AB Anykščių Vynas

Interim Financial statements
for the ended 31 March 2011

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, Violeta Labutienė, director and Audronė Zemlevičienė, accountant-general, hereby confirm that, to the ous knowledge, the interim statements for the ended 31 March 2011 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 Violeta Labutienė

Accountant-general Audronė Zemlevičienė

Statement of financial position

In thousands of Litas

	2011 03 31	2010 12 31
ASSETS		
Property, plant and equipment	20,247	20,529
Intangible assets	1,594	1,760
Other receivables	108	108
Total non-current assets	**21,949**	**22,397**
Inventories	4,350	4,225
Trade and other receivables	3,103	3,605
Financial assets held for sale	5,270	5,270
Other assets	102	79
Cash and cash equivalents	4	4
Total current assets	**12,829**	**13,183**
Total assets	**34,778**	**35,580**
EQUITY		
Share capital	49,081	49,081
Accumulated losses	(28,161)	(27,185)
Total equity attributable to shareholders	**20,920**	**21,896**
LIABILITIES		
Deferred tax liability	918	918
Deferred income	108	108
Total non-current liabilities	**1,026**	**1,026**
Loans and borrowings	8,632	8,632
Trade and other payables	1,813	1,540
Other liabilities	2,387	2,486
Employee benefits	-	-
Total current liabilities	**12,832**	**12,658**
Total liabilities	**13,858**	**13,684**
Total equity and liabilities	**34,778**	**35,580**

The notes on pages 7-20 are an integral part of these financial statements.

Director Violeta Labutienė

Statement of comprehensive income

In thousands of Litas

	2011 03 31	2010 03 31
Revenue	3,781	5,503
Cost of sales	(3,455)	(5,063)
Gross profit	**326**	**440**
Other income	77	206
Selling expenses	(243)	(442)
Administrative expenses	(1,030)	(690)
Other expenses	(9)	(209)
Results from operating activities	**(879)**	**(694)**
Finance income	-	1
Finance costs	(98)	(88)
Net finance costs	**(98)**	**(87)**
Loss before income tax	**(977)**	**(781)**
Income tax expense	-	-
Loss for the period	**(977)**	**(781)**
Earnings per share		
Basic earnings per share (in Litas)	(0,020)	(0,016)

The notes on pages 7-20 are an integral part of these financial statements.

Director Violeta Labutienė

Statement of changes in equity

In thousands of Litas

	Share capital	Accumulated losses	Total equity
Balance at 1 January 2010	**49,081**	**(23,339)**	**25,742**
Loss for the period	-	(781)	**(781)**
Balance at 31 March 2010	-	**(24,120)**	**24,961**
Loss for the year	-	(3,065)	(3,065)
Balance at 31 December 2010	**49,081**	**(27,185)**	**21,896**
Balance at 1 January 2011	**49,081**	**(27,185)**	**21,896**
Loss for the period	-	(977)	**(977)**
Total comprehensive income for the period	-	**(977)**	**(977)**
Balance at 31 March 2011	**49,081**	**(28,162)**	**20,919**

The notes on pages 7-20 are an integral part of these financial statements.

Director Violeta Labutienė

Statement of cash flows

In thousands of Litas

	2011 03 31	2010 03 31
Cash flows from operating activities		
Profit (loss) for the period	(977)	(781)
Adjustments for:		
Depreciation and amortization of non-current assets	455	392
Interest expenses (income), net	79	76
Gain on sale of property, plant and equipment	(41)	-
Impairment losses (reversal) on trade and other receivables	-	-
Change in inventories	(125)	2,111
Change in trade and other receivables	501	(1,374)
Change in deferred income	-	-
Change in trade and other payables	153	(306)
Change in employee benefits accrual	-	(30)
Net cash from (used in) operating activities	**45**	**88**
Cash flows from investing activities		
Interest received	-	-
Proceeds from sale of property, plant and equipment	41	-
Acquisition of property, plant and equipment	(6)	(16)
Net cash from (used in) investing activities	**35**	**(16)**
Cash flows from financing activities		
Interest paid	(79)	(76)
Net cash from (used in) financing activities	**(79)**	**(76)**
Change in cash and cash equivalents	**1**	**(4)**
Cash and cash equivalents at 1 January	**4**	**6**
Cash and cash equivalents at 31 December	**5**	**2**

The notes on pages 7-20 are an integral part of these financial statements.

Director Violeta Labutienė

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, sparkling wine 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 2011 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. As explained in Note 31, management has been in a process of negotiation with a bank concerning the deadlines for repayment of credit line facility to be extended until the end of April 2011. It is expected that in April the Company will reach an agreement with the bank regarding new repayment schedules.

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 indicated otherwise.

2.4. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS, 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.

