AB Agrowill Group

2012 04 29

Following the law on Securities of the Republic of Lithuania and the Rules for the Drawing up and the Submission of the Periodic and the Additional Information approved by the Lithuanian Securities Commission, hereby confirm that, to the best of our knowledge, the attached Consolidated and stand alone financial statements of Agrowill Group AB for the year ended 31 December 2011, 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 consolidated Agrowill Group AB. Presented Consolidated annual report includes a fair review of the development and performance of the business and the position of the consolidated Group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSURE: Consolidated and stand alone financial statements and consolidated annual report of Agrowill Group AB for the years ended 31 December 2011.

Chairman of the Board .... Vladas Bagavičius

Chief Accountant .... Robertas Giedraitis

AB „Agrowill Group“
Smolensko g. 10, LT-03201 Vilnius
Įmonės kodas 126264360
PVM mokėtojo kodas LT100001193419

Tel. + 370 5 233 5340
Faks. + 370 5 233 5345
El. p. info@agrowill.lt
www.agrowill.lt

Bankas
AB „DnB NORD bankas“
Banko kodas 40100
A/s LT124010049500254662

AGROWILL GROUP AB

Independent Auditor's Report,
Consolidated Annual Report and
Consolidated and Stand Alone
Financial Statements for the Year Ended
31 December 2011

TABLE OF CONTENTS

Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of Agrowill Group AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of Agrowill Group AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 20–67 which comprise the stand alone and consolidated balance sheet as of 31 December 2011 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 entity's 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 qualified audit opinion.

Basis for Qualified Opinion – Material Misstatement – stand alone financial statements

As discussed in Note 4, as of 31 December 2011 the Company tested investments in and receivables from those subsidiaries that had impairment indications. As a result of those tests, management decided that no additional impairment losses should be recorded in the year ended 31 December 2011. In our opinion, the management used too optimistic profitability forecasts for certain subsidiaries. Based on our audit evidence, using more prudent profitability forecasts, cost of investment in and receivables from Agrowill Vėriškės ŽŪB, Agrowill Kairėnai ŽŪB, Agrowill Jurbarkai ŽŪB and AWG Investment 1 UAB as of 31 December 2011 should be decreased by LTL 1,100 thousand, LTL 900 thousand, LTL 2,000 thousand and LTL 8,100 thousand, respectively, and net profit of the Company for the year then ended should be decreased by the aggregate of LTL 12,100 thousand.

In 2011 the Company discovered the following error: in the year ended 31 December 2010 the Company did not calculate any of interest income amounting to LTL 2,524 thousand from the loan granted to Žemės vystymo fondas 20 UAB. The error was corrected prospectively and the above mentioned amount was recorded as interest income in the year ended 31 December 2011. In our opinion, this is a material error and should be corrected retrospectively. Therefore, the Company's net profit for the year ended 31 December 2010 should be increased and net profit for the year ended 31 December 2011 should be reduced by LTL 2,145 thousand, representing the interest income referred to above reduced by income tax effect.

Basis for Qualified Opinion – Material Misstatement – consolidated financial statements

As discussed in Note 4, as of 31 December 2011 the Group tested goodwill for impairment. As a result of those tests, management decided that goodwill in the amount of LTL 1,818 thousand related to acquisition of Grūduva UAB is not impaired as of 31 December 2011. In our opinion, the management used too optimistic profitability forecasts in their tests. Based on our audit evidence, using more prudent profitability forecasts, above mentioned goodwill should be written off. Consequently, the Group's net profit for the year ended 31 December 2011 should be decreased by LTL 1,818 thousand.

As disclosed in Note 26, during the year ended 31 December 2011 the Group increased the holding in the subsidiary Gustoniai ŽŪB's share capital from 63% to 75% for nil consideration. Non-controlling interest was adjusted by LTL 711 thousand, and gain on acquisition of subsidiaries in the same amount was recognized in the Group's income statement. Based on IAS 27 *Consolidated and separate financial statements*, changes in a parent's ownership interest in a subsidiary that do not result in a change of control are accounted for as equity transactions. Therefore, the Group's net profit for the year ended 31 December 2011 should be decreased by LTL 711 thousand.

During the year ended 31 December 2011 the Group has fair valued certain equity investments and has recorded a gain of LTL 3,776 thousand in the Group's income statement. The above mentioned equity investments do not have a quoted market price and the management has determined their fair values using valuation techniques. These equity instruments should be classified as available-for-sale financial assets, and in case fair value is reliably measurable, the changes in fair value should be recognized in other comprehensive income, and not in income statement. However, in our opinion, fair values of the above mentioned equity investments cannot be reliably measured, and therefore these investments should be measured at cost. Consequently, the carrying amount of financial assets as of 31 December 2011 and the Group's net profit for the year then ended should be decreased by LTL 3,776 thousand.

pwc

Qualified Opinion

In our opinion, except for the effect of the matters referred to in the *Basis for Qualified Opinion – Material Misstatement* sections, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2011, and of 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.

Emphasis of Matter

We draw attention to Note 2.1 in the Financial statements which discloses the Group's and the Company's assumptions about its ability to continue as a going concern. The going concern assumption is dependent on the successful implementation of the Restructuring plans as well as the Group's and the Company's possibilities to operate at a profit in the future. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2011 set out on pages 6–19, including its Annex set out on pages 68–87, and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for the year ended 31 December 2011.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Jurgita Krikščiūnienė
Auditor's Certificate No.000495

Vilnius, Republic of Lithuania
30 April 2012

AGROWILL GROUP AB AND THE SUBSIDIARIES CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2011

1. Accounting period covered by the Report

Consolidated annual report was prepared for the year ended 31 December 2011.

2. Key data on the Group

Name of the company:	Agrowill Group AB (hereinafter – AWG or the Parent Company)
Share capital:	LTL 84,820,986
Address of headquarters:	Smolensko g. 10, LT-03201 Vilnius, Lietuva
Telephone:	(8~5) 233 53 40
Fax:	(8~5) 233 53 45
E-mail address:	info@agrowill.lt
Website:	www.agrowill.lt
Legal-organizational form:	Legal body, joint stock company
Place and date of registration:	25 June 2003, Vilnius
Register code:	1262 64360
Register number:	AB2003-926
Registrant of the Register of legal bodies:	State Enterprise Centre of registers

As at 31 December 2011 the Group was comprised of the Parent Company and it‘s subsidiaries:

Name	Legal form	Date and place of registration	Company code	Address	Phone, fax and email
UAB „AVG Investment“	Joint stock company	2005-02-10, State Registrar	300087691	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB "AWG Investment 1"	Joint stock company	2008-06-18, State Registrar	301745765	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „AVG Investment 2“	Joint stock company	2008-07-24, State Register	301807590	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Agrowill Trade“	Joint stock company	2008-07-24, State Register	301807601	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
BUAB „Abagrain“	Joint stock company	2007-04-26, State Register	300713565	Adutiškio str. 3-3, Vilnius	(8~5) 203 26 86; fax: (8~5) 203 26 87, email info@agrowill.lt
UAB „Grain Lt“	Joint stock company	2010-03-17, State Register	302489354	Adutiškio str. 3-3, Vilnius	(8~5) 203 26 86; fax: (8~5) 203 26 87, email info@agrowill.lt
UAB AWG Trade	Joing stock company	2011-03-15, State Register	302602713	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB „Baltic farming land management“	Joint stock company	2008-10-13, State Register	302003546	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Agro Management Team	Joing stock company	2011-03-02, State Register	302599498	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB Agrowill AgroTech	Joing stock company	2011-02-03, State Register	302589187	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
ŽŪB „Žemės fondas“	Agricultural entity	2006-04-07, State Register	300558595	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB „Žemės vystymo fondas“	Joint stock company	2004-09-28, State Registrar	300057335	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 1“	Joint stock company	2005-10-11, State Registrar	300151101	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 2“	Joint stock company	2005-10-11, State Registrar	300151126	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 3“	Joint stock company	2005-10-11, State Registrar	300151165	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt

Name	Legal form	Date and place of registration	Company code	Address	Phone, fax and email
UAB „Žemės vystymo fondas 4"	Joint stock company	2006-08-10, State Registrar	300589669	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 5"	Joint stock company	2006-08-10, State Registrar	300589683	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 6"	Joint stock company	2006-08-10, State Registrar	300589719	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 7"	Joint stock company	2007-01-17, State Registrar	300634420	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 8"	Joint stock company	2007-07-16, State Registrar	300921776	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 9"	Joint stock company	2006-03-09, State Registrar	300547638	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 10"	Joint stock company	2008-01-10, State Registrar	301522723	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 11"	Joint stock company	2005-05-12, State Registrar	300114042	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 12"	Joint stock company	2005-03-08, State Registrar	300094383	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 14"	Joint stock company	2006-08-10, State Registrar	300589726	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 15"	Joint stock company	2006-08-10, State Registrar	300589733	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 16"	Joint stock company	2006-08-10, State Registrar	300589740	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 19"	Joint stock company	2007-06-21, State Registrar	300886948	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 20"	Joint stock company	2007-06-22, State Registrar	300887726	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB „Žemės vystymo fondas 22"	Joint stock company	2008-01-10, State Registrar	301522730	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Spindulys"	Agricultural entity	1993-04-09, Radviliškis district municipality	171330414	Vaitiekūnai, Grinkiškis mun., LT-82380 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Smilgiai"	Agricultural entity	1992-09-16, Panevėžys district municipality	168548972	Panevėžys str. 23, Smilgiai, Smilgiai mun., LT-38375	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Skėmiai"	Agricultural entity	1992-10-01, Radviliškis district municipality	171306071	Skėmiai, Skėmiai mun., LT-82350 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Nausodė"	Agricultural entity	1992-08-11, Anykščiai district municipality	154179675	Kirmėliai, Troškūnai mun., LT-29178 Anykščiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Dumšiškės"	Agricultural entity	1992-09-29, LR Raseiniai district board	172276179	Paraseinis, Paliepiai mun., LT-60194 Raseiniai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Žadžiūnai"	Agricultural entity	1992-06-30, Šiauliai district municipality	175706853	Gudeliai str. 30, Žadžiūnai, Kairiai mun.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Mantviliškis"	Agricultural entity	1992-11-06, Kėdainiai district board	161274230	Liepos 6-osios str. 18, Mantviliškis, Dotnuva mun., LT-58332 Kėdainiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Alanta"	Agricultural entity	1992-06-29, Molėtai district municipality	167527719	Ukmergės str. 7, Alanta mun. LT-33312 Molėtai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt

