AB Anykščių Vynas

Financial statements for the year 2006

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Company details

AB Anykščių Vynas

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Board of Directors

Vytautas Junevičius, Chairman
Vilmantas Pečiūra
Arvydas Jonas Stankevičius
Darius Vėželis

Management

Marius Gudauskas, Director

Auditor

KPMG Baltics, UAB

Banks

AB SEB Vilniaus Bankas
AB Hansabankas
AB Šiaulių Bankas

Statement on the accounts

The Board of Directors and the Management have today discussed and authorized for issue the financial statements and the annual report.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the financial statements thus give a true and fair view.

We recommend the financial statements to be approved at the Annual General Meeting.

Anykščiai, 11 April 2007

Management:

Marius Gudauskas
Director

Board of Directors:

Vytautas Junevičius
Chairman

Vilmantas Pečiūra

Arvydas Jonas Stankevičius

Darius Vėželis

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Independent auditor's report

To the shareholders of AB Anykščių Vynas

We have audited the accompanying financial statements of AB Anykščių Vynas, which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5–34.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Anykščių Vynas as at 31 December 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Įmonės kodas 1 11494971
PVM kodas LT 1 14949716
Juridinių asmenų registras

Report on legal and other regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2006, set out on pages 35-49 of the Financial Statements, and have not identified any material inconsistencies between the financial information included in the Annual Report and the financial statements for the year ended 31 December 2006.

Vilnius, 11 April 2007
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorised
Public Accountant

Domantas Dabulis
Certified Auditor

Income statement

for the year ended 31 December

thousand Litas	Note	2006	2005
Revenue	4	**33,831**	**36,843**
Cost of sales	4	(24,493)	(25,133)
Gross profit		**9,338**	**11,710**
Selling expenses	5	(3,927)	(5,259)
General and administrative expenses	6	(4,468)	(4,158)
Operating result		**943**	**2,293**
Financial expenses, net	7	226	(18)
Result before tax		**1,169**	**2,275**
Tax for the year	8	949	150
Result for the year		**2,118**	**2,425**
Earnings per share, Litas	11	0.04	0.05

The notes, set out on pages 10–34, are an integral part of these financial statements.

Balance sheet

as at 31 December

thousand Litas	Note	2006	2005
ASSETS			
Non-current assets			
Intangible non-current assets	12	53	156
Property, plant and equipment	13	28,376	31,359
Other investments		-	1
Total non-current assets		**28,429**	**31,516**
Current assets			
Inventories	14	13,040	8,111
Trade receivables	15	6,185	5,122
Parent company's receivables	15	26	-
Other assets	16	83	368
Cash and cash equivalents	17	3,384	8,249
Total current assets		**22,718**	**21,850**
TOTAL ASSETS		**51,147**	**53,366**

The notes, set out on pages 10–34, are an integral part of these financial statements.

Balance sheet (cont'd)

as at 31 December

thousand Litas	Note	2006	2005
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	49,081	49,081
Accumulated losses		(10,619)	(12,737)
Total capital and reserves		**38,462**	**36,344**
Non-current liabilities			
Loans and finance lease liabilities	19	-	1,657
Deferred tax liability	9	520	1,469
Total non-current liabilities		**520**	**3,126**
Current liabilities			
Current portion of long-term loans and finance lease liabilities	19	3,142	5,983
Trade creditors		2,185	1,617
Other liabilities and accrued expenses	20	6,838	6,296
Total current liabilities		**12,165**	**13,896**
Total liabilities		**12,685**	**17,022**
TOTAL EQUITY AND LIABILITIES		**51,147**	**53,366**

The notes, set out on pages 10–34, are an integral part of these financial statements.

Statement of changes in shareholders' equity

thousand Litas	Share capital	Legal reserve	Accumulated losses	Total
Capital and reserves at 31 December 2004	49,081	-	(14,135)	34,946
Effect of change in accounting policy	-	-	(1,027)	(1,027)
Adjusted capital and reserves at 31 December 2004	49,081	-	(15,162)	33,919
Net profit for 2005	-	-	2,425	2,425
Capital and reserves at 31 December 2005	49,081	-	(12,737)	36,344
Net profit for 2006	-	-	2,118	2,118
Capital and reserves at 31 December 2006	**49,081**	-	**(10,619)**	**38,462**

The notes, set out on pages 10–34, are an integral part of these financial statements.

Cash flow statement

for the year ended 31 December

thousand Litas	2006	2005
Cash flow from (to) operating activities:		
Result after tax	2,118	2,425
Adjustments for:		
Depreciation and amortization	3,421	3,765
Profit (loss) from disposal of non-current assets	(91)	(28)
Change in impairment of trade debtors	(13)	(8)
Write-off of property, plant and equipment	63	(57)
Write-off of inventories	14	121
Change in deferred tax	(949)	(150)
Interest expenses	169	262
Interest income	(28)	(7)
Net cash inflow from ordinary activities before any change in working capital	4,704	6,323
Change in current assets and short-term liabilities:		
Change in inventories	(4,943)	52
Change in receivables	(1,050)	(3,219)
Change in parent company's receivables	(26)	-
Change in prepayments and deferred expenses	280	(110)
Change in other receivables	5	(29)
Change in trade receivables and accrued liabilities	1,110	2,361
Net cash inflow from ordinary activities	80	5,378
Net cash flow from (to) investing activities:		
Acquisition of property, plant and equipment	(397)	(479)
Acquisition of intangible fixed assets	-	(91)
Acquisition of investments for sale	1	-
Sales of property, plant and equipment	91	28
Interest received	29	7
Net cash (used in) investing activities:	(278)	(535)
Net cash flow from (to) financing activity:		
Loans received	5,179	3,453
(Repayment) of loans	(9,677)	(2,080)
Interest (paid)	(169)	(262)
Net cash flow (used in) financing activity	(4,667)	1,111
Change in cash and cash equivalents	**(4,865)**	**5,954**
Cash and cash equivalents at 1 January	**8,249**	**2,295**
Cash and cash equivalents at 31 December	**3,384**	**8,249**

The notes, set out on pages 10–34, are an integral part of these financial statements.

Notes to the financial statements

1 Summary of significant accounting policies

Background information

AB Anykščių Vynas (the Company) is a publicly listed joint stock company. 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, strong alcohol beverages, cider, sparkling wine and also other fruit and berry products.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of preparation

The financial statements are presented in Litas, being the functional currency of the Company and prepared on the historical cost basis, except for the property, plant and equipment, which are presented at deemed cost.

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 policies and reported amounts of assets and 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs, as adopted by the European Union, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.

