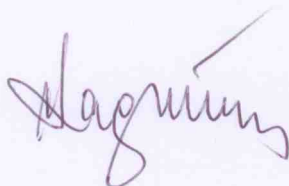
Statement of changes in equity

For the ended 31 March 2010

	Share capital	Accumulated losses	Total equity
Balance at 1 January 2009	49,081	(16,192)	32,889
Loss for the period	-	(721)	(721)
Loss for the year	-	(6,426)	(6,426)
Total comprehensive income for the period	-	(7,147)	(7,147)
Transactions with owners, recorded directly in equity	-	-	-
Balance at 31 December 2009	49,081	(23,339)	25,742
Balance at 1 January 2010	49,081	(23,339)	25,742
Loss for the period	-	(781)	(781)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(781)	(781)
Transactions with owners, recorded directly in equity	-	-	-
Balance at 31 March 2010	49,081	(24,120)	24,961

The notes on pages 7-28 are an integral part of these financial statements.

Director at interim



Vidas Lagūnas

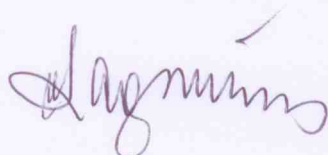
Statement of cash flows

For the ended 31 March

	Notes	2010	2009
Cash flows from operating activities			
Profit (loss) for the period		(781)	(721)
Adjustments for:			
Depreciation and amortization of non-current assets		392	561
Interest expenses (income), net	11	76	156
Gain (loss) on sale of property, plant and equipment		-	-
Change in allowance for inventories	13	(2,003)	-
(Reversal of) impairment losses on trade and other receivables	14		(32)
Change in inventories	13	4,114	1,885
Change in trade and other receivables	14	(1,374)	5,164
Change in deferred income			
Change in trade and other payables	20	(306)	(7,478)
Change in employee benefits accrual	21	(30)	(379)
Net cash from (used in) operating activities		88	(844)
Cash flows from investing activities			
Interest received	11	-	9
Proceeds from sale of property, plant and equipment			
Acquisition of property, plant and equipment	12	(16)	-
Acquisition of intangible assets		-	1
Loans provided by the Company		-	-
Loans paid back to the Company	14	-	797
Net cash from (used in) investing activities		(16)	807
Cash flows from financing activities			
Loans and borrowings received		-	-
Loans and borrowings repaid		-	-
Interest paid	11	(76)	(165)
Net cash from (used in) financing activities		(76)	(165)
Change in cash and cash equivalents		(4)	(202)
Cash and cash equivalents at 1 January	15	6	449
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at 31 December	15	2	247

The notes on pages 7-28 are an integral part of these financial statements.

Director at interim



Vidas Lagūnas

Notes to the financial statements

1. Reporting entity

AB Anykščių Vynas (hereinafter “the Company”) is incorporated and domiciled in Lithuania. The address of the Company’s registered office is Dariaus ir Girėno 8, Anykščiai LT-29131, Lithuania.

The Company was established in 1926. It was registered as a state enterprise in 1990 and re-registered as a joint stock company in 1995. The Company produces alcohol beverages: fruit-berry wine, hard alcohol beverages, cider and also other fruit and berry products.

The Company’s shares are listed on the Baltic Secondary List of the Stock Exchange NASDAQ OMX Vilnius.

The controlling shareholder of the Company is Įmonių Grupė Alita, AB which as at 31 March 2010 owns 46,578 thousand ordinary registered shares or 94.9% of all shares of the Company.

2. Basis of preparation

2.1. Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis based on accounting records maintained in accordance with Lithuanian laws and regulations.

2.3. Functional and presentation currency

These financial statements are presented in Litas, which is the Company’s functional currency. All financial information presented in Litas has been rounded to the nearest thousand unless otherwise indicated.