Name	Legal form	Date and place of registration	Company code	Address	Phone, fax and email
ŽŪB „Agrowill Eimučiai"	Agricultural entity	1992-06-29, Šiauliai district municipality	175705032	Eimučiai, Kairiai mun., 80101 Šiauliai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Vėriškės"	Agricultural entity	1992-09-29, Radviliškis district municipality	171305165	Vėriškės, Šeduva mun., LT-77199 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Lankesa"	Agricultural entity	1999-04-06, Jonava district municipality	156913032	Ukmergė str. 44, Bukoniai, Bukoniai mun., LT-55075 Jonava distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Želsvelė"	Agricultural entity	1992-07-03, Marijampolė municipality	165666499	Želsva, Liudvinavas mun., LT-69193 Marijampolė mun.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Kairėnai"	Agricultural entity	1993-03-02, Radviliškis district municipality	171327432	Kairėnai, Grinkiškis mun., LT-82031 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB „Agrowill Jurbarkai""	Agricultural entity	1992-07-31, Jurbarkas district municipality	158174818	Rytas str. 2, Jurbarkai, LT-74205 Jurbarkai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
Grūduva UAB	Joint stock company	1997-02-24, Šakiai district municipality	174401546	Gotlybiškiai, Šakiai mun., LT-71372, Marijampolė distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
Panevežio region ŽŪB „Gustoniai"	Agricultural entity	1992-12-09, Panevėžys district municipality	168565021	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
Agrowill group S.R.L.	Closed joint stock company	2008-07-01, Republic of Moldova	100860003153	Kogalniceanu Mihail, 51, Chisinau mun., Moldova	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
S.R.L. Agrowill group	Closed joint stock company	2008-07-01, Republic of Moldova	100860003153	Kogalniceanu Mihail, 51, Chisinau mun., Moldova	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
ZAO Agroprom	Closed joint stock company	2008-09-01, Russian Federation	108774606123 7	Baimanskaja st. 7-10, Moscow, Russia	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
KB „Siesartis"	Cooperative entity	2010-04-21, Šakiai district municipality	302501098	Mokyklos str. 18, Gotlybiškių mun., Šakių distr..	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
KB „Kašėta"	Cooperative entity	2010-04-21, Jonavos district municipality	302501251	Ukmergės str. 44, Bukonių mun.., LT-55075 Jonavos distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
ŽŪB „Gustonys"	Agricultural entity	2010-06-08, Vilniaus district municipality	302520102	Panerių str.. 11, Vilnius LT-03209	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt

The closed joint stock subsidiary companies are engaged in buying and renting land, while subsidiary agricultural entities are engaged in agricultural commodities (milk, grain, and rapeseed) production and realisation.

3. Main lines of business of the Group

Operations area: Agriculture
Main products manufactured: Milk production and sale, grain, rapeseed growth and sale, rent of land.

4. Mission and Vision of the Parent Comany

The Group's mission is to strengthen the agricultural sectors in Lithuania and other European countries through innovative decisions, increase the value of investments and to create social wealth in the village community.

The Parent Company's vision is to become the largest profitable company engaged in primary agricultural production in EU Eastern Europe, reaching production indicators in crop and grain production (including the utilization of buildings, machinery and work power) 25% above the EU average. Up to 2015, the Group aims to receive 50% of income from milk production and grain cultivation, and the other 50% - from grain storage, logistics, trade, agro-service products and consulting activities. Also the Parent Company's vision is for at least 20% of the total acricultural production from the Company's farms to be grown ecologically by 2015.

5. Agreements with the mediators of securities public circulation

The Parent Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) signed an agreement regarding handling of Shareholders accounts.

The Parent Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) signed an agreement regarding handling of all bonds issues Bondholder accounts.

The Parent Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) have signed and market making agreement regarding Agrowill Group AB shares.

The Company and Dom Maklerski IDM SA (Maly Rynek st. 7, 31-041, Krakow, Poland) have signed a market making agreement regarding Agrowill Group AB shares.

6. The trading in the Issuer's securities on exchanges and other organized markets

During the reporting period, the Companies shares were traded on the NASDAQ OMX Vilnius Stock Exchange (hereinafter – VSE). Type of shares – ordinary, nominal value 1 (one) LTL.

Reporting period	Price, LTL			Date of last session	Total turnover	
	Max	Min	Last session		Units	LTL, million
I quarter 2011	1.12	0.87	1.04	2011.03.31	3,054,598	3.097
II quarter 2011	1.13	0.92	0.93	2011.06.30	3,407,864	3.541
III quarter 2011	1.03	0.56	0.60	2011.09.30	3,897,523	3.009
IV quarter 2011	0.67	0.44	0.49	2011.12.30	3,230,656	1.806

On 25 June 2008, the Parent Company issued LTL 16 million of bonds into public trading:

All payments related to the payment for bonds emission, redemption of bonds and payment of interest are made in LTL or EUR. The bonds can not be redeemed before the redemption date either on demand by the Issuer, or the investor. The Parent Company did announce that it will not redeem the above mentioned bonds issue on time.

Trading information of Agrowill Group AB bonds on NASDAQ OMX Vilnius Stock Exchange:

Reporting period	Price, %			Date of last session	Total turnover	
	Max	Min	Last session		Units	LTL, million
I quarter 2011	-	-	-	2011.03.31	-	-
II quarter 2011	-	-	-	2011.06.30	-	-
III quarter 2011	-	-	-	2011.09.30	-	-
IV quarter 2011	-	-	-	2011.12.30	-	-

The Parent Company had also issued three non-public bonds issues, which are not traded in the open market:

Issue date	Term	Redemption date	Nominal value	Interest rate
23 December 2008	90 days	22 March 2009	LTL 2,275,000	12 %
20 January 2009	90 days	20 April 2009	LTL 315,000	14 %
25 June 2008	369 days	29 June 2009	LTL 8,816,000	14 %

The Company did also announce that it will not redeem the above mentioned bonds issues on time.

On 1 March 2010, Vilnius disctrict court has decided to initiate the Restructuring case for Agrowill Group AB. This ruling was sued to the Court of Appeal. On 20 May 2010 Lithuanian Court of Appeal left in force the ruling of a lower Court. After the Companies Restructuring Plan was approved, the outstanding bonds will be paid back according to the Restucturing plan: in years 2013 – 2014.

Certain bondholders made agreements with the Company to exchange the monetary claims arising from holding of bonds against newly issued shares in August and October of 2010. As at 31 December 2011, and 31 December 2010, the amount owed to the bondholders amounted to LTL 8,887 thousand.

7. Groups financial and operating results analysis, information on personnel

Main performance indicators

Main financial figures, LTL thousand	**Year ended 31 December GROUP 2011**	**2010**
Revenues	56,078	45,165
Direct subsidies	10,787	11,448
Gross profit	16,682	19,018
Operating profit	7,528	7,736
Financial expenses,	(7,767)	(6,824)
Net profit	1,263	7,297
EBITDA	11,882	8,751
EBITDA margin, %	21.19	19.38
Ratios		
ROA, %	2.62	2.76
ROE, %	1.11	9.49
Liquidity ratio	0.73	0.43
Quick ratio	0.47	0.32
Price - Earnings ratio (P/E)	102.95	4.73

The main financial indicators of the Group for 2011 are better than in 2010. The main reason for increase are the improved efficiency of Group's operations, additionally the Group continued making significant cost cuts as compared to previous years and, together with starting restructuring of the Group entities, the financing costs were kept at low level. The consolidated financial statements for the year ended 31 December 2011, and 2010 are prepared in accordance with International Financial Reporting Standards (IFRS).

Revenues

During 2011, the Group generated LTL 56.1 million in agricultural activity revenues (2010 – LTL 45.2 million). The increase in revenues is associated in increased production volumes (mostly in crop-growing segment due to much more favorable weather conditions than in 2010), as well as general agricultural industry inflation of prices.