The accounting policies of the Company, as set out below, have been consistently applied, except for the changes in the accounting policies for multiple usage tare, which have been adjusted retrospectively in the financial statements for the year ended 31 December 2006 (refer to Note 3).

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Financial instruments

The Company did not use derivative financial instruments as at 31 December 2006.

Other financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, except for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included in current assets except for maturities greater than 12 months. Receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value less direct costs related to the occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortized cost. Short-term liabilities are not discounted.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that have been indexed in accordance with Lithuanian legislation prior to 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the indexed amount at the date of the indexation less indexed accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item or major overhaul when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- Buildings and constructions 8-80 years
- Plant and machinery 4-50 years
- Motor vehicles 6-11 years
- Other assets 5-11 years

Depreciation methods, residual values and useful lives are reassessed annually.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Intangible assets

Intangible assets, comprising computer software and other licenses that are acquired by the Company, are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the income statement on a straight-line basis. The amortisation rates of intangible assets can be specified as follows:

- Software and other intangible asset 1–4 years

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Inventories

Inventories, including work in process, are valued at the lower of cost or net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion and selling.

The cost of inventories is determined based on FIFO (First-In, First-Out) principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the cost of finished goods if used in production.

The Company accounts for bottles as current assets in inventory, since they are not expected to be reused following the initial delivery. Bottles are booked to the cost of finished goods when used in production.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Change in accounting policy

The Company books multiple usage tare, which comprise plastic boxes for placing the bottles of alcohol beverages, to the operating expenses immediately after it is taken for use. In Company's financial statements for the periods beginning before 1 January 2006 the Company recorded multiple usage tare under inventories.

The accounting policy has been applied retrospectively and comparatives have been adjusted. The change in accounting policy and the impact on the financial statements are disclosed in Note 3.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Impairment (cont'd)

Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

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 recognized.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Liabilities

Liabilities are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Short-term liabilities are not discounted.

Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue

Sales of goods

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Revenue (cont'd)

Services rendered, assets disposed

Revenue from the services rendered is recognized in the income statement as the services are rendered. The revenue recognized is net of discounts provided.

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

Revenue from disposal of assets is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of assets disposed also continuing management involvement with the assets.

Expenses

Cost of sales

Cost of sales comprises purchases made during the year as well as change for the year in inventories and costs incurred to obtain the turnover for the year.

Operating expenses

Operating expenses comprise costs regarding sales personnel, advertising, administrative staff, management, office premises and office expenses etc., including depreciation and amortisation.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Expenses (cont'd)

Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognized in the income statement as accrued, using the effective interest method. Dividend income is recognized in the profit and loss account on the date when it is declared and the entity's right to receive payments is established. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to the investments in the subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business and geographical segments.

Earnings per share

The Company presents data of basic and diluted earnings per share (EPS) 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 reporting periods there were no any dilutive potential ordinary shares issued by the Company.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these financial statements:

- IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Company's 2007 financial statements, will require extensive additional disclosures with respect to Company's financial instruments and share capital. The standards are not expected to have any impact on the financial statements.

- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has not yet completed its analysis of the impact of the new Standard.

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Company's 2007 financial statements, is not expected to have any impact on the financial statements.

- IFRIC 8 Scope of IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Company's 2007 financial statements, with retrospective application required. IFRIC 8 is not relevant to the Company's operations as the Company has not entered into any share-based payments arrangements.

- IFRIC 9 Reassessment of Embedded Derivatives requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 becomes mandatory for the Company's 2007 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

Notes to the financial statements

1 Summary of significant accounting policies (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Company's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Company first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e., 1 January 2004). IFRIC 10 is not relevant to the Company's operations as the Company has not any investments in equity instruments.

- IFRIC 11 IFRS 2 – Company and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Company's operations as the Company has not entered into any share-based payments arrangements.

- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations.

2 Critical accounting estimates and judgments

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.

Critical accounting estimates and assumptions

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.

Notes to the financial statements

2 Critical accounting estimates and judgments (cont'd)

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, or national or local economic conditions that correlate with defaults on assets in the Company.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The 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.

3 Corrections of previous periods

The Company has adjusted the accounting policy for multiple usage tare. The adjustments made were related to previous accounting periods, therefore the Company has adjusted retained earnings as at 31 December 2004 and as at 31 December 2005. The related impact of these corrections of accounting policy on the result, shareholders' equity and total assets as at 31 December 2005 can be specified as follows:

thousand Litas	Shareholders' equity as at 31 12 2004	Result of the year 2005	Shareholders' equity as at 31 12 2005
Before change in accounting policy	34,946	2,425	37,371
Effect of change in accounting policy:			
Value of inventories	(1,208)	0	(1,208)
Deferred income tax liability	181		181
Total after the adjustment	**33,919**	**2,425**	**36,344**

4 Segment reporting

The Company's business segments (basis for primary reporting format) include production and sales of wine, strong alcohol drinks and other fruit and berry products. Segment information is presented in respect of the Company's geographical segments (secondary reporting format). The majority of the Company's sales are in the domestic market. All the Company's assets are located in the country, where it is domiciled.

Revenues, total assets and capital investments of separate segments are as follows:

Notes to the financial statements

4 Segment reporting (cont'd)

Business segments

thousand Litas	Strong alcohol drinks 2006	Strong alcohol drinks 2005	Wines 2006	Wines 2005	Fruit-berries products 2006	Fruit-berries products 2005	Not allocated 2006	Not allocated 2005	Total 2006	Total 2005
Sales	15,201	13,992	8,620	10,175	10,010	12,676	-	-	33,831	36,843
Cost	10,998	9,904	6,821	8,889	6,674	6,340	-	-	24,493	25,133
Gross profit	4,203	4,088	1,799	1,286	3,336	6,336	-	-	9,338	11,710
Operating expenses	-	-	-	-	-	-	(8,395)	(9,417)	(8,395)	(9,417)
Financing activity	-	-	-	-	-	-	226	(18)	226	(18)
Result before taxation	4,203	4,088	1,799	1,286	3,336	6,336	(8,169)	(9,435)	1,169	2,275
Tax for the year	-	-	-	-	-	-	949	150	949	150
Net result	**4,203**	**4,088**	**1,799**	**1,286**	**3,336**	**6,336**	**(7,220)**	**(9,285)**	**2,118**	**2,425**
Segment assets	6,534	4,905	12,239	8,467	12,752	8,448	19,622	31,546	**51,147**	**53,366**
Total liabilities	996	240	572	188	751	19	9,846	13,449	**12,165**	**13,896**
Acquisitions of non-current assets	57	121	51	112	37	13	252	327	**397**	**573**
Depreciation and amortisation	690	1,168	849	850	637	1,058	1,245	692	**3,421**	**3,768**

