

## CONFIRMATION OF RESPONSIBLE PERSONS

Following the law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, the management of Agrowill Group AB hereby confirm that, to the best of our knowledge, the attached audited financial statements of Agrowill Group AB for 2007, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Agrowill Group AB.

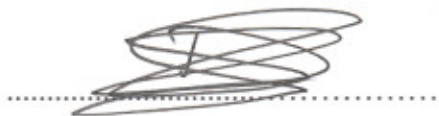
ENCLOSURE: audited financial statements of Agrowill Group AB 2007.

Agrowill Group AB  
General Director

A blue ink signature of Valentas Šulskis, written in a cursive style, positioned above a horizontal dotted line.

Valentas Šulskis

Agrowill Group AB  
CFO

A black ink signature of Domantas Savičius, written in a cursive style, positioned above a horizontal dotted line.

Domantas Savičius

AGROWILL GROUP AB

*Independent Auditor's Report and  
Financial Statements for the Year Ended  
31 December 2007*

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Agrowill Group AB:

We have audited the accompanying financial statements of Agrowill Group AB, which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *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 misstatement, 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. Except as discussed in the following section, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies 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 audit opinion.

### *Opinion*

In our opinion the financial statements present fairly, in all material respects, the financial position of Agrowill Group AB as of 31 December 2007 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Deloitte Lietuva UAB  
Partner Torben Pedersen

Vilnius, Lithuania  
30 April 2008

Auditor Lina Drakšienė  
Auditor certificate No 000062

BALANCE SHEET AS OF 31 DECEMBER 2007  
(All amounts are in LTL thousands, unless otherwise stated)

	Notes	2007	2006
<b>ASSETS</b>			
Non-current assets			
Intangible assets	5	19	15
Property, plant and equipment	6	298	112
Investments in subsidiaries at fair value through profit and loss	7	97 824	36 633
Long term receivables	8	28 178	19 563
Total non-current assets		126 319	56 323
Current assets			
Trade receivables, advance payments and other receivables	9	6 277	3 240
Cash and cash equivalents		90	27
Total current assets		6 367	3 267
<b>TOTAL ASSETS</b>		<b>132 686</b>	<b>59 590</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital	10	20 000	200
Legal reserve		1 000	15
Retained earnings		46 799	22 907
Total equity		67 799	23 122
Non-current liabilities			
Borrowings	11	37 343	19 917
Obligations under finance lease	12	117	-
Total non-current liabilities		37 460	19 917
Current liabilities			
Current portion of non-current borrowings	11	1 764	-
Current portion of non-current obligations under finance lease	12	25	-
Current borrowings	11	11 035	5 157
Bonds	11	13 491	9 627
Trade payables		689	145
Other payables and current liabilities		423	1 622
Total current liabilities		27 427	16 551
Total liabilities		64 887	36 468
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>132 686</b>	<b>59 590</b>

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

These financial statements were approved and signed on 30 April 2008.

\_\_\_\_\_  
Valentas Šulskis  
General Director

\_\_\_\_\_  
Domantas Savičius  
Chief Finance Officer

INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(All amounts are in LTL thousands, unless otherwise stated)

	Notes	2007	2006
Sales	13	3 554	879
GROSS PROFIT		3 554	879
Operating expenses	14	(4 435)	(2 186)
OPERATING PROFIT		(881)	(1 307)
Change in fair value of investments in subsidiaries carried at fair value through profit and loss	15	46 107	26 130
Income from financial and investment activities	15	3 322	885
Other income (expenses)		44	2
Finance cost	16	(3 921)	(2 112)
PROFIT BEFORE INCOME TAX		44 671	23 598
Income tax expense		-	-
NET PROFIT		44 671	23 598
Basic and diluted earnings per share (LTL)	17	2,23	1,18

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These financial statements were approved and signed on 30 April 2008.

\_\_\_\_\_  
Valentas Šulskis  
General Director

\_\_\_\_\_  
Domantas Savičius  
Chief Finance Officer

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(All amounts are in LTL thousands, unless otherwise stated)

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of 31 December 2005	70	7	(603)	(526)
Increase in share capital (note 10)	80	-	(80)	-
Contribution to share capital (note 10)	50	-	-	50
Transfer to legal reserve	-	8	(8)	-
Net profit	-	-	23 598	23 598
Balance as of 31 December 2006	<u>200</u>	<u>15</u>	<u>22 907</u>	<u>23 122</u>
Contribution to share capital (note 10)	6	-	-	6
Increase in share capital (note 10)	19 794	-	(19 794)	-
Transfer to legal reserve	-	985	(985)	-
Net profit	-	-	44 671	44 671
Balance as of 31 December 2007	<u>20 000</u>	<u>1 000</u>	<u>46 799</u>	<u>67 799</u>

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

These financial statements were approved and signed on 30 April 2008.

\_\_\_\_\_  
Valentas Šulskis  
General Director

\_\_\_\_\_  
Domantas Savičius  
Chief Finance Officer

CASH FLOWS STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(All amounts are in LTL thousands, unless otherwise stated)

	Notes	2007	2006
Cash flows (to) / from operating activities			
Net profit		44 671	23 598
Adjustments for non-cash expenses (income) items and other adjustments			
Depreciation and amortization	5, 6	57	30
Impairment of assets and write offs	6	4	10
Change in fair value of subsidiaries	7	(46 107)	(26 130)
Interest expenses	16	3 737	1 873
Interest revenues	15	(3 312)	(600)
Changes in working capital			
(Increase) decrease in trade receivables, prepayments and other receivables		(14 078)	3 248
Decrease in trade and other payables		(1 209)	(158)
		(16 237)	1 871
Interest paid (received)		113	(897)
Net cash flows (to) / from operating activities		(16 124)	974
Cash flows to investing activities			
Purchase of property, plant and equipment	6	(49)	(81)
Purchase of non-current intangible assets	5	(16)	(7)
Acquisition of subsidiaries	7	(4 043)	(5 244)
Other loans repaid		(8 615)	(18 822)
Net cash flows to investment activities		(12 723)	(24 154)
Cash flows from / (to) financing activities			
Contribution to share capital in cash		6	50
Proceeds from bank borrowings		22 129	13 871
Proceeds from other borrowings		6 803	8 358
Prepayments of obligations under finance lease		(28)	-
Net cash flows from financing activities		28 910	22 279
Net increase / (decrease) in cash and cash equivalents		63	(901)
Cash and cash equivalents at the beginning of the period		27	928
Cash and cash equivalents at the end of the period		90	27

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

These financial statements were approved and signed on 30 April 2008.