Operating expenses

The operating expenses totalled LTL 21.7 million (2010: LTL 22 million). The operating expenses decreased by LTL 0.4 million as compared to previous year because of increased efficiency of Group's operations, and despite of a LTL 2.9 million loss on sale of subsidiaries experienced in 2011. The Group management follows the cost cutting plan, and intends to further reduce the operating costs in the near future.

Gain on acquisition of subsidiaries

In February 2011, the Group acquired subsidiary in Moldova "Natur Agro Grup" SRL for LTL nill as part of payment for previously written-off account receivable. The subsidiary is engaged in land management business. Additionally, in December 2011, after winning a court case the Group increased it's holding in Agricultural entity „Gustoniai" from 63 to 75 per cent.

Financial expenses

Over reporting period of 2011, the financial expenses increased as compared to similar period of 2010. In 2010, when restructuring plans were not approved by the courts, the interest was not calculated, whereas in 2011, after extinquishment of restructuring debt – the interest calculations started.

Income tax credit

Over 12 month period ended 31 December 2011, the Group recognised LTL 1,502 thousand income tax credit, as deferred tax asset regarding the accumulated tax losses was created in the subsidiaries which have their Restructuring plans approved, or are not under restructuring at all. In the same period of 2010, a LTL 6,385 thousand similar gain was recognised, as deferred tax liability balance was decreased.

Balance sheet

Fixed assets of the Group did not change significantly over the year, as annual depreciation charge was almost offset by acquisition of couple of subsidiary entities.

The biological assets of the Group in 2011 increased due to increase in the value of the cows and larger area seeded in autumn. Furthermore, as at the date of signing of this Report, no significant uninsured areas effected by winterkill were registered.

During 2011, the Company issued a new capital issue of 13,268,732 shares. The issue commenced in Warsaw Stock Exchange. The share capital of Agrowill Group AB as at 31 December 2011 is LTL 84,820,986. The share capital is divided into 84,820,986 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

In June 2009, due to liquidity problems the Group publicly announced about the start of Restructuring processes for Parent company and agricultural subsidiaries. After announcing of processes, the Group classified all the loans and borrowings in restructuring entities as short-term debt due to fact that at the 31 of December 2009 there were no Restructuring plans approved and covenants of bank loans were not met. In 2010, some of the Restructuring plans were already approved, so the Group discounted the liabilities of those companies. Additionally, after approval of restructuring plans, the financial debt is classified as long-term debt according to the restructuring plan. In general, financial liabilities decreased by around LTL 45 million mainly due to capitalization of loans and bonds into equity. In 2011, all of the 15 restructuring plans are approved and borrowins are classified accordingly in the financial statements.

Personnel

As at 31 December 2011 the number of employees and average monthly salary by education and categories was as follows:

Employee category	Numbers of employees	Average monthly salary
Central office / Company	40	3,715
Agricultural entities management	34	2,723
Agricultural entities workers	406	1,350
Total:	**480**	

Education	Central office / Company	Agricultural entities
Higher	37	85
Special professional	2	124
Middle	1	140
Primary	-	91
Total:	**40**	**440**

Over 2011, the number of employees in the Group increased moderately due to expanded activities (480 as at 31 December 2011 as compared to 444 at the end of previous year).

8. Objective overview of Entity's status, operations and development, description of key risks and exposures the Company faces

Overview of the Group's business, status and review of expansion

Agrowill Group AB started operations in 2003 and currently is Lithuania's largest group of agricultural development and investment companies applying the centralized business management model. The Group is largest agricultural land owner in Lithuania – subsidiary land buying entities owned around 11.8 thousand ha of land, agricultural entities own around 1 thousand ha, and additionally around 18 thousand ha were rented from others. As of 31 December 2011 the Group controls 51 subsidiaries: 16 (sixteen) Agricultural Companies (ŽŪB), 22 (twenty two) land management companies, 3 (tree) trade companies, 2 (two) agricultural cooperatives and 8 (eigt) companies responsible for the Group's acquisitions. As of 31 December 2011 the Group employed 480 employees.

The Group concentrates on two main lines of business – milk production and crop growing. During the last decade, the worldwide commodities markets of these two segments developed positively, and only negative trend was experienced when global financial markets crashed in late 2008. However, during 2010, the markets started rebounding (both milk powder and crop commodities), and by the end of the year commodities prices reached pre-crisis levels. In 2011, the prices stabilized and decreased somewhat, however in early 2012 grain and rapeseed prices continue to ascend.

The global demand for dairy products has been growing very rapidly in recent years, the growth being driven mainly by the developing economies, but in 2008, together with starting worldwide financial crisis and melanine scandal in China, the demand for milk products decreased significantly. Due to abovementioned influence, the milk prices were on continuos decline until May 2009, when the price bottom was reached – LTL 0.58 per kg of milk (almost half from top price in the end of 2007. Currently, the demand for milk products has increased up to 2007 levels again, with the most rapid growth in the demand for dairy products coming from China, India and Mexico, which are major importers of dairy products. In the end of 2010 and 2011, the Group sold raw milk at farmgate for a price of LTL 0.94 per kg.

In 2006 and 2007, with increasing global consumption due to growth of population and applicance of grain in biofuel production and world's grain stocks being at the smallest level in the past 34 years the grain prices soared to record highs. Due to that, there were significant increases in the areas of grain, corn, soya, and rapeseed seeded in 2008. The harvests received in whole world in 2008 and 2009 resulted in oversupply and the grain prices gradually fell until reached 2005 – 2006 level. In 2010, due to hazardous weather in Russia, Ukraine and some other major grain and rapeseed producers (as well as in Lithuania), the harvest in the world was lowest over the past 3 years, and grain stocks were significantly reduced. Due to this grain and rapeseed prices rose by 60-80% over the course of the year. It is forecasted that in the future, unless any extraordinary weather conditions, the worldwide grain and rapeseed market will grow slowly but steadily – the prices of the production will depend on harvests yielded in different countries, consumption patterns and world grain stocks level.

The Group's revenues from milk production, in 2011 amounting to LTL 16.5 million or 29% from total revenues of the Group (2010: LTL 16.8 million or 37%) is stable and monthly cash generating activity of the Group. Milk production activities also include raising of heifers. As at 31 December 2011 the Group had around 2.4 thousand milking cow herd.

The main crop growing cultures grown for sales are wheat and rapeseed – there were around 13.8 thousand ha planted and harvested in 2011 (2010: 11.6 thousand ha) by the Group's agricultural subsidiaries. The remaining area is planted with various feed cultures – corn, barley, perennial grasses. The grown green feed is used for feeding of the animal herds.
In the nearest future the Group plans to expand the production capacities of the two main lines of business, also focusing on making these business lines more efficient. It is planned to increase the milking cow herd to around 4 thousand in 2012 with expected increase up until 6 thousand in 3 years time. To establish couple of "programming centers" for growing of heifers in order to specialize different companies and increase efficiency and profitability. In the crops line, the Group intends to shift most of the crop rotation to winter crops, in order to benefit from better harvest and increased profitability of land cultivation business. The Group plans to increase the working area by at least 20 – 25 percent over the next 3 years.

Assessment of main types of risks and exposures the Group faces

Foreign currency exchange rate fluctuation

The production manufactured by the Group (milk, grain, rapeseed) belongs to the raw material market, the prices for which are set in the worldwide markets, thus the Group faces main currencies (USD and EUR) exchange rate fluctuation risk. Basically, the revenues of produced crops are denominated in EUR, while produced milk revenues in LTL; major expense items of the Group are denominated in LTL. The management of the Group controls the risk by seeking that financial liabilities in different currencies would match the balance of revenues and expenses denominated in different currencies, thus the risk of foreign currency exchange rate fluctuation is limited. As of 1 February 2002, the national currency litas is pegged to Euro at a rate 3.4528 LTL = 1 EUR.

Current development of International and Lithuanian financial markets

The worldwide liquidity crisis which started in 2008, resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. The magnitude of the financial crisis and it's effect on the world and local economies was huge and up to the date, the global economies struggle to find possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities in the end of 2008 and, in turn, inability to change the short-term bridge bonds into long-term loans the Group experienced liquidity problems. In 2009, the world markets started recovering, but it is difficult to predict when the world economies will be healthy again, as 2010 brought yet new challenges to the markets. However, the agriculture sector was influenced less than others, which, together with growing commodities prices, resulted in favorable conditions to the industry development.

Borrowed capital accounts for a large share of the Group's total capital

Historically, the main source of Group's financing (for acquisitions and operational needs) was generated by borrowed funds. In the beginning of 2008, the Group issued a new share capital issue and attracted around LTL 28.3 million of cash into the Group. In the same year, the Group issued several bond issues and attracted additional LTL 28 million of cash. All the proceeds were used for expansion of the Group – two major subsidiaries were acquired: Polva Agro OU in Estonia and Grūduva UAB in Lithuania; number of investment projects were started (manure storage pits, cow farm reconstructions, acquisitions of modern agricultural equipment and machinery). After the above-mentioned financial markets collapse took place, the Group had to abandon several investment projects and finished one of the acquisitions from own cash flows, which, in turn, in several months resulted in significant liquidity problems.

The major part of Groups assets are the investment property, owned land, buildings, equipment and cattle herds – long term assets, payback of which is longer than 1-2 year term, while Group's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the shareholders and management of the Group in June 2009 undertook a decision to initiate restructuring process for most of the Group's entities – for Parent company and 14 agricultural entities. The restructuring process is a mean for companies facing liquidity problems to operate under normal circumstances and to try and earn the funds needed to repay the accumulated amounts due. The decisions to initiate the restructuring processes were approved by more than 50% of creditors in each of these companies in June 2009 and the processes are ongoing (in different phases) since then.