Geographical segments

thousand Litas	Sales 2006	Sales 2005	Total assets 2006	Total assets 2005	Acquisitions of non-current assets 2006	Acquisitions of non-current assets 2005
Lithuania	28,035	23,363	51,147	53,366	397	573
Germany	4,799	10,798	-	-	-	-
Latvia	429	1,177	-	-	-	-
Estonia	467	-	-	-	-	-
Great Britain	77	99	-	-	-	-
Other countries	24	1,406	-	-	-	-
	33,831	**36,843**	**51,147**	**53,366**	**397**	**573**

Notes to the financial statements

5 Selling expenses

thousand Litas	2006	2005
Advertising	(2,058)	(2,327)
Staff cost	(772)	(1,231)
Transportation	(511)	(828)
Distribution	(307)	(193)
Other	(279)	(680)
	(3,927)	**(5,259)**

6 General and administrative expenses

thousand Litas	2006	2005
Staff costs	(1,496)	(2,191)
Taxes and fees	(466)	(398)
Depreciation and amortization	(445)	(355)
Security	(198)	(201)
Communications	(98)	(109)
Reversal of impairment of non-current assets *	-	195
Other	(1,765)	(1,099)
	(4,468)	**(4,158)**

*- The Company started to use non-current assets, which were not used in the activities before.

7 Financial expenses, net

thousand Litas	2006	2005
Interest expenses	(169)	(262)
Currency exchange loss	(1)	(1)
Other financial expenses	(132)	(75)
Currency exchange gain	-	-
Interest income	28	7
Delayed interest payment charges	120	-
Other financial income	380	313
	226	**(18)**

Notes to the financial statements

8 Corporate income tax expenses

thousand Litas	2006	2005
Current tax	-	-
Change in deferred tax	949	150
Total income tax expense	**949**	**150**

The reconciliation of the effective tax rate is as follows:

thousand Litas	2006		2005	
Result before tax		1,169		2,275
Income tax using the effective tax rate	19.0%	222	15.0%	341
Tax-exempt income	(2.0%)	(23)	(0.1%)	(1)
Non-allowable expenses	3.5%	41	0.9%	21
Recognition of previously unrecognized tax losses	(89.6%)	(1,048)	(20.7%)	(470)
Recognition of previously unrecognised temporary differences	(3.6%)	(42)	(1.8%)	(41)
Impact of change of tax rate on temporary differences	(8.5%)	(99)		
TOTAL	**(81.2%)**	**(949)**	**(6.6%)**	**(150)**

Notes to the financial statements

9 Deferred tax

	2006		2005	
thousand Litas	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Provision for non-current assets	3,004	451	3,465	520
Provision for inventories	1,715	257	1,731	260
Provision for amounts receivable	1,721	258	1,733	260
Accrued expenses	256	38	220	33
Other	-	-	50	7
Tax losses	2,869	430	7,022	1,053
Adjustment of realisable value of deferred tax		(726)		(1,911)
Total deferred tax assets		708		222
Carrying amount of non-current assets for which investment relief was used	(8,188)	(1,228)	(11,271)	(1,691)
Total deferred tax liability		(1,228)		(1,691)
Total deferred tax liability, net		**(520)**		**(1,469)**

The current profit tax rate for the year ended 31 December 2006 is 15% (2005: 15%). According to the amended Lithuanian tax legislation, for the taxable periods starting from 1 January 2006 to 31 December 2007, companies' profits subject to corporate income tax will be levied by additional social tax at a rate of 4% during 2006 and at a rate of 3% during 2007. The social tax is imposed in addition to the corporate income tax of 15%. The deferred taxes as at 31 December 2006 and as at 31 December 2005 do not take into account the additional social tax imposed on taxable profits because it was considered to be immaterial and the Company has no plans to cover all the tax losses during the following financial year.

The movement in deferred tax is as follows:

thousand Litas	2006	2005
Deferred tax asset (liability) at 1 January	(1,469)	(1,619)
Change in deferred tax	949	150
Deferred tax liability at 31 December	**(520)**	**(1,469)**

10 Current tax liabilities

In 31 December 2006, the Company did not cover all the accrued tax losses, therefore the income tax for the financial year is not calculated.

Notes to the financial statements

11 Earnings per share

thousand Litas	2006	2005
Net profit for the year	2,118	2,425
Number of shares in the beginning of the year	49,081	49,081
Number of shares at the end of the year	49,081	49,081
Weighted average number of shares in issue	49,081	49,081
Basic earnings per share (Litas)	**0.04**	**0.05**

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

12 Intangible non-current assets

thousand Litas	2006
Acquisition cost as at 1 January 2005	347
Additions during the year	94
Disposals during the year	-
Acquisition cost as at 31 December 2005	441
Additions during the year	-
Disposals during the year	23
Acquisition cost as at 31 December 2006	418
Amortization as at 1 January 2005	171
Amortization for the year	114
Amortization on disposals	-
Amortization as at 31 December 2005	285
Amortization for the year	103
Amortization on disposals	23
Amortization as at 31 December 2006	365
Net book value as at 31 December 2006	**53**
Net book value as at 31 December 2005	**156**
Amortized over (in years)	1 - 4

Notes to the financial statements

12 Intangible non-current assets (cont'd)

Amortization for the year has been allocated as follows:

thousand Litas	2006	2005
General and administrative expenses	103	111
Cost of sales	-	3
Total	**103**	**114**

Notes to the financial statements

13 Property, plant and equipment

thousand Litas	Buildings, constructions	Transport vehicles, tools and equipment	Other property, plant and equipment	Unfinished construction and prepayments	Total
Acquisition cost as at 1 January 2005	30,239	48,188	8,268	1,656	88,351
Additions	176	261	8	34	479
Disposals	(903)	(1,100)	(247)	-	(2,250)
Acquisition cost as at 31 December 2005	29,512	47,349	8,029	1,690	86,580
Additions	-	-	397	-	397
Disposals	(185)	(910)	(251)	(269)	(1,615)
Reclassifications	-	220	(185)	(35)	-
As at 31 December 2006	29,327	46,659	7,990	1,386	85,362
Depreciation and impairment as at 1 January 2005	9,883	36,600	5,739	1,652	53,874
Additions	560	2,246	849	-	3,655
Disposals	(370)	(1,024)	(201)	-	(1,595)
Reversal of impairment		(549)	(164)	-	(713)
Depreciation and impairment as at 31 December 2005	10,073	37,273	6,223	1,652	55,221
Additions	568	2 238	511		3 317
Disposals	(185)	(868)	(230)	(269)	(1 552)
Depreciation and impairment as at 31 December 2006	10,456	38,643	6,504	1,383	56,986
Book value as at 31 December 2006	**18,871**	**8,016**	**1,486**	**3**	**28,376**
Book value as at 31 December 2005	**19,439**	**10,076**	**1,806**	**38**	**31,359**