\_\_\_\_\_  
Valentas Šulskis  
General Director

\_\_\_\_\_  
Domantas Savičius  
Chief Finance Officer



## 1. General information

Agrowill Group AB (hereinafter – „the Company“) was founded and started its operations on 25 June 2003. The Company’s head office is located in Smolensko st. 10, Vilnius, Lithuania. The Company’s main activity is management of agricultural companies.

In 2003 the Company’s legal name Galuvė UAB was changed to Agrovaldymo grupė UAB. In February 2006, limited liability company Agrovaldymo grupė was reorganized to a public company Agrovaldymo grupė AB. In December 2007 the Company’s name was changed to Agrowill Group AB.

As of 31 December the main shareholders of the Company were:

Entity / person	Company address	2007		2006	
		Number of shares	% owned	Number of shares	% owned
<b>Legal entities</b>					
ŽIA valda UAB	Smolensko st. 10, Vilnius, Lithuania	6 791 359	33,96	53 740	26,87
Kelmės pieninė AB	Raseinių st. 2, Kelmė, Lithuania	4 841 942	24,21	1 720	0,86
Invalda AB	Konstitucijos ave. 23, Vilnius, Lithuania	4 125 340	20,63	42 920	21,46
<b>Physical persons</b>					
Mantas Juozaitis		1 838 835	9,19	18 940	9,47
Mindaugas Juozaitis		1 236 893	6,18	18 140	9,07
Renatas Dūdonis		451 748	2,26	4 700	2,35
David Henry Lasky		288 350	1,44	3 000	1,50
Valentas Šulskis		213 592	1,07	-	-
Aušrys Labinas		192 524	0,96	12 400	6,20
Domantas Savičius		19 417	0,10	-	-
Titas Sireika		-	-	14 800	7,40
Linus Strėlis		-	-	12 700	6,35
Rusnė Sereikienė		-	-	12 360	6,18
Aldona Petrošienė		-	-	3 120	1,56
Remigijus Žvirblis		-	-	1 460	0,73
<b>Total</b>		<b>20 000 000</b>	<b>100,00</b>	<b>200 000</b>	<b>100,00</b>

As of 31 December 2007, the Company had the following subsidiaries:

Subsidiary company	Country	Ownership interest		Main activity
		2007	2006	
AVG Investment UAB	Lithuania	100,00%	100,00%	Acquisitions of agricultural companies
Žemės vystymo fondas UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 1 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 2 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 3 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 4 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 5 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 6 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 7 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 8 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 9 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 11 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 12 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 14 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 15 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 16 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 17 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 18 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 19 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 20 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Žemės vystymo fondas 21 UAB	Lithuania	100,00%	-	Acquisition and rent of land
Agricultural company Spindulys	Lithuania	99,96%	48,43%	Production of agricultural produce

(Continued)

Subsidiary company	Country	Ownership interest		Main activity
		2007	2006	
Panevėžys district Smilgių agricultural company	Lithuania	99,95%	99,58%	Production of agricultural produce
Skėmių agricultural company	Lithuania	99,87%	99,87%	Production of agricultural produce
Anykščiai district Nausodės agricultural company	Lithuania	99,81%	94,63%	Production of agricultural produce
Raseiniai district Dumšiškių agricultural company	Lithuania	99,36%	98,02%	Production of agricultural produce
Žadžiūnų agricultural company	Lithuania	99,02%	92,66%	Production of agricultural produce
Kėdainiai district Mantviliškio agricultural company	Lithuania	98,79%	91,91%	Production of agricultural produce
Molėtai district agricultural company Alanta	Lithuania	98,56%	98,56%	Production of agricultural produce
Eimučių agricultural company	Lithuania	98,41%	85,89%	Production of agricultural produce
Agricultural company Vėriškės	Lithuania	98,41%	81,22%	Production of agricultural produce
Želsvelės agricultural company	Lithuania	97,17%	89,54%	Production of agricultural produce
Agricultural cooperative AVG Lankesa	Lithuania	95,93%	87,17%	Production of agricultural produce
Agricultural company Kairėnai	Lithuania	94,82%	75,11%	Production of agricultural produce
Jurbarko district agricultural company Jurbarkai	Lithuania	87,78%	84,54%	Production of agricultural produce

As of 31 December 2007 the Company had 48 employees, 2006 – 22 employees.

As of 31 December 2007 the main financial ratios of the Company were:

		2007	2006
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization (LTL thousands)	2 353	(726)
ROA	Return On Assets (%)	(0,92)	(3,58)
ROE	Return On Equity (%)	98,26	208,06
Liquidity ratio	Liquidity ratio	0,23	0,20
Acid test ratio	Acid test ratio	0,23	0,20

EBITDA = Net profit + depreciation and amortization + interest expenses – negative goodwill recognized through profit (loss)

ROA = Net profit / (Average Company assets)

ROE = Net profit / (Average shareholders equity)

Liquidity ratio = Current assets / Current liabilities

Quick ratio = (Current assets – Inventory) / Current liabilities

## 2. Adoption of new and revised International Financial Reporting Standards

In 2007 the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007.