In 2010, the processes were continuing and by the end of the year Restructuring plans were approved for 5 of the 15 entities under restructuring. According to the plans, the liabilities will be paid out over 4 years term with main portion of payments falling into 4th year. Currently Group's management vision coincides with the main creditors vision regarding the activities, future profitability of the Group and the ability to successfully pass the Restructuring process. Additionally in 2010, the Group capitalized around LTL 50 million of various debt into equity, which significantly reduced the debt level.

In 2011, restructuring plans for remaining 10 entities were approved with similar conditions regarding payments to creditors as in preceding ones. Additionally, the Group issued around LTL 13 million additional share capital in Warsaw Stock Exchange, which further improved Group's financial position.

Weather conditions

Weather conditions are one of the most important risks involved in agricultural activities. Poor or unfavorable meteorological conditions can have substantial impact upon yields by negatively affecting harvests and fodder preparation, destroying crop areas etc. In extreme cases, poor weather limits the ability to harvest the fields at all.

Prices for agricultural products

The Group's income and operating results depend on such factors beyond the Group's control as prices for agricultural comodities. These prices are largely influenced by different and hardly predictable factors beyond the Group's control (weather conditions, state agricultural policy, changes in global demand caused by demographic changes, changes in living conditions, competing products in other countries).

Animal diseases

Animals can be infected with different viral infections including foot and mouth disease, bovine spongiform encephalopathy etc. Even though the Group complies with the highest sanitary standards in order to prevent diseases, there is no guarantee that the Group's cattle will not be infected for reasons beyond the control of the Group. Although the majority of Group's cattle are insured, an outbreak of a cattle infection can result in high additional expenses and losses.

State policy and regulation in the agricultural sector and related areas can have a negative effect upon the Group's operations and profitability

Agriculture, agricultural produce and products placement on the market are strongly affected by state policies and EU regulation. Regulation of agricultural activities manifests itself through the regulation of taxes, tariffs, quotas, subsidies, import and export legislation etc. Any change in this area can exert significant influence over the profitability of agricultural activities, determination of the choice of crops, increase or reduce the volumes of production, import and export of agricultural products. In addition, any international trade disputes can affect the trade flows, restricting trade among countries or regions. Future policies in this area can have a negative impact upon prices for the agricultural products offered by the Group and upon the Group's opportunities for operating in the market.

9. Significant post balance sheet events:

Disclosed in the consolidated Agrowill Group AB financial statements for the year ended 31 December 2011.

10. Planned and forecasted activities of the Group:

It is planned to increase the milking cow herd to around 3.5 thousand (currently around 2.5 thousand) located over 8 separate locations around Lithuania, and to grow the heifers only in 2-3 locations in order to specialize different companies (there will be some specialized only in milk production, and several which will engage in heifer raising only) and achieve better costs of production, work efficiency and, in turn, financial results. The Group also plans to keep producing own combined feed, which ration will be designed for specific needs of Agrowill Group cow herd.

In crop growing sector the Group expects to remain one of the leaders in the country: in autumn 2011, around 9 thousand hectares was planted. It is also planned, that the productivity of crop fields will grow due to modern equipment used for cultivation of fields, which is constantly renewed. Additionally, the Group is expecting to expand steadily by increasing the amount of cultivated hectares. The productivity of new plots added is not necessary high in the first years and give the results only in subsequent years.

11. Information on research and development activities:

Agrowill Group AB does not have material licenses, and is not engaged in research activities.

12. Information on own shares:

The Company has not acquired any own shares.

13. Share capital structure of the Company:

The share capital of Agrowill Group AB as at 31 December 2011 is LTL 84,820,986. The share capital is divided into 84,820,986 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

During 2011, the Company issued a new capital issue of 13,268,732 shares. The issue commenced in Warsaw Stock Exchange.

The share capital of Agrowill Group AB as at 31 December 2010 was LTL 71,552,254. The share capital is divided into 71,552,254 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

Each share has usual material and intangible rights as per Lithuanian Republic law on Stock companies and Companies statutes.

14. Share transfer restrictions:

There are no restrictions regarding the share transfer.

There could be separate stock transfer restrictions, which can only be imposed by the shareholders and only in agreed-upon cases (see companies shareholders agreements for more details).

15. Shareholders of the Company:

The shareholders owning more than 5 per cent of all the Parent Company shares as at 31 December 2011 were:

Name, surname / name of the company	Company / personal code	Address	Votes held by shareholder	Shares held by shareholder
Volemer Holdings Limited	HE 268133	Avlonos 1, Nicosia, Cyprus	16,575,672	19.54%
Linas Strėlis	-	-	10,837,572	12.78%
Vretola Holdings Limited	HE 270472	Baarerstrasse 75, Zug, Switzerland	10,800,202	12.73%
Clients of Polish national depositorry for securities KDPW	0000081582	Ksiazeca street 4 126, Warsaw, Poland	9,595,732	11.31%
Eastern Agro Holdings UAB	300125868	Smolensko st. 10, Vilnius	8,343,609	9.84%
Romualdas Petrošius	-	-	5,218,667	6.15%

No shareholder has special voting rights.

16. Companies shareholders voting rights restrictions:

The Group has no indications about any restrictions to the shareholders voting rights.

17. Agreements between the shareholders:

The Group has no indications about any agreements between the shareholders of the Company.

18. Procedure for amendments of the Articles of Association:

The Articles of Association can be changed following Lithuanian Republic law on Stock companies with an appropriate approval of the Companies�much shareholders.

19. Members of collegial bodies, Head of Company, their participation in Companies' shares:

The managing bodies of the company are general meeting of the shareholders, the Supervisory Council, the Board of Directors and Managing Director. The Supervisory Council (consisting of 5 members) is elected by the shareholder meeting. The Board of directors is formed from 5 members. The chairman is elected by the Board. The Boardmembers are elected by the Supervisory Council. The Board of Directors elects and recalls the Director, decide upon remuneration and other working conditions, approves official rulebook, awards and handles penalties. The General director is the manager of the Company.

Information on managing bodies of the Company as at 31 December 2011:

Name, Surname	Position	End of current term of office	Period of service as a member
Ramūnas Audzevičius	Chairman of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Česlav Okinčic	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Aurimas Sanikovas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Gediminas Žiemelis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Džiuginta Kalvelienė	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010

Name, Surname	Position	End of current term of office	Period of service as a member
Marius Žutautas	General director	Term not assigned	General director as of 2011-09-20
Mamertas Krasauskas	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 15-04-2011
Domantas Savičius	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 14-12-2007
Vladas Bagavičius	Chairman of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 01-12-2008
Linas Strėlis	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 14-12-2007
Marius Žutautas	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 30-08-2010
Robertas Giedraitis	Chief accountant	Term not assigned	Chief accountant since 02-02-2009

Members of the Supervisory Board

Ramūnas Audzevičius

Education and qualification: Harvard University, 2009. King's College London, 2006. International Business School of Vilnius University, 2002. University of Manchester, 2000. MSSES, 2000. Faculty of Law of Vilnius University, 1998.
Work experience: Lawyer (partner) at law firm Motieka ir Audzevičius since 2003. Lawyer at K. Motieka's law firm from September 2002 to December 2003. Assistant lawyer at K. Motieka's law firm from November 1998 to September 2002. Lawyer at Respublikos Leidiniai UAB from October 1997 to November 1998.
Miscellaneous: Member of the Board of ŽIA Valda JSC.

Aurimas Sanikovas

Education, qualification: 2000-2002 Faculty of Economics, Vilnius University. Batchelor's and Master's Degree in Economics.
Professional experience: From 2007 Avia Solutions Group AB, Chief Financial Officer. 2001-2007 PricewaterhouceCoopers UAB, manager.
Miscellaneous: Member of Association of Chartered Certified Accountants (ACCA). Small Planet Airlines Eesti OU, Member of the Supervisory Board. Avia Funds Management UAB, Director General.

Džiuginta Balčiūnė

Education, qualification: 2010 acknowledgement by the Lithuanian Bar Association as attorney at law. 2006 Humboldt University, Law faculty, Master of German and European Law and Legal Practice (M.LL.P.). 2004 Vilnius university, Law faculty, Master degree in law.

Professional experience: 2009-2010 Law firm RAIDLA LEJINS & NORCOUS, lawyer. 2006–2008 Law firm Bernotas and Dominas GLIMSTEDT, lawyer. 04/2006-07/2006 practice at Political unite of Representation of the European Commission.
Miscellaneous: Member of the Supervisory Board of AB Avia Solutions Group. Since 2007 Member of the Lithuanian Young Bar Association. since 2006 Presidium member of the Association of the family members of Lithuanian diplomats.