Notes to the financial statements

13 Property, plant and equipment (cont'd)

Depreciation for the year has been allocated as follows:

thousand Litas	2006	2005
Cost of sales	2,893	3,076
Selling expenses	82	335
General and administrative expenses	342	244
Total	**3,317**	**3,655**

Pledges

As at 31 December 2006 property, plant and equipment with a carrying amount of 22,385 thousand Litas (2005: 23 899 thousand Litas) are pledged to secure bank loans.

14 Inventories

	2006	2005
Raw materials and consumables	1,951	1,885
Work in progress	9,556	4,808
Finished goods	1,999	1,893
Goods for resale and other goods	41	48
	13,547	8,634
Write down to net realizable value	(507)	(523)
	13,040	**8,111**

Notes to the financial statements

15 Trade receivables

thousand Litas	2006	2005
Receivable from customers for production sold	6,944	5,894
Receivable from parent company	26	-
Receivable for heating (commented below)	962	962
	7,932	6,856
Less impairment losses	(1,721)	(1,734)
	6,211	**5,122**

Receivable for heating supplied is the receivable from UAB Anykščių Šiluma for heating that the Company supplied until 30 June 1999. As at 12 March 2001, the Panevėžys county court rejected the claim from UAB Anykščių Šiluma and adjudged to pay the debt to AB Anykščių Vynas. During 2006, UAB Anykščių Šiluma paid 120 thousand Litas delayed interest payment charges. During 2005, debt for heating was reduced by 100 thousand Litas. Due to slow payment there is a risk that UAB Anykščių Šiluma will not have sufficient working capital to pay to AB Anykščių Vynas. Therefore, an impairment loss of 744 thousand Litas was recorded as at 31 December 2005 and 2006.

16 Other assets

thousand Litas	2006	2005
Deferred expenses	39	319
Other assets	44	49
	83	**368**

17 Cash and cash equivalents

thousand Litas	2006	2005
Cash at bank	3,369	8,240
Cash in hand	15	9
	3,384	**8,249**

As at 31 December 2006, cash at AB Bankas Hansabankas of 3,119 thousand Litas and future inflows into bank accounts are pledged to secure bank loans.

Notes to the financial statements

18 Capital and reserves

Share capital consists of 49,080,535 ordinary shares with a nominal value of 1 Litas each. Major part of the shares – 46,577,570 (94.90%) shares – is owned by the parent company AB Alita, the remaining part – 2,502,965 (5.10%) of the shares – is owned by minor shareholders.

The holders of the ordinary shares are entitled to one vote per share in the meeting of the Company and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital.

19 Loans and finance lease liabilities

thousand Litas	2006	2005
Long-term loan	-	1,657
Total long-term liabilities	**-**	**1,657**
Short-term loan	1,485	-
Current portion of long-term loan	1,657	5,939
Current portion of financial leasing	-	44
Total current liabilities	**3,142**	**5,983**

The Company has a loan from AB Bankas Hansabankas, which is scheduled to be fully repaid until 30 August 2007. Average annual variable interest rate in 2006 was 4%. The Company pledged non-current assets, cash at AB Bankas Hansabankas and future inflows into bank accounts as a security for the loan.

20 Other liabilities and accrued costs

thousand Litas	2006	2005
Excise duty payable	3,867	3,855
Value added tax payable	1,302	1,172
Salaries and social insurance payable	281	251
Other liabilities and accrued charges	1,388	1,018
	6,838	**6,296**

Notes to the financial statements

21 Financial instruments

Exposure to credit, liquidity, interest rate and currency exchange risk arises from operational, financing and investing activities of the Company.

Credit risk

Management has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EUR LIBOR.

As at 31 December 2006, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with the variable interest rates or price risk related to debt instruments with the fixed interest rates.

Foreign exchange risk

The Company's functional currency is Litas. The Company faces foreign currency risk on purchases and sales that are denominated in currencies other than Litas and the Euro. The risk related to transactions in EUR is held to be insignificant as the Lithuanian Litas is pegged to the Euro at a fixed rate. The Company does not have any material exposure in other foreign currencies as at 31 December 2006.

Notes to the financial statements

22 Staff costs

thousand Litas	2006	2005
Sales cost	2,955	3,299
Sales expenses	772	1,231
General and administrative expenses	1,496	2,191
	5,223	**6,721**

Staff costs include wages and salaries and emoluments for the management of 179 thousand Litas (2005: 330 thousand Litas). The remuneration to the management, if to compare with the previous year, has decreased due to the decrease in the number of management.

23 Related party transactions

During 2006 AB Anykščių Vynas entered into following transactions with the related parties (AB Alita – parent company) (thousand Litas):

Sold to:

thousand Litas		2006
AB Alita	Production sold	205
	Services	34
	Inventories	14
	Assets	65
Total:		**318**

Acquired from:

thousand Litas		2006
AB Alita	Goods	299
	Services	144
	Assets	78
Total:		**521**

Amounts receivable as at 31 December 2006:

thousand Litas		2006
AB Alita	Production	22
	Goods	4
Total:		**26**

Notes to the financial statements

24 Contingencies

The Company rents 2 land plots from the state. The annual rent fee is approximately 28 thousand Litas. The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the financial statements as at 31 December 2006 as the management was not able to estimate timing and amount of such works.

Apart from the above, the Company had no other significant contingent liabilities as at 31 December 2006.

25 Legal claims

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

26 Fair value of financial instruments

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, short-term borrowings.

Fair value is defined as the amount at 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.

Carrying amount of trade amounts receivable, other financial property, amounts payable and short-term credit lines is close to their fair value The settlement period with suppliers is from 10 to 60 days, and credit terms of purchasers' is from 15 to 45 days.

27 Subsequent events

No significant events occurred after the balance sheet date, which would require adjustments to these financial statements.