2.4. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Notes to the financial statements

2. Basis of preparation (continued)

2.5. Changes in accounting policies

As a result of the application by the Company of new IFRS standards and interpretations applicable for financial reporting periods starting on or after 1 January 2009, the Company has changed its accounting policies in the following areas:

- i) Determination and presentation of operating segments;

As of 1 January 2009 the Company determines and presents operating segments based on the information that internally is provided to the CEO, who is the Company's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

- ii) Presentation of financial statements;

The Company applies revised IAS 1 *Presentation of Financial Statements* (2007), and 34 IAS *Interim, Statement*. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

The Company has elected to present a combined statement of comprehensive income, including all components of profit or loss and other comprehensive income.

Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Notes to the financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

3.1. Foreign currency

Transactions in foreign currencies are translated into Litas at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on retranslation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction.

3.2. Financial instruments

(a) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

According to IAS 39 *Financial Instruments: Recognition and Measurement*, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets or financial liabilities at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Notes to the financial statements

3. Significant accounting policies (continued)

3.2. Financial instruments (continued)

(a) Non-derivative financial assets (continued)

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(b) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Notes to the financial statements

3. Significant accounting policies (continued)

3.2. Financial instruments (continued)

(c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in profit or loss.

The Company did not hold any investments in this category during the period.

3.3. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment acquired on 1 January 1996 or later are measured at cost as deemed cost less accumulated depreciation and accumulated impairment losses. Items of property, plant and equipment acquired before 1 January 1996 are measured at cost less accumulated depreciation adjusted by revaluations made following rates specified by the Government of the Republic of Lithuania for separate asset groups.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Notes to the financial statements

3. Significant accounting policies (continued)

3.3. Property, plant and equipment (continued)

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings and plant 8–80 years;
- Machinery and equipment 4–50 years;
- Vehicles 4–25 years;
- Other equipment and tools 3–11 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.4. Intangible assets

Intangible assets comprising computer software and software licenses that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 1-3 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.5. Emission rights

The EU Emission Allowance Trading Scheme was established by Directive 2003/87/EC and commenced on 1 January 2005. The first phase ran for the three-year period from 2005 to 2007; the second runs for five years from 2008 to 2012 to coincide with the first Kyoto Commitment Period. The scheme works on a 'Cap and Trade' basis. EU Member States' governments are required to set an emission cap for each phase for all 'installations' covered by the Scheme. This cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tones of carbon dioxide equivalents) permitted per installation for each phase for which allowances will be allocated on an annual basis.

Notes to the financial statements

3. Significant accounting policies (continued)

3.5. Emission rights (continued)

Member States are required to allocate allowances to installations by 28 February each year according to the NAP (a certain number of allowances are kept in reserve for new installations).

Member States must ensure that by 30 April of the following year at the latest, that the operator of each installation surrenders a number of allowances equal to the total emissions from that installation during the preceding calendar year.

The Company measures both emission allowances and government grant at a nominal amount, i.e. zero. As actual emissions are made, a liability is recognised for the obligation to deliver allowances. Liabilities to be settled using allowances on hand are measured at the carrying amount of those allowances. Any excess emissions to be purchased are measured at the market value of allowances at the period end.

When unused emission allowances are sold, sale proceeds are recognised as income in the statement of comprehensive income.

3.6. Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

3.7. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8. Impairment

(a) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Notes to the financial statements

3. Significant accounting policies (continued)

3.8. Impairment (continued)

(a) Financial assets (continued)

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Notes to the financial statements

3. Significant accounting policies (continued)

3.8. Impairment (continued)

(b) Non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9. Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders of the Company.

3.10. Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no long-term employee benefits.

Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter "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 Company 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 related to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within personnel expenses.

Termination benefits

Termination benefits are recognised as an expense when the Company is committed constructively or legally, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.11. Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.12. Revenue recognition

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive

Notes to the financial statements

3. Significant accounting policies (continued)

3.12. Revenue recognition (continued)

Goods sold

evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Sales of services

Sales of services are recognised on performance of the services.