Česlav Okinčic

Education, qualification: 1982 Faculty of Law of Vilnius University.
Professional experience: since 2006 Advisor to the Prime Minister of Lithuania. Since 2005 Associate partner at the law firm Sutkienė, Pilkauskas ir partneriai. Since 1998 Advisor to the President of Lithuania. 1992–2005 Attorney-at-law at the law firm Aničas, Okinčic ir partneriai. 1990–1992 Deputy of the Supreme Council/Constitutive Assembly of Lithuania. 1982–1990 Attorney-at-law at the Legal Advisory Service No 1 of Vilnius.
Miscellaneous: Plenipotentiary of the Republic of Lithuania. Member of the Council of Vilnius University. Awarded the Nemunas Ribbon award by the Board of the Polish and Lithuanian Chamber of Economy for Eastern Markets in 2000. Awarded the gold medal of the first degree by the Polish Business Academy for input and support to the development of economic relations between Lithuania and Poland in 2001.

Gediminas Žiemelis

Education, qualification: 2006 – Mykolas Romeris University, Faculty of Law, Master of Law. 1999 – Vilnius Gediminas Technical University, Faculty of Business Management, Bachelor's Degree.
Professional experience: Since 2009 Development Manager at AB Avia Solutions Group. Since 2007 Director of the Development Department at AB ŽIA valda. Since 2007 Director of UAB Eastern Agro Holdings. 2002-2006 Director General of UAB ŽIA VALDA. 2001-2005 Director General of UAB Žvilgsnis iš arčiau. 1999-2001 Deputy Manager of the Vindication Division at the Department of Impaired Assets and Vindication, AB Lietuvos taupomasis bankas (presently AB Swedbankas).
Miscellaneous: Member of the Board of AB Avia Solutions Group. Member of the Board of AB ŽIA valda.

Members of the Board

Vladas Bagavičius

Education & Qualifications: 1997 - Vilnius University, Faculty of Law.

Job experience:
- Since 2004 Vladas Bagavičius Law Firm, lawyer.
- Since 2000 International Business School at Vilnius University, lecturer.
- 1996–2004 Lietuvos centrinis vertybinių popierių depozitoriumas, AB, Head of Law and Administration Department.

Miscellaneous: Member of the Supervisory Board of AB Avia Solutions Group.

Domantas Savičius

Education & Qualifications: 2001 – Bachelor's Degree acquired at Stockholm School of Economics in Riga.

Job experience:
- Since 2009 - Production and Financial Director of Agrowill Group AB.
- 2005–2009 Financial Director of Agrowill Group AB.
- 2004–2005 Expert at Internal Audit Department of Rubicon Group JSC.
- 2001–2004 Senior Assistant at PricewaterhouseCoopers.
- 07 2000–08 Assistant Chief Auditor at Internal Audit Department at SEB Vilniaus Bankas.
- 07 1999 - 08 Assistant Director of Investment Department at Lietuvos Draudimas AB.

Linas Strėlis

Education & Qualifications: 1991 – Kaunas Politechnic Institute, machine production faculty.

Job experience:
Since 1993 – Director of Biglis, JSC.
2001-2005 – Director at Amber pasta, JSC.

Miscellaneous:
Since 2008 Member of the Board of „Vilkyškių pieninė", AB.
Since 2006 Chairman of the Board of „Socialinių įmonių asociacija".
Since 2004 adviser, Chairman of the Board of „Amber pasta", UAB.
2004–2008 Chairman of the Board of „Kelmės pieninė", AB.
2001–2004 Member of the Board of „Kelmės pieninė", AB.
2004–2005 Member of the Board of „Rokiškio sūris", AB.

Mamertas Krasauskas

Education & Qualifications:
2010 - Lithuanian University or Agriculture, Master in Agronomy (continued).
2001 - Lithuanian Academy of Physical Education, Teacher training and education.

Job experience:
Since 2009 - Chairman of the Board of Agrowill Želsvelė AC.
Since 2008 - Director of Momblan JSC.
2004-2008 - Production Director of Arvi fertis JSC.
2002-2004 - Production manager in Lithuanian and foreign markets of Arvi fertis JSC.
2000-2002 - Production Chief of „ARVI ir ko" JSC.

Marius Žutautas

Education, qualification:
2007 – Vilnius Pedagogical University, Bachelor of Economics.
2005 - Moscow School of Economics.

Professional experience:
Since 2011, CEO and Member of the Board of Agrowill Group.
Since 2011, Director of Agro Management Team UAB.
Since 2010, head of the Assets Management Department at Agrowill Group AB.
Since 2007 Director of Raigesta UAB.
Since 2006 Director General and Member of the Board of ŽIA Valda UAB.
2004-2005 head of the representative office of Logistikos Projektai UAB in Moscow.
2001-2004 Tegra Group wholesale companies in Lithuania and Eastern European countries.
1998-2001 domestic trade in Lithuania.

Information on the shares of the Company held by the members of the Supervisory Board, the Board and the top management as of 31 December 2011:

Name, Surname	Position	Owned shares in the Company, units	Owned shares in the Company, %
Linas Strėlis	Member of Board	10,837,572	12.78%
Česlav Okinčic	Member of Supervisory Board	419,236	0.49%
Mamertas Krasauskas	Member of Board	28,000	0.03%
Domantas Savičius	Member of Board	19,417	0.02%
Gediminas Žiemelis	Member of Supervisory Board	8,993	0.01%
Robertas Giedraitis	Chief accountant	6,600	0.01%

All members of the Supervisory Board, Board of Directors and top management received salaries as the only form of compensation. Since the appointment of the Supervisory Board, Supervisory Board members also receive bonuses. Table below summarises salaries and other payments calculated for top management. Company's Top management includes Members of the Board, General Director and Chief Accountant (total of 7 persons).

	Salaries in 2011	Other payments in 2011	Total payouts in 2011
Average for 1 member of Top Management	61,086	56,062	117,149
Total amount for all members of Top Management	427,605	392,435	820,040

20. Information on significant agreements, which could be affected by the change in shareholder structure

The Company or the Group has not entered into any significant agreements the validity, amendment and termination of which could be affected by the change in shareholder structure.

21. Information on Companies and Groups collegial bodies' agreements regarding compensations in case of resignation, unjustifiable redundance, or change in ownership structure

The Company and it's collegial bodies' members have not concluded any agreements regarding compensations in case of resignation, unjustifiable redundance, or change in ownership structure.

22. Information on transactions with related parties:

Information on transactions with related parties is disclosed in the explanatory notes of the consolidated financial statements.

23. Information on compliance with the Code of Corporate Governance:

Agrowill Group AB compliance with the Code of Corporate Governance, which is added to the consolidated financial statements in the Annex.

24. Data on publicly announced information:

During the period between 1 January 2011 and 31 December 2011 all information was publicly announced by the Group through NASDAQ OMX VILNIUS stock exchange. The content of this information may be accessed in the website of NASDAQ OMX VILNIUS stock exchange. As of 8th of July on the ESPI information system which is operated by Polish FSA, as well as on Electronic Information Base which is operated by Warsaw Stock Exchange.

A summary of the Companies' announcements is shown below:

Announcement date	Announcement header
23.11.2011	Agrowill Group AB increased cultivated land area by 15 percent
23.11.2011	AB „Agrowill Group" adjusted year 2011 forecast of net sales, net profit and EBITDA
23.11.2011	Interim information of Agrowill Group AB for the 9 month period ended 30 September 2011
20.09.2011	The new general director of Agrowill Group, AB is appointed
31.08.2011	Interim information of Agrowill Group AB for the 6 month period ended 30 June 2011
08.07.2011	The shares of „Agrowill Group" AB will be admitted to trading at the Warsaw Stock Exchange as of July 8, 2011
01.07.2011	New wording of the By-laws of the AB „Agrowill Group" and increase of share capital have been registered
28.06.2011	Announcement on the allocation of Offer Shares
15.06.2011	Agrowill Group, AB notification about final terms of the offering
06.06.2011	CORRECTION: Prospectus of the shares of Agrowill Group, AB was approved (prospectus is attached)
06.06.2011	Prospectus of the shares of Agrowill Group, AB was approved (prospectus is attached)
01.06.2011	AB „Agrowill Group" year 2011 and year 2012 net sales and net profit forecast was prepared for its inclusion to the prospectus of ordinary registered shares of the company
01.06.2011	Prospectus of the shares of Agrowill Group, AB was approved
27.05.2011	Interim information of Agrowill Group AB for the 3 month period ended 31March 2011
24.05.2011	Company's (standalone) annual financial statements for the years 2008-2010 approved by extraordinary shareholders meeting of „Agrowill Group" which took place on May 24, 2011.