Annual report for the year ended 31 December 2006

1. GENERAL PROVISIONS

2. The main data about the issuer.

The name of the emitent: Joint-Stock Company Anykščių Vynas.
The address of the residence: Dariaus ir Girėno 8, Anykščiai, Lithuania.
Tel.: (8-381) 50399, 50299; 50233;
Fax.: (8-381) 50350.
E-mail: info@anvynas.lt
Website: www.anvynas.lt
Legal-organizational form – legal person, joint-stock company.
Company authorised capital: 49 080 535.
The Register keeper: State Company Registry Center.
The certificate was issued by Utena branch of the State Company Registry Center, July 28, 2004.
The registration date: November 21, 1990;
Company Code: 2541 11650.

3. The main activities of the emitent.

The principal activities are the production of alcoholic drinks and concentrated juice, and their sale.

4. Information where and when you are able to have a look at the report and papers according to which the report had been prepared.

You are able to have a look at the report and papers, according to which the report had been prepared, in the residence of JSC Anykščių Vynas: Dariaus ir Girėno 8, Anykščiai during the work time (8-17 o'clock). The public information media is Lietuvos Rytas.

II.1. THE CAPITAL STRUCTURE, GENERAL INFORMATION

At the beginning of 2006 the authorised capital of JSC Anykščių Vynas amounted to 49,080,535 LTL. The nominal value of a share is 1 litas.
The biggest alcohol production company in Lithuania JSC Alita acquired 72.93% of JSC Anykščių Vynas shares from the government on July 8, 2004. 94.9% of shares that nominal value is 46,577,570 LTL, belonged to JSC Alita on December 31, 2006. 5.1% of shares that nominal value is 2,502,965 LTL belonged to the other small shareholders.
On December 31, 2006, 333 shareholders had the shares of JSC Anykščių Vynas.
During 2006 the authorised capital didn't change.
The ordinary registered shares of the Company registered into the current sales list of Vilnius Stock Exchange.

The information about the securities during 01 01 2005 – 31 12 2006 is given below in the table:

Year and quarter	Price		Turnover		The last days of trade of the period			Total turnover	
	Max	Min	Max	Min	Price	Turnover	Date	Unit	LTL
2005 I	0.89	0.71	17584.16	0	0.84	0	31 03 2005	216,931	175, 738.06
2005 II	0.86	0.68	10,322.48	0	0.75	0	30 06 2005	71,253	54,2 10.29
2005 III	0.81	0.7	8,100.00	0	0.7	1,176.70	30 09 2005	58,701	43,8 52.84
2005 IV	0.91	0.7	113,775.49	0	0.88	69,490.00	30 12 2005	780,261	64,3 614.9
2006 I	0.89	0.74	49914.72	0	0.75	0	31 03 2006	363373	305809.83
2006 II	0.78	0.61	6681.97	0	0.7	0	30 06 2006	51142	34826.41
2006 III	0.87	0.70	107459.27	0	0.81	4194.18	29 09 2006	383091	300858.82
2006 IV	1.27	0.81	158822.94	0	1.27	45824.24	29 12 2006	769515	783549.41

In 2006 the Company had no subsidiaries.

During the financial reporting year the Company did not acquired any shares and it does not have them at all.

The Company has no branches and representatives.
In 2006 the international audit company KPMG Baltics, UAB, Auditas, Apskaita, Konsultacijos that was elected during the General Meeting by the shareholders on April 22, 2005, performed the annual financial statement

In 2006 the main activities of the JSC Anykščių Vynas Management Board and administration were: to hold the planned sales volumes in order to retain the market share; to reduce the production cost and activity inputs; to develop the Company work organization and management structure; to make the production of a high quality; to develop activity quality according to the standards of ISO 9001:2000 and ISO 14000:1996; to secure the stable company work, etc.

In 2006 there were 40 administration meetings. The management solved important Company working problems: economical-financial, sales and pursuing of the production program, production technology and quality problems, introduction of a new technology and technique, assimilation of new products, questions of management and environmental management policy, questions of the purchase of raw material, material and services, customer complaints, training of the staff expertise, process high-scoring analysis, quality system and its process development, and other problems.

2. THE COMPANY MANAGEMENT BOARD

On July 20, 2004 the management board of four members was elected in the extraordinary meeting of the JSC Anykščių Vynas:

V. Junevičius	Chairman	JSC Alita General Director
V. Pečiūra	Member	JSC Alita Finance and Administration Director
A. Stankevičius	Member	JSC Alita Production Director
D. Vėželis	Member	JSC Alita Marketing and Sales Director

In 2006 the Management Board held 11 meetings. The important problems were discussed in the meetings – the sale of unnecessary asset, the change of the management structure, lending, analysis of the activity results, and the other problems.

3. THE YEAR EVENTS

The Wine Festival, already a traditional one, took place on July 28.

In August, 2006, the representatives of: TUV UOLEKTIS performed the first supervisional audit of the quality and environment management system. The auditors evaluated the working of the quality management and environment management system in the Company positively.

The steady care of management quality and environment reduces the Company costs, improves the image and increases the Company ability. Introducing the environment system, improved the management of factors, influencing the environment. The accomplished work allowing to decrease and better to control the environment pollution.

During the reporting year the Company made three claims amounting to 4.6 thousand LTL, made credit claims in the bankcrupcy cases amounting to 185.0 thousand LTL., a lawsuit was brought to Vilnius First District Court against JSC ALG . The court met the claim and adjudged 568 LTL for the fullfilment of the obligation together with interests and 50 LTL of the stamp-duty. The Company made a complaint to Vilnius District Administrative Court for the cancellation of the fine because of the decision of the State Tabacco and Alcohol Control Service at the Lithuanian Republic Government because this service fined the JSC Anykščių Vynas for keeping alcoholic drinks without licence in the Lithuanian Exhibition center Litexpo in the food exhibition BAF exposition stand. The case in the Vilnius District Administrative Court ended in favour of the JSC Anykščių Vynas, the court complied the Company claim and cancelled the STACS decision to fine. The proceedings with the JSC Stumbras for the use of Lituanica notation ended in peace agreement and the property rights to the trade marks LITUANICA and Lituanica EXZPORT ORIGINALI DEGTINĖ were passed to the JSC Stumbras. The Company has also received six claims for the use of trade marks during the reporting year.

Total sum of 136.2 thousand LTL was recovered from the debtors of the previous years.

Apple cider Antano was awarded with Gold medal in the competition Lithuanian Year Product 2006.

In September TOPI cream liqueurs were launched. The liqueur TOPI Brandy Cream won the Gold medal in the competition Lithuanian Year Product 2006.