*a) Standards, amendments and interpretations effective as of 2007, and had effect to the Company's accounting policies:*

- IFRS 7, Financial Instruments: Disclosure (effective for annual periods beginning on or after 1 January 2007);
- IAS 1 (Amendment), Capital disclosures (effective for annual periods beginning on or after 1 January 2007);

*b) Standards, amendments and interpretations effective as of 2007, but had no effect to the Company's accounting policies:*

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006);

*c) Standards, amendments and interpretations that are issued, but not yet effective and have not been early adopted by the Company:*

At the date of authorization of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IAS 1 Comprehensive Revision (amendment) (effective for accounting periods beginning on or after 1 January 2009) (not yet endorsed by EU);
- IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009) (not yet endorsed by EU);
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 11, IFRS 2, Group Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) (not yet endorsed by the EU);
- IFRIC 13, Client loyalty programs (effective for annual periods beginning on or after 1 January 2008) (not yet endorsed by the EU);
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) (not yet endorsed by the EU);

The Company's Management estimates that adoption of these Standards and Interpretations in the future accounting periods will not have a significant effect on the financial statements.

### 3. Significant accounting policies

#### 3.1 Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU). At current, the International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU) do not differ from the International Financial Reporting Standards (IFRS) issued by the Board of the International Reporting Standards except for certain hedge accounting requirements under IAS 39, which have not been adopted by the EU.

The presented financial statements are standalone Companies financial statements. The financial statements of the Company and its subsidiaries for the year ended 31 December 2007 were issued on 30 April 2008 and can be found in Companies headquarters at Smolensko st. 10, Vilnius, Lithuania.

The main accounting policies adopted in preparing the Company's financial statements for the year ended 31 December 2007 are as follows:

#### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair value. The principal accounting policies are set out below.

These financial statements are presented in the national currency of the Republic of Lithuania, the Litas ("LTL") as the majority of the Company's transactions are executed in this currency.

The fiscal year of the Company and its subsidiaries corresponds with the calendar year.

#### 3.3 Intangible assets

Intangible assets (except goodwill) are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis of their useful lives:

Software	2 – 3 years
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The gain or loss arising on the disposal of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 3.4 Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and impairment losses.

Property, plant and equipment are assets that are owned and controlled by the Company, which are expected to generate economic benefits in the future periods and with the useful life exceeding one year. Acquisition cost should be reliably defined and not less than LTL 100.

Depreciation of property, plant and equipment, except construction in progress, is calculated using the straight-line method. Liquidation value is 1 Lt. Depreciation expenses are charged to the income statement under operating expenses, cost of sales and is recognized in the balance sheet under production in progress and goods for sale. Estimated useful lives of property, plant and equipment are as follows:

Vehicles	6 Years
Equipment and other assets	3 Years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal of property, plant and equipment is recognized in profit or loss.

### 3.5 Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.6 Investments in subsidiaries

Subsidiary company – a company controlled by the parent Company. The Company has two types of subsidiaries – agricultural entities and land-buying entities. The Company acquired the subsidiaries in 2004 – early 2007, and the market situation in agricultural sector changed quite dramatically since. The management believes that investments in subsidiaries on standalone financial statements should be accounted at fair value according to IAS 39 as equity instruments at fair value through profit and loss. The management of the Company believes, that despite the subsidiaries do not have quoted market price, their fair value can be measured reliably as defined by IFRS.

#### Determination of fair value of investments into agricultural entities

The fair value of subsidiary agricultural entities is determined by independent appraisers. The value of subsidiaries is determined using the Discounted Cash Flow method, taking into account the future developments and investments in the entities. As of 31 December 2007, the subsidiaries were valued by independent appraisers FMĮ Orion Securities UAB.

#### Determination of fair value of investments into land-buying entities

As the operations of the land-buying entities are: acquisition and rent of land, the fair value of such subsidiary entities is determined by the management of the Company. The management uses equity method in order to determine the fair value of land-buying subsidiary entities.

The fair value of the investments in subsidiaries is determined at the end of each accounting period if there are signs, that it's fair value is significantly different from the accounting value.

The gain or loss arising from the changes in the fair value of subsidiaries is accounted for in the profit (loss) account of the Company in the period the valuation takes place.

### 3.7 Financial assets and financial liabilities

The Company recognizes financial assets in the balance sheet only then, when it becomes a party of agreement regarding financial instrument.

Financial liabilities – any liabilities which arise from agreements to transfer money or any other financial asset to another legal / physical person; or change financial instruments with other entity with conditions which are potentially adverse; or derivatives, which can be settled with Companies own equity.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks, demand deposits and other short-term highly liquid (up to 3 months) investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(Continued)

### 3.7 Financial assets and financial liabilities (continued)

#### Receivables and loans

Receivables and loans are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method less impairment loss recognized to reflect irrecoverable amounts. Provision for impairment of accounts receivable is calculated and recognized in the statement of income when there are objective evidence that the value of accounts receivable is impaired. The amount of provision is the difference between the book value and present value of estimated future cash flows discounted using interest rate effective at the date of initial recognition.

#### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income on debt instruments is recognized in profit or loss on an effective interest rate basis.

#### Financial liabilities

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment not been recognized.

#### Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

### 3.8 Foreign currency transactions

Transactions denominated in foreign currency are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

As of 31 December foreign currency rates were as follows:

	2007		2006
1 EUR =	3,4528 Lt	1 EUR =	3,4528 Lt
1 USD =	2,3572 Lt	1 USD =	2,6304 Lt

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### 3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*(Continued)*

### 3.9 Leasing (continued)

#### The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

#### The Company as lessee

Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

### 3.10 Business and geographical segments

A business segment means a constituent part of the business participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

There are no main business segments defined by the Company.

A geographical segment means a constituent part of the business participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments.

The geographical segments are not defined by the Company, all activities of the Company are performed on the territory of Republic of Lithuania.

### 3.11 Revenue and expenses recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown net of value-added tax, estimated rebates, discounts and other similar allowances.

The revenues are recognized on an accrual basis. Revenues are recognized in the financial statements irrespective of cash inflows, i.e. when they are earned.

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Received interest is recorded in the cash flow statement as cash flows from investing activities.

Expenses are recognized in profit or loss when incurred.

### 3.12 Financial risk management

The Company faces different financial risks, including change in equity and borrowing markets, change in foreign exchange rates and interest rate risks. The Company's general risk management program considers unpredictability of financial markets and seeks to minimize potential negative impact on the Company financial results.

The Company's management is responsible for the risk management.

#### Credit risk

The Company's credit risk as of 31 December 2007 was associated with:

	2007	2006
Financial assets	132 369	59 463

Financial assets consist of trade receivables, other amounts receivable, term deposits and cash balances.