24.05.2011	Resolutions of extreordinary shareholders meeting of „Agrowill Group" which took place on May 24, 2011.
24.05.2011	Agrowill Group AB: notification about disposal of a block of shares
24.05.2011	Supplements to resolutions of extraordinary shareholders meeting of „Agrowill Group" AB
18.05.2011	Notifications about acquisition of a block of shares of Agrowill Group , AB
13.05.2011	Agrowill Group, AB has concluded agreement with Polish brokerage company „Rubicon Partners Dom Maklerski SA"
03.05.2011	The extraordinary shareholders meeting „Agrowill Group" AB
27.04.2011	Annual information as of financial year 2010 approved by ordinary shareholders meeting of „Agrowill Group" which took place on April 26, 2011
26.04.2011	Resolutions of ordinary shareholders meeting of „Agrowill Group" which took place on April 26, 2011.
22.04.2011	Revised draft resolutions of extraordinary shareholders meeting of „Agrowill Group" which will take place April 26, 2011
19.04.2011	The new member of the Board of Agrowill Group AB is appointed
05.04.2011	Draft resolutions of ordinary shareholders meeting of „Agrowill Group" which will take place April 26, 2011
04.04.2011	The ordinary shareholders meeting „Agrowill Group" AB
25.03.2011	Resolutions of extraordinary shareholders meeting of „Agrowill Group", AB which took place on March 25, 2011.
24.03.2011	Additional (alternative) draft resolutions of extraordinary shareholders meeting of „Agrowill Group" which will take place March 25, 2011
04.03.2011	Draft resolutions of extraordinary shareholders meeting of Agrowill Group AB which will take place on 25 March 2011.
04.03.2011	The extraordinary shareholders meeting of Agrowill Group AB
01.03.2011	Interim information for 12 months of the year 2010

Agrowill Group AB Chairman of the Board
29 April 2012

Vladas Bagavičius

BALANCE SHEET
AS OF 31 DECEMBER 2011
(All amounts are in LTL thousand, unless otherwise stated)

	Notes	As at 31 December			
		GROUP		COMPANY	
		2011	2010	2011	2010
ASSETS					
Non-current assets					
Property, plant and equipment	5	139,711	140,442	70	117
Investment property	6	68,732	81,794	-	-
Investments in subsidiaries	7	-	-	37,230	37,229
Intangible assets	9	3,264	2,916	60	43
Long term receivables	14	5,512	430	89,606	73,406
Financial assets	8	4,478	757	-	-
Deferred tax asset	21	3,181	3,543	2,343	2,725
Biological assets - livestock	10	16,660	13,009	-	-
Total non-current assets		**241,538**	**242,891**	**129,309**	**113,520**
Current assets					
Biological assets - crops	10	12,239	10,384	-	-
Inventory	11	15,845	11,588	33	29
Trade receivables, advance payments and other receivables	12, 13	12,859	22,779	6,419	5,082
Cash and cash equivalents	12, 15	2,756	1,322	88	13
Total current assets		**43,699**	**46,073**	**6,540**	**5,124**
TOTAL ASSETS		**285,237**	**288,964**	**135,849**	**118,644**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	84,821	71,552	84,821	71,552
Share premium		24,639	25,595	24,639	25,595
Revaluation reserve		44,182	45,885	-	-
Legal reserve		2,000	2,000	2,000	2,000
Retained earnings / (accumulated deficit)		(34,972)	(38,326)	(37,982)	(38,990)
Equity attributable to equity holders of the parent		**120,670**	**106,706**	**73,478**	**60,157**
Non-controlling interest		2,057	2,431	-	-
Total equity		**122,727**	**109,137**	**73,478**	**60,157**
Non-current liabilities					
Borrowings	18	510	26,046	807	471
Obligations under finance lease	20	1,512	3,082	-	-
Grants	17	10,262	9,905	-	-
Restructured liabilities	19	51,296	22,152	59,659	55,931
Deferred tax liability	21	8,061	10,870	-	-
Total non-current liabilities		**71,641**	**72,055**	**60,466**	**56,402**
Current liabilities					
Current portion of non-current borrowings	18	65,570	66,384	-	-
Current portion of non-current obligations under finance lease	20	7,057	7,008	-	-
Current borrowings	18	816	6,128	-	-
Trade payables		10,987	16,084	844	1,113
Other payables and current liabilities	22	6,439	12,168	1,061	972
Total current liabilities		**90,869**	**107,772**	**1,905**	**2,085**
Total liabilities		**162,510**	**179,827**	**62,371**	**58,487**
TOTAL EQUITY AND LIABILITIES		**285,237**	**288,964**	**135,849**	**118,644**

The accompanying explanatory notes presented on pages 25 to 67 are an integral part of these financial statements.

These financial statements were approved and signed on 29 April 2012.

Vladas Bagavičius
Chairman of the Board

Robertas Giedraitis
Chief Accountant

INCOME STATEMENT AND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts are in LTL thousand, unless otherwise stated)

AGROWILL GROUP

INCOME STATEMENT	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2011	2010	2011	2010
Revenues	23	56,078	45,165	3,039	3,977
Cost of sales	23, 24	(38,386)	(28,595)	(160)	-
Gain (loss) on changes in fair values of biological assets and on initial recognition of agricultural produce		(1,010)	2,448	-	-
GROSS PROFIT		**16,682**	**19,018**	**2,879**	**3,977**
Operating expenses	25	(21,667)	(22,028)	(5,733)	(8,484)
Gain on acquisition of subsidiaries	26	1,123	2,843	-	-
Other income	27	11,390	7,903	10,014	20,864
OPERATING PROFIT		**7,528**	**7,736**	**7,160**	**16,357**
Finance cost	28	(7,767)	(6,824)	(5,770)	(3,842)
PROFIT (LOSS) BEFORE INCOME TAX		**(239)**	**912**	**1,390**	**12,515**
Income tax expense	21	1,502	6,385	(382)	2,725
NET PROFIT / (LOSS) FOR THE YEAR		**1,263**	**7,297**	**1,008**	**15,240**
ATTRIBUTABLE TO :					
Equity holders of the Parent Company		926	7,087	1,008	15,240
Non-controlling interest		337	210	-	-
		1,263	**7,297**	**1,008**	**15,240**
Basic and diluted earnings (loss) per share (LTL)	29	**0.01**	**0.17**	**0.01**	**0,37**

STATEMENT OF COMPREHENSIVE INCOME	Year ended 31 December			
	GROUP		COMPANY	
	2011	2010	2011	2010
NET PROFIT/ (LOSS) FOR THE PERIOD	**1,263**	**7,297**	**1,008**	**15,240**
Other comprehensive income:				
Revaluation of PPE	725	(576)		
Change in net revaluation reserve due to changes in tax rates	-	4,207	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,988**	**10,928**	**1,008**	**15,240**
ATTRIBUTABLE TO :				
Equity holders of the Parent Company	1,651	10,718	-	-
Non-controlling interest	337	210	-	-
	1,988	**10,928**	**1,008**	**15,240**

The accompanying explanatory notes presented on pages 25 to 67 are an integral part of these financial statements.

These consolidated financial statements were approved and signed on 29 April 2012.

Vladas Bagavičius
Chairman of the Board

Robertas Giedraitis
Chief Accountant

GROUP	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity attributable to the shareholders of the company	Non-controlling interest	Total
Balance as at 31 December 2009	**26,143**	**22,130**	**44,462**	**2,000**	**(47,621)**	**47,114**	**103**	**47,217**
Comprehensive income								
Net profit for the period	-	-	-	-	7,087	7,087	210	7,297
Other comprehensive income								
Correction of revaluation of fixed assets	-	-	(576)	-	-	(576)	-	(576)
Increase of revaluation reserve due to change in State tax policy	-	-	4,207	-	-	4,207	-	4,207
Decrease of revaluation reserve due to depreciation, disposals and write-offs of assets	-	-	(2,208)	-	2,208	-	-	-
Total comprehensive income	*-*	*-*	*1,423*	*-*	*9,295*	*10,718*	*210*	*10,928*
Transactions with shareholders								
Increase in share capital (note 16)	45,409	3,465	-	-	-	48,874	-	48,874
Acquisition of subsidiary (note 26)	-	-	-	-	-	-	2,118	2,118
Total transactions with shareholders	*45,409*	*3,465*	*-*	*-*	*-*	*48,874*	*2,118*	*50,992*
Balance as at 31 December 2010	**71,552**	**25,595**	**45,885**	**2,000**	**(38,326)**	**106,706**	**2,431**	**109,137**
Comprehensive income								
Net profit (loss) for the period	-	-	-	-	926	926	337	1,263
Other comprehensive income								
Decrease of revaluation reserve due to depreciation, disposals and write-offs of assets	-	-	(2,428)	-	2,428	-	-	-
Revaluation of assets	-	-	725	-	-	725	-	725
Total comprehensive income	*-*	*-*	*(1,703)*	*-*	*3,354*	*1,651*	*337*	*1,988*
Transactions with shareholders								
Increase in share capital (note 16)	13,269	(956)	-	-	-	12,313	-	12,313
Acquisition of minority	-	-	-	-	-	-	(711)	(711)
Total transactions with shareholders	*13,269*	*(956)*	*-*	*-*	*-*	*12,313*	*(711)*	*11,602*
Balance as at 31 December 2011	**84,821**	**24,639**	**44,182**	**2,000**	**(34,972)**	**120,670**	**2,057**	**122,727**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts are in LTL thousand, unless otherwise stated)

COMPANY	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 31 December 2009	**26,143**	**22,130**	**2,000**	**(54,230)**	**(3,957)**
Comprehensive income					
Net profit for the period	-	-	-	15,240	15,240
Total comprehensive income	-	-	-	*15,240*	*15,240*
Transactions with shareholders					
Increase in share capital (note 16)	45,409	3,465	-	-	48,874
Total transactions with shareholders	*45,409*	*3,465*	-	-	*48,874*
Balance as at 31 December 2010	**71,552**	**25,595**	**2,000**	**(38,990)**	**60,157**
Comprehensive income					
Net profit for the period	-	-	-	1,008	1,008
Total comprehensive income	-	-	-	*1,008*	*1,008*
Transactions with shareholders					
Increase in share capital (note 16)	13,269	(956)	-	-	12,313
Total transactions with shareholders	*13,269*	*(956)*	-	-	*12,313*
Balance as at 31 December 2011	**84,821**	**24,639**	**2,000**	**(37,982)**	**73,478**

The accompanying explanatory notes presented on pages 25 to 67 are an integral part of these financial statements.