3.13. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.14. Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.15. Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent it relates to the items recognised on other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make

Notes to the financial statements

3. Significant accounting policies (continued)

3.16. Segment reporting (continued)

decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available

3.17. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. During the reporting period there were no dilutive potential ordinary shares issued by the Company.

3.18. Related parties

Related parties are defined as shareholders, other subsidiaries and associated entities of shareholders employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the reporting entity, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

3.19. Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

3.20. Critical accounting estimates and assumptions

Estimates and judgments 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on property, plant and equipment

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

Notes to the financial statements

3. Significant accounting policies (continued)

3.20. Critical accounting estimates and assumptions (continued)

(a) Impairment losses on non-current assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value.

(b) Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, national or local economic conditions that influence the Company of the receivables.

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(c) Useful lives of property, plant and equipment

Asset useful lives are assessed annually and changed when necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined as the estimated amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The management of the Company is of the opinion that carrying amounts of trade and other receivables, trade and other payables as well as borrowings approximate their fair value.

Notes to the financial statements

5. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital management

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company controls credit risk by using credit conditions and procedures of market analysis. Credit terms for sales are from 15 to 60 days. Irregular customers are required to pay in advance.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance for impairment includes only specific loss, related to individually significant trade and other receivables.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Interest payments for loans and borrowings have been estimated for one year period only.

Notes to the financial statements

5. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The functional currency of the Company is Litas. The Company faces foreign currency risk on purchases and borrowings as well as on sales and amounts receivable that are denominated in currencies other than Litas. The risk related to transactions in Euro is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. Changes to this peg could occur if the government macroeconomic policy changes.

The Company's exposure to foreign currency risk was as follows:

	2010		2009	
	EUR	LTL	EUR	LTL
Trade and other receivables	105	12,384	26	15,285
Cash and cash equivalents	-	2	-	6
Loans and borrowings	(8,632)	-	(8,632)	-
Trade and other payables	(37)	(4,515)	(1,040)	(7,646)
	(8,564)	7,871	(9,646)	7,645

Interest rate risk

The Company's borrowings are subject to variable interest rates related to LIBOR. At 31 March 2010 the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

There were no changes in the Company's approach to capital management during the year.

The Company is obliged to keep its equity up to 50 percent of its share capital, as imposed by the Law on Companies of Republic of Lithuania.

Notes to the financial statements

6. Operating segments

Information about reportable segments

For management purpose, the Company is organized into two reportable operating segments that offer different products, and require different technology and marketing strategies. Information, as reviewed by the chief operating decision maker of the Company, regarding the results of each reportable segment that is used to measure performance of the Company is included below.

	Alcohol drinks		Apple products		Not allocated to any specified segment		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
External revenue	4,148	3,350	1,252	1,168	103	156	5,503	4,674
Cost of sales	(3,749)	(3,006)	(1,244)	(1,177)	(70)	(91)	(5,063)	(4,274)
Gross profit (loss)	399	344	8	(9)	33	65	440	400
Operating expenses					(1,132)	(1,003)	(1,132)	(1,003)
Other income					206	286	206	286
Other expenses					(209)	(220)	(209)	(220)
Finance income					9	13	9	13
Finance expenses					(96)	(197)	(96)	(197)
Profit (loss) for the period	399	344	8	(9)	(1,188)	(1,056)	(781)	(721)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. All of the Company's assets are located as well as all capital investments are made in Lithuania.

	Revenue		Intangible assets and PP&E		Capital expenditure	
	2010	2009	2010	2009	2010	2009
Revenue from Lithuanian customers	4,356	3,551	21,713	22,089	16	-
Revenue from foreign customers	1,147	1,123	-	-	-	-
	5,503	4,674	21,713	22,089	16	-

Notes to the financial statements

7. Other income and expenses

	<u>2010</u>	<u>2009</u>
Gain on sale of current assets	157	243
Income from rent and provided services	49	43
Other income	-	-
Total other income	<u>206</u>	<u>286</u>
Cost of rent and provided services	(26)	(30)
Expenses on sale of current assets	(182)	(190)
Other expenses	-	-
Total other expenses	<u>(208)</u>	<u>(220)</u>

8. Selling expenses

	<u>2010</u>	<u>2009</u>
Personnel expenses	(162)	(177)
Marketing expenses	(121)	(37)
Transportation	(31)	(23)
Depreciation	(6)	(11)
Other selling expenses	(121)	(106)
Total selling expenses	<u>(441)</u>	<u>(354)</u>

A significant increase of the marketing expenditures is related to the promotion of the renewed production and revised marketing agreements with the customers in comparing with the last year reporting period.