Financial investments consist of investment into subsidiary agricultural entities as well as land-buying Žemės Vystymo Fondas Group companies.

Company credit risks associated with trade receivables are minimal because main clients of the Company are the subsidiary entities.

*(Continued)*

### 3.12 Financial risk management (continued)

Credit risk associated with the cash funds at banks is minimal, as the Company deals with the banks which have high credit ratings established by foreign rating agencies.

#### Liquidity risk

The Company is exposed to the liquidity risk due to different maturity profiles of receivables and payables. The risk is managed by planning the cash flows. The Company uses overdrafts and credit lines to manage the differences of maturity profiles of the receivables and payables.

When concluding credit line and loan agreements the Company follows a principle, that liquid assets and unused credit line limits should cover the short term financial liabilities of the Company, including the long-term loans current year payable amount.

In the table below a short summary about the liabilities maturity payments of the Company. This information was prepared using the earliest payment dates of non-discounted projected payments of the liabilities of the Company. Balance sheet amounts payable within one year reflect true value of the liabilities, as the influence of discounting is not significant.

	Within one year	In second year	Over third- fifth years	After five years
31 December 2007				
Loans	12 799	6 762	8 823	21 758
Bonds	13 491	-	-	-
Finance lease liabilities	32	32	94	-
Trade and other payables	1 096	-	-	-
Total	<u>27 418</u>	<u>6 794</u>	<u>8 917</u>	<u>21 758</u>
31 December 2006				
Loans	5 157	979	4 896	14 042
Bonds	9 627	-	-	-
Finance lease liabilities	-	-	-	-
Trade and other payables	1 767	-	-	-
Total	<u>16 551</u>	<u>979</u>	<u>4 896</u>	<u>14 042</u>

As of 31 December 2007 and 2006 the operating capital of the Company was negative and equaled LTL (21 051) thousand and LTL (13 284) thousand respectively. The liquidity ratio of the Company amounted to 0,23 (2006: 0,20), while quick ratio was 0,23 (2006: 0,20).

The Company each year rolls forward the bonds issue, which is not payable in reality within one year. Additionally, the Company signed a LTL 11 million short term loan agreement with a purpose to repay it after the issue of new shares (in April 2008). Taking the above mentioned into account, the Companies operating capital as of 31 December 2007 and 2006 was LTL 3 440 thousand and LTL (3 657) thousand respectively.

#### Market risk

##### Interest rate risk

Fluctuations in market interest rates does not influence revenues and cash flows of the Company significantly. The interest rate risk increases as the Company signs most of the loan agreements with variable interest rate. Loan agreements with fixed interest rate increases the fluctuation in fair value of financial liabilities risk.

The Company has loan agreements with fixed and variable interest rates which are connected to EURIBOR, EUR LIBOR and VILIBOR.

If, over year 2007, the interest rate of the Company's loans and credit lines used would have been higher by 100 percentage points, the net profit of the Company would be LTL 205 thousand less.

##### Foreign currency risk

In order to manage foreign currency risk the Company borrows only in LTL or EUR. Companies purchase / sale contracts are also conducted in LTL and EUR.

Since 2 February 2002, the LTL/EUR exchange rate was fixed. Due to this reason, the changes in foreign currencies translation rates do not influence the financial position of the Company.

##### Securities price risk

The Company is not exposed to significant equity securities price risk because it has no material investments in securities or other similar financial instruments.

The subsidiaries are owned and controlled directly. The Company influences the results of subsidiaries by directly participating in management of the subsidiaries.



### 3.13 Reserves

#### Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the net distributable profit are required until the legal reserve reaches 10% of the registered share capital. The appropriation is restricted to reduction of the accumulated deficit.

#### Other reserves

The Company's net income for the year is transferred to other reserves and makes up other reserve balance for the year end. These reserves can be used only for the purposes approved by the General Shareholder Meeting.

### 3.14 Related parties

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

### 3.15 Subsequent events

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

## 4. Critical judgments and uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Determination of fair value of investments into agricultural entities

The fair value of subsidiary agricultural entities is determined by independent appraisers. The value of subsidiaries is determined using the Discounted Cash Flow method, taking into account the future developments and investments in the entities. As of 31 December 2007, the subsidiaries were valued by independent appraisers FMĮ Orion Securities UAB.

#### Determination of fair value of investments into land-buying entities

As the activities of the land-buying entities are straightforward: acquisition and rent of land, the fair value of such subsidiary entities is determined by the management of the Company by reference to the fair value of land and other assets. The management uses equity method in order to determine the fair value of land-buying subsidiary entities.

The fair value of the investments in subsidiaries is determined at the end of each accounting period if there are signs, that it's fair value is significantly different from the accounting value.

The gain or loss arising from the changes in the fair value of subsidiaries is accounted for in the profit (loss) account of the Company in the period the valuation takes place.

## 5. Intangible assets

As of 31 December the Company's intangible assets consisted of the following:

	Computer software
Acquisition cost	
As of 31 December 2005	19
- additions	<u>7</u>
As of 31 December 2006	26
- additions	<u>16</u>
As of 31 December 2007	42
Amortization	
As of 31 December 2005	(3)
- amortization	<u>(8)</u>
As of 31 December 2006	(11)
- amortization	<u>(12)</u>
As of 31 December 2007	<u>(23)</u>
Carrying amount	
As of 31 December 2005	<u>16</u>
As of 31 December 2006	<u>15</u>
As of 31 December 2007	<u>19</u>

## 6. Property, plant and equipment

As of 31 December the Company's property, plant and equipment consisted of the following:

	Vehicles	Equipment and other PPE	Total
Acquisition cost			
As of 31 December 2005	20	61	81
- additions	-	81	81
- disposals	-	<u>(13)</u>	<u>(13)</u>
As of 31 December 2006	20	129	149
- additions	158	77	235
- disposals and write-offs	-	<u>(11)</u>	<u>(11)</u>
As of 31 December 2007	178	195	373
Depreciation			
As of 31 December 2005	(4)	(14)	(18)
- depreciation	(3)	(19)	(22)
- disposals	-	3	3
As of 31 December 2006	(7)	(30)	(37)
- depreciation	(7)	(38)	(45)
- disposals	-	7	7
As of 31 December 2007	<u>(14)</u>	<u>(61)</u>	<u>(75)</u>
Carrying amount			
As of 31 December 2005	<u>16</u>	<u>47</u>	<u>63</u>
As of 31 December 2006	<u>13</u>	<u>99</u>	<u>112</u>
As of 31 December 2007	<u>164</u>	<u>134</u>	<u>298</u>

As of 31 December 2007 and 2006 the Company had no assets pledged as secured for bank borrowings.