These consolidated financial statements were approved and signed on 29 April 2012.

Vladas Bagavičius
Chairman of the Board

Robertas Giedraitis
Chief Accountant

AGROWILL GROUP AB
Company code 126264360, Smolensko str. 10, LT-03201 Vilnius

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts are in LTL thousand, unless otherwise stated)

	Year ended 31 December			
	GROUP		COMPANY	
	2011	2010	2011	2010
Cash flows from /(to) operating activities				
Net profit (loss) from continuing activities	1,263	7,297	1,008	15,240
Taxes and deferred taxes	(1,502)	(6,385)	382	(2,725)
Net profit (loss) before income tax	**(239)**	**912**	**1,390**	**12,515**
Adjustments for non-cash expenses (income) items and other adjustments				
Depreciation expense (note 5)	10,001	10,643	31	64
Amortization expense (note 9)	29	80	29	27
Write offs of PPE	623	351	30	-
(Profit) loss on sales of non-current assets	488	132	-	28
Movement in provision of property, plant and equipment (note 5)	(1,567)	-	-	(50)
Gain of revaluation of financial assets	(3,777)	-	-	-
Interest expense (income), net	7,449	6,824	(3,604)	2,511
Write-offs of inventory (note 25)	2,485	1,690	-	-
Gain on acquisition of subsidiaries (note 24)	(1,123)	(2,843)	-	-
Loss on sale of subsidiaries	2,876	-	-	-
Extinguishment of payables	(5,275)	(6,695)	-	(19,680)
Extinguishment of receivables	-	-	-	707
Impairment of accounts receivable (note 12, 25)	1,056	2,100	-	2,400
Loss (gain) on changes in fair value of biological assets (note 10)	1,010	(2,448)	-	-
Grants, related to assets, recognized as income (note 17)	(1,062)	(1,511)	-	-
Changes in working capital			-	
(Increase) decrease in biological assets	(6,516)	(4,803)	-	-
(Increase) decrease in trade receivables and prepayments	4,427	(6,398)	(1,337)	(593)
(Increase) decrease in inventory	(6,423)	(4,718)	(4)	(16)
(Decrease) increase in trade and other payables	(5,615)	9,323	(1,372)	1,042
	(1,153)	**2,639**	**(4,837)**	**(1,045)**
Interest paid, net	(1,897)	(2,506)	-	-
Net cash flows from /(to) operating activities	**(3,050)**	**133**	**(4,837)**	**(1,045)**
Cash flows from /(to) investing activities				
Acquisition of subsidiaries, net of cash (note 26)	25	(163)	-	(6)
Sale of subsidiaries, net of cash (note 26)	(173)	-	-	
Purchase of non-current tangible assets (note 5)	(4,476)	(1,877)	(14)	(75)
Purchase of non-current intangible assets (note 9)	(57)	(35)	(46)	(35)
Proceeds from sales of non-current assets	-	592	-	-
Grants related to investments (note 17)	38	691	-	-
Other loans granted (repaid)	(48)	(198)	(7,301)	732
Net cash flows from/(to) investing activities	**(4,691)**	**(990)**	**(7,361)**	**616**
Cash flows from /(to) financing activities				
Contribution to share capital in cash (note 16)	12,313	2,888	12,313	2,888
Disposal (acquisition) of available for sale investments	56	(590)	(1)	-
Proceeds from bank and other borrowings	-	782	-	-
Amounts paid to banks	(1,433)	(3,726)	(39)	-
Other borrowings obtained (paid)	(877)	598	-	(2,463)
Repayments of obligations under finance lease	(884)	(1,498)	-	-
Net cash flows from/(to) financing activities	**9,175**	**(1,546)**	**12,273**	**425**
Net (decrease) / increase in cash and cash equivalents	**1,434**	**(2,403)**	**75**	**(4)**
Cash and cash equivalents at the beginning of the period	**1,322**	**3,725**	**13**	**17**
Cash and cash equivalents at the end of the period	**2,756**	**1,322**	**88**	**13**

The accompanying explanatory notes presented on pages 25 to 67 are an integral part of these financial statements.

These consolidated financial statements were approved and signed on 29 April 2012.

Vladas Bagavičius
Chairman of the Board

Robertas Giedraitis
Chief Accountant

1. General information

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

In 2003 the Parent 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 Parent Company's name was changed to Agrowill Group AB.

The main shareholders (over 5 per cent) of the Parent Company were:

	31 December 2011		31 December 2010	
Entity / person	**Number of shares**	**% owned**	**Number of shares**	**% owned**
Volemer Holdings Limited	16,575,672	19.54	16,575,672	23.17
Linas Strėlis	10,837,572	12.78	10,418,800	14.56
Vretola Holdings Limited	10,800,202	12.73	16,360,465	22.87
Clients of Polish national depository for securities KDPW	9,595,732	11.31	-	-
Eastern Agro Holdings	8,343,609	9.84	8,343,609	11.66
Romualdas Petrošius	5,218,667	6.15	4,751,923	6.64
Other minor shareholders	23,448,532	27.65	15,101,785	21.10
Total	**84,820,986**	**100.00**	**71,552,254**	**100.00**

The Parent Company's shareholders' meeting has the power to amend the financial statements after issue. Starting since 1st of April 2008 the Parent Company was listed on Vilnius Stock Exchange Main list, since 30 April 2009, the Parent Company was moved to the Secondary list of NASDAQ OMX Vilnius Stock Exchange. As of 8 July 2011, the Companies shares are alos traded on the Warsaw stock exchange. The fiscal year of the Parent Company and its subsidiaries corresponds with calendar year.

The consolidated Group (hereinafter the Group) consists of the Parent Company and fifty-one subsidiary (2010.12.31: fourty-seven subsidiaries). The subsidiaries included in the Group's consolidated financial statements are indicated below:

		Group ownership interest, %		
Subsidiary	**Country**	**31 Dec 2011**	**31 Dec 2010**	**Profile**
AVG Investment UAB	Lithuania	100.00%	100.00%	Management company
AWG Investment 1 UAB	Lithuania	100.00%	100.00%	Management company
AWG Investment 2 UAB	Lithuania	100.00%	100.00%	Management company
Abagrain BUAB	Lithuania	100.00%	100.00%	Trade and logistics
Grain Lt UAB*	Lithuania	100.00%	100.00%	Trade and logistics
Agrowill Trade UAB	Lithuania	100.00%	100.00%	Trade and logistics
AWG Trade UAB	Lithuania	100.00%	-	Trade and logistics
Agro Management Team UAB	Lithuania	100.00%	-	Land and property management company
Agrowill AgroTech UAB	Lithuania	100.00%	-	Lease of machinery
Cooperative entity „Siesartis"	Lithuania	100.00%	-	Agricultural services
Cooperative entity „Kašėta"	Lithuania	100.00%	-	Agricultural services
Žemės fondas ŽŪB	Lithuania	100.00%	100.00%	The subsidiary specializes in rent of land
Žemės vystymo fondas 9 UAB	Lithuania	100.00%	100.00%	The subsidiary specializes in rent of land
Žemės vystymo fondas 10 UAB	Lithuania	100.00%	100.00%	The subsidiary specializes in rent of land
Agricultural company „Gustonys"*	Lithuania	100.00%	-	Acquisitions and rent of land
Baltic Farming Land Management UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 1 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 2 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 3 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 4 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 5 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 6 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 7 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 8 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land

		Group ownership interest, %		
Subsidiary	**Country**	**31 Dec 2011**	**31 Dec 2010**	**Profile**
Žemės vystymo fondas 11 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 12 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 14 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 15 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 16 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 19 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 20 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 22 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Agricultural company „Agrowill Spindulys"	Lithuania	99.96%	99.96%	Agricultural operations
Agricultural company „Agrowill Smilgiai"	Lithuania	99.95%	99.95%	Agricultural operations
Agricultural company „Agrowill Skėmiai"	Lithuania	99.87%	99.87%	Agricultural operations
Agricultural company „Agrowill Nausodė"	Lithuania	99.81%	99.81%	Agricultural operations
Agricultural company „Agrowill Dumšiškės"	Lithuania	99.36%	99.36%	Agricultural operations
Agricultural company „Agrowill Žadžiūnai"	Lithuania	99.02%	99.02%	Agricultural operations
Agricultural company „Agrowill Mantviliškis"	Lithuania	98.79%	98.79%	Agricultural operations
Agricultural company "Agrowill Alanta"	Lithuania	98.56%	98.56%	Agricultural operations
Agricultural company „Agrowill Eimučiai"	Lithuania	98.41%	98.41%	Agricultural operations
Agricultural company „Agrowill Vėriškės"	Lithuania	98.41%	98.41%	Agricultural operations
UAB „Grūduva"	Lithuania	97.28%	97.28%	Agricultural operations
Agricultural company „Agrowill Želsvelė"	Lithuania	97.17%	97.17%	Agricultural operations
Agricultural company „Agrowill Lankesa"	Lithuania	95.93%	95.93%	Agricultural operations
Agricultural company „Agrowill Kairėnai"	Lithuania	94.82%	94.82%	Agricultural operations
Agricultural company "Agrowill Jurbarkai"	Lithuania	87.78%	87.78%	Agricultural operations
Agricultural company "Gustoniai"	Lithuania	75.30%	62.81%	Agricultural operations
ZAO „Agroprom"	Russia	75.00%	75.00%	Management of subsidiaries
„Agrowill group" S.R.L.	Moldova	100.00%	100.00%	Acquisitions and rent of land
Natur Agro Grup S.R.L.	Moldova	100.00%	-	Acquisitions and rent of land
Žemės vystymo fondas 17 UAB	Lithuania	-	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 18 UAB	Lithuania	-	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 21 UAB	Lithuania	-	100.00%	Acquisitions and rent of land

In 2010, the Group established Grain Lt UAB, acquired dormant company Abagrain UAB and also acquired agricultural company "Gustoniai" (for the latter acquisition, see Note 26).