The biggest part of the other selling expenditures is made of the expenditures related to the bigger sales.

9. Administrative expenses

	<u>2010</u>	<u>2009</u>
Personnel expenses	(257)	(256)
Repair and maintenance	(149)	(174)
Security expenses	(61)	(60)
Depreciation and amortization of intangible assets	(51)	(26)
Taxes	(48)	(64)
Insurance expenses	(17)	(20)
Communication expenses	(8)	(9)
Consulting expenses	(1)	-
Other administrative expenses	(98)	(40)
Total administrative expenses	<u>(690)</u>	<u>(649)</u>

Notes to the financial statements

9. Administrative expenses (continued)

Due to increased excise duty on alcoholic drinks, a decrease in sales and production volumes had been anticipated for 2009, and, therefore a termination benefits accrual of LTL 540 thousand for redundancy payments was recognized as at 31 December 2008. In 2010 I half quarter redundancy payments of LTL 30 thousand were paid out, 2009 I half quarter redundancy payments of LTL 379 thousand were paid out.

In the first quarter of 2010 the sustained expenditures decreased because of the use of the other packing material. The packing tax charges were saved because of the use of the plastic packing.

10. Personnel expenses

	<u>2010</u>	<u>2009</u>
Production costs	(545)	(577)
Selling expenses	(162)	(177)
Administrative expenses	(257)	(256)
Total personnel expenses	(964)	(1,010)

As at 31 March 2010 the Company had 192 employees (2009: 203 employees).

11. Finance income and expenses

	Notes	<u>2010</u>	<u>2009</u>
Interest income		-	9
Fines and penalties received		9	4
Finance income		9	13
Interest expenses	19	(76)	(165)
Other finance costs		(20)	(32)
Finance costs		(96)	(197)
Net finance costs		(87)	(184)

Notes to the financial statements

12. Property, plant and equipment

	Buildings and plant	Vehicles, equipment and tools	Other PP&E	Construction in progress and prepayments	Total
Cost / deemed cost					
Balance at 1 January 2009	29,099	46,515	6,997	43	82,654
Additions	-	-	25	-	25
Disposals	-	(568)	(250)	-	(818)
Transfers	-	360	(337)	(23)	-
Balance at 31 December 2009	29,099	45,980	6,739	43	81,861
Balance at 1 January 2010	29,099	45,980	6,739	43	81,861
Additions	-	-	16	-	16
Disposals	-	-	(3)	-	(3)
Transfers	-	-	-	-	-
Balance at 31 March 2010	29,099	45,980	6,752	43	81,874
Depreciation and impairment losses					
Balance at 1 January 2009	11,351	41,031	6,242	30	58,654
Depreciation for the year	505	1,212	238	-	1,955
(Reversal of) impairment loss	-	-	(6)	-	(6)
Disposals	-	(567)	(245)	-	(812)
Balance at 31 December 2009	11,856	41,676	6,229	30	59,791
Balance at 1 January 2010	11,856	41,676	6,229	30	59,791
Depreciation for the year	126	220	43	-	389
(Reversal of) impairment loss	-	-	-	-	-
Disposals	-	-	(3)	-	(3)
Balance at 31 March 2010	11,982	41,896	6,269	30	60,177
Carrying amounts					
At 1 January 2009	17,748	5,484	755	13	24,000
At 31 December 2009	17,244	4,304	509	13	22,070
At 31 March 2010	17,118	4,084	482	13	21,697

Depreciation of property, plant and equipment is recognized in:

	2010	2009
Production costs	(313)	(465)
Selling expenses	(6)	(11)
Administrative expenses	(250)	(59)
Other expenses	(20)	(25)
Total depreciation	(389)	(560)

Notes to the financial statements

12. Property, plant and equipment (continued)

At 31 March 2010 property, plant and equipment with a carrying amount of LTL 19,336 thousand (2009: LTL 20,408 thousand) is pledged to secure a bank loan.