As of December 31 the carrying amount of the Company's property, plant and equipment acquired under finance lease, consisted of the following:

	2007	2006
Vehicles	154	-

## 7. Investments in subsidiaries

For the year ended 31 December the Company's investments in subsidiaries consisted of the following:

	2007	2006
As of 1 January 2007	36 633	5 259
Acquisition of subsidiaries / additional acquisitions	4 023	5 244
Establishment of subsidiaries	40	-
Disposal of subsidiaries	(20)	-
Share capital increase of subsidiaries	11 041	-
Changes in fair value of subsidiaries	46 107	26 130
As of 31 December 2007	97 824	36 633

The fair value of subsidiary agricultural entities is determined by independent appraisers. The value of subsidiaries is determined using the Discounted Cash Flow method, taking into account the future developments and investments in the entities. As of 31 December 2007, the subsidiaries were valued by FMĮ Orion Securities UAB.

The fair value of land-buying entities is determined by the management of the Company. The management uses equity method in order to determine the fair value of land-buying subsidiary entities.

Subsidiary company	Share Capital (LTL)	Owned capital (%)	Company's owned share capital (LTL)	Investment in subsidiary	Net profit 2007, attributable to parent (LTL)	Net profit 2006, attributable to parent (LTL)
AVG Investment UAB	4	100,00	4	10	19	10
Žemės vystymo fondas UAB	9 196	100,00	9 196	9 196	6 043	-
Žemės vystymo fondas 1 UAB	3 813	100,00	3 813	3 813	3 862	-
Žemės vystymo fondas 2 UAB	1 793	100,00	1 793	1 793	1 756	-
Žemės vystymo fondas 3 UAB	2 261	100,00	2 261	2 261	2 271	-
Žemės vystymo fondas 4 UAB	508	100,00	508	508	499	-
Žemės vystymo fondas 5 UAB	40	100,00	40	40	32	-
Žemės vystymo fondas 6 UAB	1 092	100,00	1 092	1 092	1 084	-
Žemės vystymo fondas 7 UAB	1 269	100,00	1 269	1 269	1 259	-
Žemės vystymo fondas 9 UAB	20	100,00	-	-	(7)	-
Žemės vystymo fondas 11 UAB	8 561	100,00	8 561	8 561	6 505	-
Žemės vystymo fondas 12 UAB	5 132	100,00	5 132	5 181	5 108	-
Žemės vystymo fondas 14 UAB	1 984	100,00	1 984	1 983	2 062	-
Žemės vystymo fondas 15 UAB	1 942	100,00	1 942	1 942	1 953	-
Žemės vystymo fondas 16 UAB	1 807	100,00	1 807	1 807	1 798	-
Žemės vystymo fondas 17 UAB	930	100,00	930	930	920	-
Žemės vystymo fondas 18 UAB	983	100,00	983	982	973	-
Žemės vystymo fondas 19 UAB	373	100,00	373	373	363	-
Žemės vystymo fondas 20 UAB	(7)	100,00	(7)	(7)	(17)	-
Agricultural company Spindulys	8 193	99,96	8 190	6 315	1 559	180
Panevėžys district Smilgių agricultural company	10 303	99,95	10 298	11 709	2 087	930
Skėmių agricultural company	10 726	99,87	10 712	10 068	1 007	2 323
Anykščiai district Nausodės agricultural company	4 402	99,81	4 393	2 942	250	(177)
Raseiniai district Dumšiškių agricultural company	1 680	99,36	1 670	793	(80)	7
Žadžiūnų agricultural company	2 373	99,02	2 349	1 559	436	(432)
Kėdainiai district Mantviliškio agricultural company	4 799	98,79	4 741	3 323	593	(592)
Molėtai district agricultural company Alanta	2 791	98,56	2 751	2 443	392	794
Eimučių agricultural company	1 789	98,41	1 760	1 339	366	(483)
agricultural company Vėriškės	3 822	98,41	3 761	2 235	273	(397)
Želsvelės agricultural company	11 109	97,17	10 795	12 437	960	152
agricultural company Kairėnai	1 877	94,82	1 780	456	(150)	(214)
Jurbarko district agricultural company Jurbarkai	4 346	87,78	3 815	471	154	475
<b>Total</b>	<b>109 911</b>		<b>108 696</b>	<b>97 824</b>	<b>44 330</b>	<b>2 576</b>

8. Long term receivables

As of 31 December the long term receivables of the Company consisted of the following:

	2007	2006
The loan to Panevėžys district Smilgių agricultural company (LTL), maturity in 2016, annual interest rate 12,29%	4 085	1 715
The loan to Želsvelės agricultural company (LTL), maturity in 2016, annual interest rate 12,29%	2 430	5 230
The loan to agricultural cooperative AVG Lankesa (LTL), maturity in 2016, annual interest rate 12,29%	2 285	1 694
The loan to Žemės vystymo fondas 11 UAB (LTL), maturity in 2015, annual interest rate 12,29%	1 942	-
The loan to Žemės vystymo fondas UAB (LTL), maturity in 2018, annual interest rate 12,29%	1 816	-
The loan to Žemės vystymo fondas 12 UAB (LTL), maturity in 2015, annual interest rate 12,29%	1 589	100
The loan to agricultural company Kairėnai (LTL), maturity in 2016, annual interest rate 12,29%	1 353	1 394
The loan to Jurbarko district agricultural company Jurbarkai (LTL), maturity in 2016, annual interest rate 12,29%	992	-
The loan to Žemės vystymo fondas 1 UAB (LTL), maturity in 2015, annual interest rate 12,29%	906	792
The loan to Žemės vystymo fondas 21 UAB (LTL), maturity in 2025, annual interest rate 12,29%	885	-
The loan to Žemės vystymo fondas 19 UAB (LTL), maturity in 2021, annual interest rate 12,29%	810	-
The loan to Žemės vystymo fondas 20 UAB (LTL), maturity in 2021, annual interest rate 12,29%	810	-
The loan to agricultural company Vėriškės (LTL), maturity in 2016, annual interest rate 12,29%	806	1 687
The loan to Kėdainiai district Mantvilėškio agricultural company (LTL), maturity in 2016, annual interest rate 12,29%	788	1 463
The loan to Žemės vystymo fondas 8 UAB (LTL), maturity in 2025, annual interest rate 12,29%	785	-
The loan to Raseiniai district Dumšiškių agricultural company (LTL), maturity in 2016, annual interest rate 12,29%	709	465
The loan to Žemės vystymo fondas 7 UAB (LTL), maturity in 2020, annual interest rate 12,29%	680	-
The loan to Žemės vystymo fondas 6 UAB (LTL), maturity in 2010, annual interest rate 12,29%	607	-
The loan to Žemės vystymo fondas 17 UAB (LTL), maturity in 2010, annual interest rate 12,29%	549	-
The loan to Žemės vystymo fondas 15 UAB (LTL), maturity in 2020, annual interest rate 12,29%	542	-
The loan to Žemės vystymo fondas 18 UAB (LTL), maturity in 2025, annual interest rate 12,29%	523	-
The loan to Žemės vystymo fondas 16 UAB (LTL), maturity in 2020, annual interest rate 12,29%	523	-
The loan to Žemės vystymo fondas 5 UAB (LTL), maturity in 2020, annual interest rate 12,29%	481	-
The loan to Anykščiai district Nausodės agricultural company (LTL), maturity in 2016, annual interest rate 12,29%	361	2 049
The loan to Žemės vystymo fondas 2 UAB (LTL), maturity in 2015, annual interest rate 12,29%	220	-
The loan to Žadžiūnų agricultural company (LTL), maturity in 2016, annual interest rate 12,29%	195	1 329
The loan to Eimučiai agricultural company (LTL), maturity in 2016, annual interest rate 12,29%	181	1 045
The loan to Želsvelės mėsa UAB (LTL), maturity in 2010, annual interest rate 7,00%	160	-
The loan to ŽVF projektai UAB (LTL), maturity in 2009, annual interest rate 12,29%	100	-
The loan to Žemės vystymo fondas 4 UAB (LTL), maturity in 2015, annual interest rate 12,29%	65	-
The loan to Aušrys Labinas (LTL), maturity in 2008, annual interest rate 8.9%	-	600
Total	<u>28 178</u>	<u>19 563</u>

9. Trade receivables, advance payments and other receivables

As of December 31 the Company's trade receivables, advance payments and other receivables consisted of the following:

	<u>2007</u>	<u>2006</u>
Trade receivables	4 705	483
Advance payments and deferred expenses	925	2 211
Advance payments for land purchases	597	-
Other receivables	<u>50</u>	<u>546</u>
Total	<u>6 277</u>	<u>3 240</u>

In the opinion of the Company's management, the trade receivables, advance payments and other receivables approximate their fair value.

10. Share capital

As of 31 December 2005, the share capital consisted of 700 ordinary registered shares with par value LTL 100 each. All shares were fully paid.

On 26 January 2006, the share capital of the Company was increased from LTL 70 000 to LTL 150 000, by issuing 800 new shares with a par value of LTL 100 each as a result of retained earnings capitalization. The shares were issued to the existing shareholders proportionate to their ownership in the Company. For the purpose of calculating earnings per share all references in these financial statements to the weighted average number of shares were restated to reflect 15:7 share split.

On 20 March 2006, the par value of the Companies share was decreased from LTL 100 to LTL 1 and as a result 148 500 new shares were issued to the existing shareholders proportionate to their current holdings. For the purpose of calculating earnings per share all references in these financial statements to the weighted average number of shares were restated to reflect 100:1 share split.

On 10 April 2006, the share capital of the Company was increased from LTL 150 000 to LTL 200 000 by issuing new 50 000 ordinary shares with par value of LTL 1 each. The shares were paid in cash.

As of 31 December 2006, the share capital consisted of 200 000 ordinary registered shares (2005: 700 shares) with par value LTL 1 each (2005: LTL 100). All shares were fully paid.

On 31 August 2007, the shareholders increased the share capital of the Company from LTL 200 000 to LTL 206 000 by monetary contributions. Additional 6 000 shares were issued with nominal value of LTL 1 each.

On 12 October 2007, the shareholders increased the share capital of the Company from LTL 206 000 to LTL 20 000 000 by issuing distributing 19 794 000 additional shares with nominal value of LTL 1 each to existing shareholders by transfer from the retained earnings. For the purpose of calculating earnings per share all references in these financial statements to the weighted average number of shares were restated to reflect 9 897:103 share split.

As of 31 December 2007, the share capital consisted of 20 000 000 ordinary registered shares with par value LTL 1 each. All shares were fully paid.