(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).

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.

Notes to the financial statements

2. Basis of preparation (continued)

(b) Impairment losses on intangible assets

The carrying amounts of the Company's intangible 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 the intangible assets is estimated based on its value in use.

(c) 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 group 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.

(d) Useful lives of property, plant and equipment and intangible assets

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.

(e) Production costs

The allocation of fixed production overheads to cost of production is based on the normal capacity of the production facilities. The amount of fixed overhead allocated to each production unit is not increased as a consequence of low production. Unallocated overheads are recognised as an expense in a period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of actual use of the production facilities.

3. Significant accounting policies

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

3.1. Foreign currency

Transactions in foreign currencies are translated into Litas at exchange rates 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 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.

3.2. Financial instruments

(a) Non-derivative financial instruments

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 on 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.

Notes to the financial statements

3. Significant accounting policies (continued)

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.

The Company has loans and receivable financial assets. 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 a case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

(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.

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.

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 less accumulated depreciation and accumulated impairment losses.

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.

Notes to the financial statements

3. Significant accounting policies (continued)

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.

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 trademarks, 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.

Notes to the financial statements

3. Significant accounting policies (continued)

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.

The 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).

The Member States must ensure that by 30 April of the following year at the latest 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 end of the period.

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 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.

Notes to the financial statements

3. Significant accounting policies (continued)

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

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets, 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.

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.

(c) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets are remeasured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

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.

Notes to the financial statements

3. Significant accounting policies (continued)

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 in accordance with the local legal requirements. 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 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.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement, however usually transfer occurs when the products are shipped from the company's warehouse and the sales invoice is issued.

Sales of services

Sales of services are recognised on performance of the services.

Rental income

Rental income is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

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.

Notes to the financial statements

3. Significant accounting policies (continued)

3.14. Finance income and finance costs

Finance income comprises interest income on funds invested and other financial income. Interest income is recognised in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and other financial expenses. 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. 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 shareholders, who are the Company's chief operating decision makers , to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information it is available.

3.16. 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 off all dilutive potential ordinary shares. During the reporting period there were no dilutive potential ordinary shares issued by the Company.

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 intangible assets, financial asets held for sale, 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

Overview

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

(a) credit risk;
(b) liquidity risk;
(c) market risk.

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 the 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 it arises principally from the Company's receivables from customers.

Trade and other receivables

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

The carrying amount of financial assets represents the maximum credit exposure.

Guarantees

The Company's policy is to provide financial guarantees only to the Group companies. As at 31 March 2011 AB Anykščių Vynas issued a guarantee for AB Alita and Įmonių Grupė Alita, AB to the bank for the credits amounting to 45,604 thousand Litas and 25,753 thousand EUR, as well as for a guarantee limit of 2,600 thousand EUR.

(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 Company is in a constant discussion with the bankers on financing the entity.

(c) Market risk

Market risk is the risk that changes in the 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 the market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the financial statements

5. Financial risk management (continued)

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 of 1 EUR: 3.4528 Litas. Changes to this peg could occur if the Government's macroeconomic policy changes.

Interest rate risk

The Company's borrowings are subject to variable interest rates related to LIBOR. At 31 December 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.

An increase in the average annual interest rate (LIBOR) for the Company's borrowings by 100 basis points would have increased the interest expenses and decreased the result for the year ended 31 December 2010 by approximately 78 thousand Litas. A decrease in the average annual interest rate (LIBOR) for the Company's borrowings by 100 basis points would have had the equal but opposite effect.

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 the 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.

The Management of the Company intends to rectify the situation either by decreasing of the share capital or by asking the Shareholders to pay in additional capital.

Notes to the financial statements

7. Operating segments

Information about reportable segments

For the 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.

In thousands of Litas	Alcohol drinks		Apple products		Not allocated to any specified segment		Total	
	2011 03 31	2010 03 31	2011 03 31	2010 03 31	2011 03 31	2010 03 31	2011 03 31	2010 03 31
External revenue	3,696	4,148	10	1,252	75	103	3,781	5,503

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 and all capital investments are made in Lithuania.

In thousands of Litas	Revenue		Intangible assets and PP&E		Capital expenditure	
	2011 03 31	2010 03 31	2011 03 31	2010 12 31	2011 03 31	2010 03 31
Revenue from Lithuanian customers	3,751	4,356	21,841	21,713	2	16
Revenue from foreign customers	30	1,147				
Total	**3,781**	**5,503**	**21,841**	**21,713**	**2**	**16**

Notes to the financial statements

7. Acquisition of subsidiary

On 25 August 2010, the Company concluded a shares purchase agreement with related party UAB A.L.D, according to which 1,700 shares with a nominal value 2,100 Litas of UAB Vilkmergės Alus are acquired for 5,270 thousand Litas. The settlement for the shares was made with the trade receivable from UAB A.L.D. No gain or loss has been recognised in the financial statements of the Company in the current reporting period relating to the above acquisition.