Carrying amount of insured property, plant and equipment at 31 March 2010 was LTL 19,405 thousand (2009: LTL 20,490 thousand). Assets are insured from all risks as follows: buildings for value of LTL 71,861 thousand, production equipment for value of LTL 45,249 thousand, and inventories for value of LTL 15,600 thousand.

13. Inventories

	<u>2010</u>	<u>2009</u>
Saturated apple juice	680	3,734
Finished production	1,496	2,417
Production in progress	2,201	2,318
Packaging materials	695	815
Raw materials	335	270
Auxiliary materials	212	210
Goods for resale and other	95	78
	<u>5,714</u>	<u>9,842</u>
<i>Less</i> write-down to net realizable value allowance	(1,024)	(3,039)
Inventories at 31 December, net	<u>4,690</u>	<u>6,803</u>
Write-down to NRV allowance at 1 January	(3,039)	(3,740)
Recognized during the year	-	(2,420)
Reversal of allowance	2,015	3,121
Write-down to NRV allowance at 31 December	<u>(1,024)</u>	<u>(3,039)</u>

Major amounts of write-down allowance at 31 March 2010 are attributed to saturated apple juice (LTL 318 thousand), fortified semi-manufactures (LTL 96 thousand), packaging and auxiliary materials (LTL 607 thousand), and finished production (LTL 3 thousand).

The Company insured inventories with value LTL 15,600 thousand against fire, natural forces and other damages. The Company has also pledged inventories with amount of LTL 4,690 thousand to the bank.

Notes to the financial statements

14. Trade and other receivables

	Notes	2010	2009
Trade receivables due from related parties	22	11,025	10,177
Other trade receivables		1,464	4,358
Prepayments, deferred expenses and other receivables		202	580
Receivable government grants		196	196
Trade and other receivables, net of impairment losses		12,887	15,311
Non-current		196	196
Current		12,691	15,115
Trade and other receivables, gross		13,214	15,638
Impairment of trade and other receivables at 31 December		(327)	(327)
Trade and other receivables, net of impairment losses		12,887	15,311
Impairment of trade and other receivables at 1 January		(327)	(876)
Reversal of impairment losses for the period		-	549
Impairment of trade and other receivables at 31 March		(327)	(327)

At 31 December 2008 an impairment loss of LTL 744 thousand was recognized for receivable due from UAB „Anykščių Šiluma“. In 2009 most of the amount was paid by the debtor, therefore, the major part of impairment was reversed in 2009. The reversal in impairment of trade receivables was recognized in administrative expenses. During 2010 all liability will be paid.

15. Cash and cash equivalents

	2010	2009
Cash at bank	1	5
Cash in hand	1	1
	2	6

At 31 March 2010 cash balances, amounting to LTL 1 thousand, as well as inflows into the main accounts of the bank were pledged to secure repayment of the loan provided by the bank.

16. Capital and reserves

At 31 March 2010 the authorized and issued share capital comprised 49,080,535 ordinary shares with a nominal value of 1 Litas each. All issued shares are fully paid.

The holders of ordinary shares are entitled to one vote per share in the General Shareholders' Meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital. During 2010 first quarter number and nominal value of shares has not changed.