4. THE PRODUCTION

The main activity of the JSC Anykščių Vynas is the production of alcoholic drinks and concentrated juice. In 2006 the Company produced 70 names of alcoholic drinks. They are: fruit and bery wine, vodka, a kind of brandy, liqueur, brandy, carbonated wine drinks, cider. Non-alcoholic production is apple and berry concentrated juice, apple aroma, apple dried pomace.

In 2006 the range of the production was renewed with 21 names of new drinks and the production of 13 prospectless products was stopped. During the reporting year 11 013 liters of alcoholic drinks together with unbottled cider were produced or 4532.7 thousand liters (69.9%) more than in 2005. The production of fruit-berry wine increased 9.3%, the production of the bottled cider increased 81.7%, and the production of unbottled cider increased four times, vodka 41.9%, alcoholic drinks 49.5% and liqueur 3.7%

The production was orentiated to the sales plan, market needs and sales potential.

2005-2006 production of JSC Anykščių Vynas

	Production group	Unit	2005	2006	2006 in compare with 2005, %
1	Carbonated wine drink	Thousand of L	358.5	334.9	93.4
2	Cider (bottled)	Thousand of L	546.4	992.6	181.7
3	Wine	Thousand of L	1734.0	1908.9	110.1
4	Vodka	Thousand of L	1998.8	2837.2	141.9
5	The other strong drinks	Thousand of L	1062.6	1059.4	99.7
6	Cider (unbottled)	Thousand of L	780.0	3880.0	497.4
	Alcoholic drinks in total	Thousand of L	6480.3	11013.0	169.9
7	Apple concentrated juice	Ton	3557	3258	91.6
8	Apple aroma	Ton	212	277	130.7
9.	Dried pomace	Ton	1070	967	90.3

In 2006, 25 550 tons of apples, 15 tons of black currant, 27 tons of aronia (black rowan) and 109 tons of cranberry were bought and processed. The apple processing season lasted 85 days, on the average 300,6 tons of apple were processed a day.

In order to run a smooth production, the Purchasing department supplies the Company with qualitative and at the best prices main and aid materials and raw materials. There are more than 110 contracts with different suppliers.

In the reporting year the Company investment capital amounted to 413.3 thousand LTL. 194 thousand LTL were used for the repair of the buildings, 1269.2 thousand LTL were spent for the repair and maintenance of the machines. 64.3 thousand LTL were spent for the maintenance and repair of the transportation means, 70.7 thousand LTL were spent for the maintenance and supervision of the Company territory, 46 thousand LTL were spent for the maintenance of the information system and computers.

A lot of the other work was made in updating and automatizing machines, improving the working conditions, saving energetic rcourses.

5. MARKETING AND SALES

The JSC Anykščių Vynas is occupying such market shares in the country:

Production groups:	Market shares %		
	2005	2006	+,-
Carbonated wine drinks	2,6	3,4	0,8
Cider	6,1	4,4	-1,7
Fruit-berry wine	16,4	15,6	-0,8
Vodka	8,7	9,3	0,6
Brandy	7,6	6,2	-1,0
Liqueur	11,6	11,0	-0,6
A kind of brandy	10,9	10,9	-

The production sale in total:

	2005		2006	
	HL	Thousand of L	HL	Thousand of L
Carbonated wine				
Carbonated aromatic wine drinks	3264	1360	3211	1534
Carbonated wines in total:	**3264**	**1360**	**3211**	**1534**
Alcoholic cocktails	103	47		
Ciders	5642	1071	8914	1647
Wines	16671	5742	19681	5439
Vodka	20352	5032	27725	6815
The other strong drinks, in total:	**10390**	**8922**	**10515**	**8487**
Incl. Brandy, cognac	2890	2652	2741	2397
Whisky	64	115	2	3
Kinds of brandies	4959	4388	4655	4058
Liqueurs	1896	1333	2110	1471
The other alcoholic drinks	667	434	1007	558
Apple concentrated juice, ton	2584	11819	996	4160
Apple aroma, ton	25	52	213	558
Dried pomace, ton	1096	798	967	724
Raw material and semi-manufactures	6680	1642	39100	4012
The other sale and services		358		455
Total sale:		36843		33831

Outlets

	2006 , Thousand LTL	2005 , Thousand LTL
Sale revenues in total:	33831	36843
In Lithuania	28035	23363
Abroad	5796	13480
incl.		
Latvia	429	1177
Germany	4799	10 798
The other countries	568	1505

6. THE STAFF

In 2006 the average enrolled worker number of the JSC Anykščių Vynas is 268 workers, 310 workers in 2005. The decrease of the worker number was determined by the drop of sale volumes, the change of the Company management structure, the work distribution between JSC Alita and JSC Anykščių Vynas.

On January 1, 2007, there were 265 workers, with 151 women (57%) and 114 (43%) men, 203 workers (76.6%) and 62 executives, specialists and employees (23.4%).

53 workers (250.0%) have a university education,
81 worker (30.6%) have a further education,
122 workers (46.0%) have a secondary education,
9 workers (3.4%) have an unfinished secondary education.
3 Workers are studying in a university and 1in a college.
83 workers improved their qualifying knowledge in the training courses and seminars. 14.7 thousand LTL were spent for the qualifying training.

Last year 50 workers were trained and assessed for the work in wells and closed tanks, 3 workers got the qualifications of the electric loader and autoloader. During the year 69 workers were certified for the safety and health subjects, who do the potential dangerous work. 44 workers took part in the medical knowledge training. 29 subdivision managers and their assistants, who are responsible for the safety and health in the subdivision, were trained.

98 workers work in the main production subdivisions, 84 workers work in the production service subdivisions, 9 workers are in the commercial subdivisions, 3 workers are in the marketing department, 18 in the sale department, 33 workers are in the logistics subdivisions, 19 administration workers and 1 unindustrial staff worker.

The average monthly salary of a worker was 1,253 LTL in 2006 (1196 LTL in 2005), of managers – 4,817 LTL, of specialists and employees – 1,614 LTL, of workers – 1,211 LTL.
There were 3 accidents in the Company in 2006, 2 of them were easy, 1 – serious. The investigation of the serious accident is still going on.

The Company is trying to ensure normal and healthy work and rest conditions. The medical post organizes the workers health examination, the first-aid assistance, the training of the first-aid assistance. Last year, according to the approved list, 120 workers passed the preventive health examination. Regular inspections of the implementation of safe and healthy means, the execution of the requirements of the normative papers are made in the subdivisions.