The subsidiary was acquired from the related party and the transaction was recorded at book values.

The Company intends to sell the investment in 2011 year. Sales proceedings started at the end of 2010. The Management believes that the sales price of the assets held for sale will not be lower than the book value. The process was initiated as at the end of the year 2010.

8. Property, plant and equipment (continued)

At 31 March 2011, property, plant and equipment with a carrying amount of 18,568 thousand Litas (2010: 19,336 thousand Litas) is pledged to secure credit line facility.

The carrying amount of insured property, plant and equipment as at 31 March 2011 was 18,577 thousand Litas (2010: 19,405 thousand Litas). Assets are insured against all risks as follows: buildings for value of 72,335 thousand Litas, production equipment for value of 44,405 thousand Litas, and inventories for value of 4,316 thousand Litas.

The amortisation of trademarks and other intangible assets is recognised in administrative expenses in the statement of comprehensive income.

9. Inventories

In thousands of Litas	2011 03 31	2010 12 31
Saturated apple juice	141	251
Finished production	1,384	1,231
Production in progress	1,972	2,076
Raw materials and consumables	853	667
Carrying amount of inventories at 31 December	**4,350**	**4,225**

As to agreement with the Bank, the Company insured inventories with value of 4,316 thousand Litas against fire, natural forces and other damages. The Company has also pledged inventories with the amount of 4,350 thousand Litas to the bank.

10. Trade and other receivables

In thousands of Litas	2011 03 31	2010 12 31
Trade receivables due from related parties, net of impairment	(68)	56
Other trade receivables	3,171	3,549
Trade and other receivables, net of impairment losses	**3,103**	**3,605**
Trade and other receivables, gross	**4,402**	**4,904**
Impairment of trade and other receivables at 31 December	(1,299)	(1,299)
Trade and other receivables, net of impairment losses	**3,103**	**3,605**
Impairment of trade and other receivables at 1 January	(1,299)	(327)
Reversal of the impairment losses	-	139
Impairment losses for the period	-	(1,111)
Impairment of trade and other receivables at 31 December	(1,299)	(1,299)

Notes to the financial statements

11. Capital and reserves

As at 31 March 2011, 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 2011 I quater, the number and nominal value of shares has not changed.

12. Earnings per share

In thousands of Litas	2011 03 31	2010 03 31
Loss for the period	(977)	(781)
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	**(0.02)**	**(0.015)**

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

13. Loans and borrowings

The Company has a credit line facility amounting to 8,632 thousand Litas (2,500 thousand EUR) with Swedbank, AB, Lithuania. The credit line matures on 10 July 2011. As at 31 March 2011, 8,632 thousand Litas had been drawn (2010: 8,632 thousand Litas). The effective interest rate in 2011 I quater was 3,7% (2010: 3,5%).

To secure the repayment of this credit line facility the Company pledged property, plant and equipment with a carrying amount of 18,568 thousand Litas as at 31 March 2011, as well as inventories amounting to 4,350 thousand Litas, all the 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 18,577 thousand Litas as at 31 March 2011.

Notes to the financial statements

14. Trade and other payables

In thousands of Litas	2011 03 31	2010 12 31
Trade payables to related parties	37	3,799
Other trade payables	1,044	621
Accrued vacation reserve	247	249
Employment related liabilities	212	224
Other liabilities and other payables	1,945	2,486
Total trade and other payables	**4,200**	**4,026**

Notes to the financial statements

15. Related party transactions (continued)

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

- Įmonių Grupė Alita, AB – the Parent Company since 27 October 2009;
- AB Alita (AB ALT investicijos) – the former Parent Company until 27 October 2009;
- UAB Vilkmergės Alus – a wholly owned subsidiary.

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

In thousands of Litas	2011 03 31	2010 03 31
Transactions with related parties		
Sales to related parties	161	5,740
Purchases from related parties	141	185
	2011 03 31	**2010 03 31**
Amounts receivable from related parties		
Trade receivables from related parties, net of impairment	(68)	56
Amounts payable to related parties		
Trade payables to related parties	59	37

16. 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*. 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 45,604 thousand Litas and 25,753 thousand EUR, as well as for a guarantee limit of 2,600 thousand EUR.

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.

17. Litigation and claims

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

18. Subsequent events

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

19. Information about audit

Interim Financial statements was not audited. An audit will be perform for the full financial year 2011.

The comporative information is taken from interim financial statements and financial statements for the year 2010, which was prepared and audited in accordance with International Reprting Standarts as adopted by European Union.