Notes to the financial statements

17. Earnings per share

	<u>2010</u>	<u>2009</u>
Loss for the period	(781)	(721)
Number of shares 1 January (thousand)	49,081	49,081
Number of shares 31 March (thousand)	49,081	49,081
Weighted average number of shares in issue (thousand)	49,081	49,081
Basic and diluted earnings per share	<u>(0,02)</u>	<u>(0,01)</u>

The Company has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

18. Deferred income

The Company has been awarded a grant from EU funds for the promotion of beverages' export. In accordance with the budget, the grant shall reimburse related costs incurred by the Company. The total amount of receivable grant is LTL 200 thousand and it will be paid out during the period of 3 years ending 31 August 2012. Grant of LTL 4 thousand was received in 2009.

19. Loans and borrowings

The Company has a credit line facility up to LTL 8,632 thousand (EUR 2,500 thousand) with the "Swedbank", AB. The credit line matures on 31 May 2010. At 31 March 2010 LTL 8,632 thousand had been drawn (2009: LTL 8,632 thousand). The effective interest rate in 2010 first quarter was 3.5% (2009: 5.5%).

To secure the repayment of this loan the Company pledged property, plant and equipment with a carrying amount of LTL 19,336 thousand at 31 March 2010, as well as inventories amounting to LTL 4,690 thousand, all current and future funds in the main accounts of the bank and current and future rent of 6.7521 ha land plot rights. The Company has insured its property, plant and equipment with a carrying amount of LTL 19,405 thousand at 31 March 2010.

20. Trade and other payables

	<u>2010</u>	<u>2009</u>
Trade payables to related parties	-	3,799
Other trade payables	994	621
Prepayments received and other payables	195	1,119
Valued Added Tax payable	716	1,568
Excise duty payable	2,056	999
Accrued vacation reserve	249	249
Employment related liabilities	264	224
Total trade and other payables	<u>4,474</u>	<u>8,579</u>

21. Termination benefit accrual

Due to increased excise duty on alcoholic drinks, decrease in sales and production volumes had been anticipated for 2009, and, therefore, because of further planned lay-offs a termination benefit accrual of LTL 540 thousand for redundancy payments was recognized as at 31 December 2008. In 2010 first quarter redundancy payments of LTL 30 thousand were paid out, in 2009 i quarter redundancy payments of LTL 379 thousand were paid out. At 31 March 2010 LTL 77 thousand of accrual is outstanding.

Notes to the financial statements

22. Related party transactions

During the year the Company had transactions with the following related parties:

- Įmonių Grupė Alita, AB – the parent company;
- UAB Alita Distribution – a company controlled by Įmonių Grupė Alita, AB;
- UAB Vilkmėgės Alus – a company controlled by UAB Alita Distribution.

Transactions during the year and balances outstanding at the end of the year with the above companies are summarised below:

	Notes	<u>2010</u>	<u>2009</u>
Transactions with related parties			
Sales to related parties		5,740	3,436
Purchases from related parties		185	27
Amounts receivable from related parties			
Trade receivables from related parties		11,025	10,177
Amounts payable to related parties			
Trade payables to related parties		-	<u>3,799</u>

23. Contingencies

In accordance with the National Allocation Plan for 2008-2012, AB “Anykščių Vynas” has been provided with 14,934 CO2 emission allowances (2,986 per year) for the system *boiler house, oilcake dryer*. Actual emissions during 2009 were significantly lower than allowed; therefore, no provision has been recognized at 31 December 2009. The Company has never sold excess emission allowances; therefore, allowances are accounted at zero nominal value.

AB “Anykščių Vynas” issued a guarantee for AB “Alita” and Įmonių Grupė Alita, AB to the bank for the credits amounting to LTL 45,000 thousand and EUR 25,772 thousand, as well as for a guarantee limit of EUR 2,600 thousand.

The Company rents 1 land plot from the State with contract maturity on 8 August 2046. The environmental obligations (cleaning, restoration, etc.) are incumbent on lessee of the rented state land.

24. Litigation and claims

The Company is not involved in any litigation where it acts as a defendant.

25. Subsequent events

According to the management, no significant events occurred after the reporting date, which would require adjustments to these financial statements.