7. THE INFORMATION TECHNOLOGY

In 2006 the united accounting program AXAPTA with the JSC Alita was installed in the Company. The computerized program of the UAB Stekas is used for the workers, workers working time and work payment accounting that unites the staff crew, economics department and bookkeeping.
The JSC Anykščių Vynas runs two servers: a file server and mail server. The Company uses the legal software only. In the beginning of 2007 the Company used 68 computers, 4 personal computers less in a year. 2 Mbyte cordless internet is introduced in the Company. Only 50 computers have the outlet to the internet. All the computers have an electronic mail. 16

computers in the Company use the old operation system Windows'98. Every year the computer stock is renewed, new computers with the latest operation systems are bought. Last year the information technology investments amounted to 40.5 thousand LTL.

8. THE RISK FACTORS.

There were no strikes in the Company.

Economical factors:
The Company works in two geographical segments – the local and foreign markets. The biggest part of all the production (82.9% in 2006, 63.4% in 2005) is sold in the local market, and almost all the apple production (concentrated juice, aroma, dried pomace – 88.55% in 2006, 96% in 2005) is sold abroad. Being a big competition in the local market, the Company fruit-berry wine sale is increasing slowly (because of the adverse excise policy to the fruit-berry wine and friendly excise policy to the strong beer), the sale of the other production is stable or increasing. The apple production depends on nature fully, and the sale volumes depend on the production volumes. The Company provides raw material, spare parts that it purchases from different suppliers so there is no dependence on one supplier. The Company also has no monopoly customer. The production and sale is increasing. The workers of high quality work in the Company.

On December 31, 2006 UAB Anykščių Šiluma was indebted 962 thousand LTL to the Company and there is a great risk that UAB Anykščių Šiluma will not have enough working capital to settle with the JSC Anykščių Vynas. The Company long term asset is arrested because of the unpaid loans to the bank. As it is not clear if the receivable sum would be repaid, it was evaluated as a delay. The JSC Anykščių Vynas uses the short term loan from AB bank Hansabankas (the contract for the loan refinance was signed 10 08 2004 and it is valid to 10 08 2007. In order to get a loan from AB bank Hansabankas the Company mortgaged its long term asset the value of which was 28 376 thousand LTL on December 12, 2006 and mortgaged all the Company current and future funds in the bank accounts. The financial debt to AB bank Hansabankas was 3 142 thousand LTL on December 31, 2006. There are no essential problems with the payments to the suppliers and customers.

Political risk factors:
The Government decisions to increase the excise to the production may influence the Company activity.

Social factors:
There is a collective agreement with the trade-union that is in force till July, 2008.

Technical-technological factors:
The most of technological machines is reconstructed or new, a lot of attention is given to the automation of the technological processes and improvement of the production quality. At present the production facilities are used about 70%. There are no risk factors to the technological processes.

Ecological factors:
The Company paid the nature pollution taxes: in 2004 – 4.8 thousand LTL, in 2005 – 5.6 thousand LTL, in 2006 – 7.4 thousand LTL.
The Company paid to the recyclers and the State for the pollution with the wastes of taxable packing: 2004 – 233.3 thousand LTL, 2005 – 218.6 thousand LTL, 2006 – 314.4 thousand LTL.

The glass, plastic packing and other packing were released into the local market: 2004 – 2762 tons, 2005 – 3279 tons, 2006 – 3403 tons.

The main source of air pollution is the boiler, but the emission into the atmosphere quotas were not surpassed during the recent reporting years. There were no fines for the nature pollution, restriction of the production activities or stoppage because of the environment damage. There were no ecological risk factors or accidents.

Environment control means that were in 2006 activity plan were carried out and 114.0 thousand LTL were spent for them. They were: 7 thousand LTL were spent for the expertise of the rain water cleaning equipment; the souvenir bottling line was moved to the bottling shop and it cost 28.3 thousand LTL; 13.8 thousand LTL were paid for the repair of water treatment plant in the juice shop; the battery of condensers of transformer substation No. 5 was replaced by harmless one and it cost 34.6 thousand LTL; it cost 30.3 thousand LTL to asphalt separate places in the territory.

In 2006 the Company consumed 1985.5 kW of electric power, 78.6 thousand m^3 of water, 1726 thousand Nm^3 of natural gas.

9. FINANCE

JSC Anykščių Vynas Balance Sheet (thousand of LTL)

	2005 12 31	2006 12 31
ASSETS		
Long term assets		
Intangible assets	156	53
Tangible assets	31 359	28 376
Financial assets		
Total long term assets:	**31 516**	**28 429**
Short term assets		
Stocks	8 111	13 040
Prepayments and transfer accounts	319	39
Trade debtors	5 122	6 185
Patronizing company debt		26
Other amounts receivable	49	44

Other short term assets		
Money and money equivalents	8 249	3 384
Total short term assets:	**21 850**	**22 718**
TOTAL ASSETS:	**53 366**	**51 147**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Joint-stock	49 081	49 081
Reserves		
Profit (loss) brought forward	(12 737)	(10 619)
Total shareholder's equity:	**36 344**	**38 462**
LONG TERM LIABILITIES		
Long term bank loans	1 657	-
Deferred corporation tax liabibity	1 469	520
Total long term liabilities:	**3 126**	**520**
SHORT TERM LIABILITIES		
Short term portion of long term debts	5 983	3 142
Trade creditors	1 103	2 185
Patronizing company debt	514	
Accrued liabilities	6 296	6 838
Total short term liabilities:	**13 896**	**12 165**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY:	**53 366**	**51 147**

At the end of 2006 the Company had assets amounting to 51.1 mln LTL or 2.3 mln LTL less than at the end of 2005. During the current year the long term assets decreased 3.1 mln LTL, and the short term assets increased 0.8 mln LTL. The joint-stock didn't change, but the shareholder's equity increased 2.1 mln LTL. The short term liabilities decreased 1.7 mln LTL and amounted to 12.2 mln LTL.

The Company ability to pay the obligations is shown by net working capital and the current liquidity ratio. The net working capital show in what sum the short term assets overpasses the short term liabilities.

	2005	2006
Net working capital, mln. LTL	8,0	10,6
Current liquidity ratio	1,6	1,9

The Company debt to the banks, dynamics of debt-property and general debt ratio:

	2005	2006
Debt to the banks at the end of the year, mln. LTL	7,6	3,1
Debt-property ratio	0,47	0,33
General debt ratio	0,32	0,25

The debt-property ratio shows how much loans the Company uses for the financing of the activities, in comparing with the owners given recourses (k=liabilities: property) During the year the debt-property ratio decreased 0.14. The debt to the bank also decreased 4.5 mln LTL. The general debt ratio shows the relative value of the loaned funds (k=liabilities: property). In the current year the general debt ratio decreased 0.07, liabilities also decreased 4.4 mln LTL. The assets decreased 2.3 mln LTL.