11. Borrowings

As of 31 December the Company's long term borrowings consisted of the following:

	2007	2006
<i>Borrowings from banks</i>		
The loan payable to DnB Nord AB bank (EUR), maturity in 2016	25 000	13 871
<i>Borrowings from legal entities</i>		
Agricultural company Spindulys (LTL), maturity in 2016	2 844	853
The loan payable to Kelmės pieninė AB (LTL), maturity in 2016	2 549	-
Skėmių agricultural company (LTL), maturity in 2016	2 285	2 001
The loan payable to Invalda AB (LTL), maturity in 2009	1 953	-
The loan payable to Kelmės pieninė AB (LTL), maturity in 2009	1 867	-
The loan payable to Invalda AB (LTL), maturity in 2016	1 771	1 700
Molėtai district agricultural company Alanta (LTL), maturity in 2016	500	297
The loan payable to ŽIA valda AB (LTL), maturity in 2016	338	-
Jurbarko district agricultural company Jurbarkai (LTL), maturity in 2016	-	195
<i>Borrowings from private individuals</i>		
The loan payable to Aušrys Labinas (LTL), maturity in 2016	-	1 000
Total	39 107	19 917
Less: amounts, payable within one year	(1 764)	-
Total long term borrowings	<u>37 343</u>	<u>19 917</u>

As of 31 December the Company's short term borrowings consisted of the following:

	2007	2006
<i>Borrowings from banks</i>		
The loan payable to DnB Nord AB bank (EUR), maturity in 2008	11 000	-
The credit line to Nord/LB AB (LTL), maturity date in 2008	35	-
<i>Borrowings from legal entities</i>		
Sanitex UAB BĮ, (LTL), maturity date in 2007	-	4 100
The loan payable to Invalda AB	-	1 053
<i>Borrowings from private individuals</i>		
The loan payable to Dave Lasky	-	4
<i>Bonds issued by the Company</i>	<u>13 491</u>	<u>9 627</u>
Total short term borrowing	<u>24 526</u>	<u>14 784</u>

The long-term borrowings are repayable as follows:

	2007	2006
Between 1 and 2 years	6 762	979
Between 2 and 5 years	8 823	4 896
After five years	21 758	14 042
Total	<u>37 343</u>	<u>19 917</u>

Property, plant and equipment and cash in the banks of the subsidiary companies were pledged to the banks as collateral to secure the loans payable.

(Continued)

#### 11. Borrowings (continued)

As of 31 December the Company's weighted average annual interest rate in % were as follows:

	<u>2007</u>	<u>2006</u>
Long-term bank loans	6,51	5,7
Short-term bank loans	7,59	-
Bonds	8,0	8,0
Other borrowings	10,21	8,67

#### 12. Obligations under finance lease

As of 31 December the Company's minimum lease payments consisted of the following:

	<u>2007</u>	
	<u>Minimum lease payments</u>	<u>Present value of minimum lease payments</u>
Within one year	32	25
In the second to fifth years inclusive	<u>126</u>	<u>117</u>
Minimum lease payments	158	142
Less: future finance charges	<u>(16)</u>	-
Minimum amount payable	142	142
Less: VAT payable	<u>(26)</u>	<u>(26)</u>
Present value of minimum lease payments	<u>116</u>	<u>116</u>

The Company's obligations under finance leases are secured by the lessor's charge over the leased assets (note 6).

The fair value of the Company's obligations under finance leases approximates their carrying amount.

#### 13. Revenues

For the year ended 31 December, the revenues of the Company consisted of the following:

	<u>2007</u>	<u>2006</u>
Business consultations	2 972	708
Financial accounting services	452	159
Other revenues	<u>130</u>	<u>12</u>
Total	<u>3 554</u>	<u>879</u>

#### 14. Operating expenses

For the year ended 31 December, the Company's operating expenses consisted of the following:

	<u>2007</u>	<u>2006</u>
Payroll expenses	1 957	537
Legal expenses	521	527
Advertisements	491	59
Transport and other sales expenses	420	244
Business plan preparation and consultations	299	209
Real estate registration and valuation	183	-
Communication expenses	170	106
Depreciation and amortization	57	30
Other expenses	<u>337</u>	<u>474</u>
Total	<u>4 435</u>	<u>2 186</u>

15. Income from financial and investment activities

For the year ended as of 31 December the Company's income from financial and investment activities consisted of the following:

	<u>2007</u>	<u>2006</u>
Change in fair value of investments in subsidiaries carried at fair value through profit and loss statement	46 107	26 130
Interest revenues	3 312	600
Other financial revenues	<u>10</u>	<u>285</u>
Total	<u>49 429</u>	<u>27 015</u>

16. Finance cost

For the year ended as of 31 December the Company's finance cost consisted of the following:

	<u>2007</u>	<u>2006</u>
Interest expense	3 737	1 873
Other	<u>184</u>	<u>239</u>
Total	<u>3 921</u>	<u>2 112</u>

17. Basic and diluted earnings per share

	<u>2007</u>	<u>2006</u>
Net profit attributable to equity holders of the Company	44 671	23 598
Weighted average number of shares	<u>19 996 005</u>	<u>19 980 301</u>
Earnings per share (LTL)	<u>2,23</u>	<u>1,18</u>

The Company had no dilutive options outstanding during 2007 and 2006 or as of 31 December 2007 and 2006.

18. Related party transactions

Over the years ended 31 December 2007 and 2006 the average number of Directors was 11 and 7 respectively.

*(i) Loans to Board Members and Directors*

In 2007, salaries and other payments to the Senior Management of the Company amounted to LTL 508 thousand (2006: LTL 158 thousand).

*(ii) Other transactions with related parties*

All the shareholders of Agrowill Group AB (Note 1), owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, are considered to be related parties.

*(Continued)*



18. Related party transactions (continued)

On 30 June 2006, Pozityvios investicijos AB was merged into Invalda AB.

Trading transactions with related parties were carried out on commercial terms and conditions and market prices.

Transactions with related parties are as follows:

	2007				
	Amounts receivable	Loans payable	Amounts payable	Purchases and interest expenses	Sales and interest revenues
<i>Shareholders</i>					
Aušrys Labinas	106	-	3	97	-
Titas Sireika	-	-	-	81	-
Kelmės pieninė AB	-	4 416	-	321	-
Invalda AB	-	3 725	-	393	-
ŽIA valda UAB	-	338	2	161	-
Renatas Dūdonis	-	-	-	3	-
Mindaugas Juozaitis	-	-	-	1	-
Remigijus Žvirblis	-	-	-	1	-
Mantas Juozaitis	-	-	-	33	-
<i>Chairman of the Board</i>					
Valentas Šulskis	-	-	43	-	-
<i>Parties related to shareholder Kelmės pieninė AB</i>					
Sanitex BĮ UAB	-	-	-	91	-
<i>Parties related to shareholder Mindaugas Juozaitis</i>					
West Energy LLC	-	-	-	12	-
<i>Parties related to shareholder ŽIA valda AB</i>					
Žia valda real estate UAB	-	-	-	39	-
<i>Subsidiaries</i>					
Panevėžys district Smilgių agricultural company	4 326	-	-	-	576
Želsvelės agricultural company	3 086	-	-	-	715
Agricultural cooperative AVG Lankesa	2 579	-	-	-	421
Žemės vystymo fondas 11 UAB	2 063	-	-	-	145
Žemės vystymo fondas UAB	1 980	-	-	-	246
Agricultural company Kairėnai	1 833	-	-	-	434
Žemės vystymo fondas 12 UAB	1 690	-	-	-	125
Jurbarko district agricultural company Jurbarkai	1 198	-	-	6	201
Agricultural company Vėriškės	1 109	-	-	-	488
Žemės vystymo fondas 1 UAB	1 011	-	-	-	112
Kėdainiai district Mantviliškio agricultural company	984	-	-	-	304
Žemės vystymo fondas 21 UAB	959	-	-	-	98
Raseiniai district Dumšiškių agricultural company	924	-	-	-	205
Žemės vystymo fondas 8 UAB	850	-	-	-	71
Žemės vystymo fondas 19 UAB	840	-	-	-	40
AVG investment UAB	828	-	27	-	-
Žemės vystymo fondas 20 UAB	822	-	-	-	15
Žemės vystymo fondas 7 UAB	774	-	-	-	107
Žemės vystymo fondas 6 UAB	650	-	-	-	144
Žemės vystymo fondas 17 UAB	591	-	-	-	128
Žemės vystymo fondas 15 UAB	578	-	-	-	114
Žemės vystymo fondas 18 UAB	563	-	-	-	118
Žemės vystymo fondas 16 UAB	532	-	-	-	107
Anykščiai district Nausodės agricultural company	518	-	-	-	501
Žemės vystymo fondas 5 UAB	514	-	-	-	44
Eimučių agricultural company	456	-	-	-	234
Žadžiūnų agricultural company	381	-	-	-	286
Žemės vystymo fondas 2 UAB	228	-	-	-	38
Skėmių agricultural company	76	2 298	-	141	296
Žemės vystymo fondas 4 UAB	72	-	-	-	36
Molėtai district agricultural company Alanta	35	500	-	20	111
Žemės vystymo fondas 3 UAB	1	-	-	-	14
Žemės vystymo fondas 14 UAB	1	-	-	-	21
Žemės vystymo fondas 9 UAB	-	-	-	-	1
Agricultural company Spindulys	-	2 844	-	99	169
<b>Total</b>	<b>33 158</b>	<b>14 121</b>	<b>75</b>	<b>1 499</b>	<b>6 665</b>

(Continued)

18. Related party transactions (continued)

	2006				
	Amounts receivable	Loans payable	Amounts payable	Purchases and interest expenses	Sales and interest revenues
<i>Shareholders</i>					
Titas Sireika	1 009	100	-	-	-
Aušrys Labinas	862	1 000	3	28	-
Invalda AB (Pozityvios investicijos AB)	-	2 753	-	295	-
ŽIA valda UAB	-	11	2	267	-
Mindaugas Juozaitis	-	-	-	27	-
Mantas Juozaitis	-	-	-	16	-
<i>Chairman of the Board</i>					
Valentas Šulskis	280	-	-	-	-
<i>Parties related to shareholder Kelmės pieninė AB</i>					
Sanitex BĮ UAB	-	4 086	-	600	-
Kelmės pieno centras UAB	-	-	-	75	-
<i>Parties related to shareholder Invalda AB</i>					
Finasta investicijų valdymas UAB	-	-	-	17	-
AB FMĮ Finasta	-	-	-	1	-
<i>Subsidiaries</i>					
Želsvelės agricultural company	5 312	-	-	8	276
Anykščiai district Nausodės agricultural company	2 069	-	-	3	86
Panevėžys district Smilgių agricultural company	1 739	-	-	77	152
Agricultural company Vėriškės	1 728	-	-	-	83
Agricultural cooperative AVG Lankesa	1 718	-	-	4	147
Kėdainiai district Mantviliškio agricultural company	1 492	-	-	39	127
Agricultural company Kairėnai	1 449	-	-	-	91
Žadžiūnų agricultural company	1 360	-	-	15	136
Eimučių agricultural company	1 070	-	1 309	-	79
AVG investment UAB	995	-	49	150	19
Raseiniai district Dumšiškių agricultural company	479	-	-	-	44
Agricultural company Spindulys	12	865	-	42	100
Skėmių agricultural company	9	2 030	-	92	59
Jurbarko district agricultural company Jurbarkai	8	197	-	7	28
Molėtai district agricultural company Alanta	3	300	-	10	18
<b>Total</b>	<b>21 594</b>	<b>11 342</b>	<b>1 363</b>	<b>1 773</b>	<b>1 445</b>

19. Commitments and contingencies

As of 31 December 2007 and 2006 the Company was not involved in legal proceedings which in the management opinion would have a material impact on the financial statements.

20. Subsequent events

At 24 January 2008, Agrowill Group AB submitted the share issue prospectus to the Securities Commission. The prospectus was approved on 14 March 2008.

On 26 February 2008, the shareholders meeting of Agrowill Group AB decided to increase the Companies share capital from LTL 20 000 000 (LTL twenty million) to LTL 26 777 777 (LTL twenty six million seven hundred seventy seven thousand seven hundred seventy seven) by issuing 6 777 777 (six million seven hundred seventy seven thousand seven hundred seventy seven) units of new ordinary shares with nominal value LTL 1 each. The total nominal values of new issue is LTL 6 777 777 (LTL six million seven hundred seventy seven thousand seven hundred seventy seven).

In March 2008, during the IPO of Agrowill Group AB shares, 6 777 777 (six million seven hundred seventy seven thousand seven hundred seventy seven) units of new ordinary shares were issued and apportioned. On 1 April 2008, the Board of Vilnius Stock Exchange decided to include the shares into Main trading list of the Exchange.

Since 2 April 2008, the Companies shares are traded in the Vilnius Stock Exchange.

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