The Company operating expenses:

	2005	2006
Sale and distribution expenses, thousand LTL	5 259	3 927
General and administrative expenses, thousand LTL	4 158	4 468
Total operating expenses, thousand LTL:	9 417	8 395

During the current year total operating expenses decreased 1 022 thousand LTL.

The JSC Anykščių Vynas profit (loss) statement, thousand LTL

	2005	2006
Sales turnover	**36 843**	**33 831**
Sales cost	**25 133**	**24 493**
Gross profit	**11 710**	**9 338**
Operating expenses	9 417	8395
Standard operating profit (loss)	**2 293**	**943**
Financial and other operations	-18	226
Profit (loss) before taxes	**2 275**	**1 169**
Income taxes	150	949
Net profit (loss)	**2 425**	**2 118**

10. PLANS AND FORECASTS

The approved strategy of Anykščių Vynas - to produce qualitative natural products, intended for the users, who are interested what the product is made from – stood up. In 207 the Company plans to improve further the production and technological process, especially to give its attention to strengthen trade marks and their popularity, to make new products, reflecting the Company form of the natural, authentic drink producer and to the market. In 207 the Company plans to reach 40 mln LTL turnover and minimal 1.0 mln LTL profit.

11. INFORMATION ABOUT THE KEEPING OF THE COMPANY MANAGEMENT CODEX.

The JSC Anykščių Vynas, following article 21 part 3 of the law of the Lithuanian Republic and item 20.5 of the trading rules of Vilnius Stock Exchange, shows how the Company keeps the VSE approved the Company Management Codex and specific rules.

I principle. The main rules.

The main Company aim must be the meeting of the requirements of the shareholders, in securing the constant increase of the shareholder's property value.

The Company follows these rules. The Company publishes openly its development strategy and objectives in the website (www.anvynas.lt), in the press.

The Company works according to the approved sale and production plans, thus implementing its strategy aims.

The JSC Anykščių Vynas is a subsidiary of the JSC Alita. 94.9% of the shares of the JSC Anykščių Vynas belong to the JSC Alita. There are four members in the Company

Management Board, they are the directors of the JSC Alita. Every month and every quarter the Company manager gives an account for the results of the Company work. The Company manager and the Management Board permit the shareholders to get acquainted with the Company papers, related to the General Meeting agenda, terms and order provided in the Company Law. The workers are informed about the Company activity, the actual working and rest problems are solved in the General Meetings or administration meetings. The question of the day is posted in the Company website, in the press. The Company takes an active part in the local community events and for some years already it organizes the Wine festival. It collaborates with the suppliers and creditors friendly, respects its customers highly, their notes and responses about the Company work and production.

II principle. The Company management system.

The Company management system must secure the strategic management of the Company, effective supervision of the Company management body, the proper balance and distribution of functions among the Company bodies, the safety of the shareholder's interests.

The Company is not keeping to this principle strictly. There is no Supervisory Board in the company. The collegial management body - board consisting of four members is fulfilling these functions. The Company manager is not a member of the Management Board. Every month and every quarter the Company manager gives an account on the results of Company.

III. principle. The formation order of the collegial body elected in the General Meeting.

The formation order of the collegial body elected in the General Meeting must secure the representation of the interests of small shareholders, the accountability of this body before the shareholders and objective supervision of the Company activity and its management body. The Company does not keep the rules of this principle fully: 3.4; 3.5; 3.6; 3.7; 3.8; 3.9; 3.10, because the Company Management Board doesn't meet the criteria of independence in the point of view of the Code.

IV. principle. The duties and responsibility of the collegial body elected in the General Meeting.

The Company management system must safeguard that the collegial body elected in the General Meeting would function properly and effectively, and the given rights to them must secure effective supervision of the Company management body and protection of all the shareholder's interests.

The Company is not following the rules in item 4.7. There are no committees mentioned there because the resolution to follow the Company management Code is not approved.

V. principle. The work order of the Company collegial bodies.

The fixed working order of the collegial supervision and management in the Company must ensure the effective work of these bodies and decision-making, promote the active collaboration of the Company bodies.

The Company follows the rules of this principle, except item 5.4, because there is no Supervisory Board in the Company.

VI. principle. Fair approach towards the shareholders and the rights of the shareholders.

The Company management system must ensure the fair approach towards all the shareholders, including small ones and foreigners. The Company management system must protect the shareholder rights.

The Company does not follow the rules in item 6.3, because it is not foreseen in the Company Regulations and item 6.7 because the LR Joint Stock Company Law does not give a possibility to vote using telecommunication means.

VII. principle. Avoiding and disclosure of interest conflicts

The Company management system must promote the members of the company bodies to avoid interest conflicts and secure a fair and effective interest conflict of the Company body members disclosure mechanisms.

The Company follows the rules of this principle.

VIII. The Company payment policy.

The fixed payment policy in the Company and the approval, revision and publication order of the director salary must prevent from possible interest conflicts and abuse in fixing the director salary, safeguard the transparency and publicity of the Company payment policy and director salary.

The Company does not keep the rules of this principle concerning the salary policy. The Company according to the fixed order publishes the data on salaries in its reports. But in a year prospect- report the Company disclosures the information about the paid salaries, bonuses, the other total payments and average amounts falling on one Board, Management member and average worker salary.

IX. The role of the interest keeper in the Company management.

The Company management system must acknowledge the rights of those who have interests that are fixed in the laws, and promote an active collaboration between the Company and those who have interests, in building the Company welfare, working places and financial stability. The concept *those who have interests* includes investors, workers, creditors, suppliers, customers, local community ant other persons, who have interests in the given Company.

The Company follows the rules of this principle.

X. principle. The information disclosure.

The Company managment system must secure that the information about all the vital Company problems including the financial situation, activity and Company management should be disclosed in time and exactly.

The Company did not follow the rules of this principle fully: 10.1.6 – there were no such; 10.1.7 – there are no such; 10.7 – the Company did not post the annual report, annual prospect-statement, periodical statements, the Company price changes in Stock Exchange in the Company website.

The vital information is published in Vilnius Stock Exchange website in Lithuanian and English, in the Company website in Lithuanian, in the paper Lietuvos Rytas in Lithuanian.

XI. principle. The selection of the Company auditors

The election mechanism of the Company firm of auditors must ensure the independence of conclusion and acount of the firm of auditors.
The Company follows the rules of this principle.

Chairman of the Management Board Vytautas Junevičius