In 2011, the Company established Agro Management Team UAB, AWG Trade UAB, Agrowill Agrotech UAB, and acquired Natur Agro Grup S.R.L (for the latter acquisition, see Note 26). In addition, the Group established agricultural company "Gustonys" and increased interest in the agricultural subsidiary "Gustoniai" (for the latter acquisition, see Note 26). Also in 2011 the Company and the Group disposed 3 land management companies (see Note 26).

As of 31 December 2011 the Group had 480 employees, 2010 – 444 employees.

Additionally, all remaining agricultural entities of the Group are undergoing Restructuring, during which the companies can not pay dividends until they have settled all the debts.

2. Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying financial statements are prepared on going concern basis. The worldwide liquidity crisis which started in 2008, resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. The magnitude of the financial crisis and it's effect on the world and local economies was huge and up to the date, the global economies struggle to find possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities in the end of 2008 the Group experienced liquidity problems.

Historically, the main source of Group's financing (for acquisitions and operational needs) was generated by borrowed funds. In the beginning of 2008, the Group issued a new share capital issue and attracted around LTL 28.3 million of cash into the Group. In the same year, the Group issued several bond issues and attracted additional LTL 28 million of cash. All the proceeds were used for expansion of the Group – two major subsidiaries were acquired: Polva Agro OU in Estonia and Grūduva UAB in Lithuania; number of investment projects were started (manure storage pits, cow farm reconstructions, acquisitions for modern agricultural equipment and machinery). After the abovementioned financial markets collapse took place, the Group had to abandon several investment projects, as bridge-type borrowings in the form of short-term bonds were used while the Group negotiated the Bank loans. The Banks closed all the financing, in turn the Group finished one of the acquisitions from own cash flows, which in several months (in the end of 2008) resulted in significant liquidity problems.

The major part of Groups assets are the investment property, owned land, buildings, equipment and cattle herds – long term assets, payback of which is longer than 1-2 year term, while Group's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the shareholders and management of the Group in June 2009 undertook a decision to initiate restructuring process for most of the Group's entities – for Parent Company and 14 agricultural entities. The restructuring process is a mean for companies facing liquidity problems to operate under normal circumstances and to try and earn the funds needed to repay the accumulated amounts due. The decisions to initiate the restructuring processes were approved by more than 50% of creditors in each of the companies. The are no other Group entities engaged in Restructuring processes.

In 2010 and 2011, the processes were continuing and by the end of the year Restructuring plans were approved for all 15 of the 15 entities under restructuring (end of 2010: 5 of 15 entities). According to the plans, the liabilities will be paid out over 4 years term with main payments falling into 4th year. Currently Group's management vision coincides with the main creditors vision regarding the activities, future profitability of the Group and the ability to successfully pass the Restructuring process.

The Restructuring process is regulated by the Law of Republic of Lithuania on Restructuring. According to the law, the whole process has following steps (in order of occurrence):

a) Approval of Restructuring by shareholders of a company;
b) Initial main creditors meeting , 50% of the aggregate amount of total creditors have to approve the claim to court to start Restructuring;
c) Claim to Court to start Restruturing procedures;
d) The Court approves initiation of Restructuring case;
e) Court decision becomes effective;
f) The company together with administrator prepares Restructuring Plan. Term for preparation 4 months after Court decision becomes effective ;
g) The Plan is prepared and discussed with main creditors;
h) Creditors meeting for approval of Restructuring Plan is convened;
i) Creditors meeting (creditors with at least 75% of all the proven aggregate amount of claims must vote in favor) approve the Restructuring Plan, authorize companies manager to file documents with Court;
j) The Court approves the Restructuring Plan;
k) The Restructuring process starts, company has the term established in Restructuring Plan (usually 4 years) to earn funds and repay the creditors.

All of the processes can and are taking longer if there are any creditors unhappy with certain taken decisions, as they have legal right to go to Court. In some cases, the time period between shareholders approval of process and approval of Restructuring Plan by the Court could take more than 1 year time.

Since the date when the Restructuring is approved (d), all the overdue liabilities on that day are subject to the Restructuring – this effectively means, that the company can not pay those liabilities, while the creditors can not demand the repayment earlier than it will be according to the Restructuring plan. Such process enables the company to focus on the main activities, generate revenues and profits and earn the amount needed to repay the restructured amounts. Usual term in practice is 4 years with an option (binding creditors approval) to prolong it for 1 year.

Although some of the loans had their covenants breached as at 31 December 2010, and 2011 no major loan terminations were initiated by the banks, as they are in favor of management's taken approach, i.e. initiation of restructuring processes.

2.1 Basis of preparation (continued)

In addition to already approved ongoing Restructuring processes and increased production efficiency, the Group's management takes active steps in order to attract new investors into the Group. On 20 July 2010 Agrowill Group AB and the company Finance Risk Management UAB which belongs to Invalda group (before known as Finasta rizikų valdymas UAB), signed a Peace Agreement on the increase of Company's share capital. After finishing the procedures of share capital increase, the share capital of Agrowill Group AB increased by LTL 1.5 million (27.7 million ordinary shares), and the new shares belong to Invalda group. By this agreement, the Group's total liabilities decreased by LTL 8.9 million, as the amount received for shares in 2008 was classified as liability in Financial Statements for the year 31 December 2009.

On 23 of August 2010, the Group's shareholders approved the new share capital issue of 37,572,650 shares, which were all acquired by three investors: Hermis Capital UAB, Volemer Holdings Limited, and Vretola Holdings Limited. The shares hold nominal value of LTL 1 each and all were paid up by offseting the Group's payables to the above mentioned companies. The increase in share capital was registered on 24 August 2010.

On 22 October 2010, Agrowill Group AB shareholders undertook the decision to increase the share capital by 6,525,603 shares (with nominal value of LTL 1 each) up to 71,786,000 shares (LTL 71,786,000 share capital). Actually, the number of shares issued amounted to 6,291,857 as some of bondholders did not sign the share purchase agreements. The issue was paid up in cash contributions (bondholders set off of claims held against the Parent Company to newly issued shares, while 2,888,172 was paid in cash by Volemer Holdings Limited) and the increase in share capital was registered in the State Registrar on 11 November 2010.

On 25 March 2010, the Group's shareholders approved the new share capital issue of up to 25,000,000 shares, to be distributed in Warsaw Stock Exchange. Actual number of shares issued amounted to 13,268,732 shares and the increased share capital of LTL 84,820,986 was registered on 30 June 2011.

The Group is also taking steps to improve its operating results and profitability. Over the course of last couple of years, the Group decreased personnel numbers without taking significant cuts in operational activity, couple of market experts were hired to implement best market practices in milk segment as well as crop growing segment. The Group performed land examinations in all farms, determined the precise composition of soil structure and all seeding and fertilizing plans are made accordingly. The target of the Group has been set to achieve at least LTL 500 gross profit from 1 ha cultivated. In milk production segment, the focus is on producing high quality milk, which enables the farmers and companies in Lithuania to receive additional bonuses to milk price, as well as increase the productivity of current herd up to EU levels. Increased attention is being paid to own feed preparation as in this area alone, the Group expects to save up at least 5% of total milk cost of sales, as production of good quality corn silage and haylage will lead to lesser amounts of combined feed needed for cows to produce the same amount of milk. The results of the Group for 12 months ended 31 December 2010 and 31 December 2011 (EBITDA respectively amounted to LTL 8.7 million in 2010, and LTL 12.6 million in 2011) show, that the Group is on the right way with further improvements in efficiency of production activities, and, in turn, the financial results of the Group are within reach.

Additionally in 2012, the Group has agreed a Snoras loan extension for additional year up to March 2013, see Note 32, and started search for buyer of the Group's land portfolio. The management of the Company expects to sell the land portfolio at approximate values to the carrying values of land in these Financial Statements.

After increases in share capital and improvements in operations, the Group's liabilities decreased to around LTL 145 million (without deferred tax and capital grants) by the end of year 2011, and increased the equity up to around LTL 120 million, as compared to LTL 234 million of liabilities and LTL 82 million of equity at the end of 2008, which makes the Group more healthier and, in management opinion, will allow the Group to continue as a going concern.

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of property, plant and equipment, investment property and biological assets (livestock and crops). Unless otherwise stated, the Company applies the same accounting policies as the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

In 2011 the Group 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 2011:

a) Standards, amendments and interpretations effective from 1 January 2011 and applicable to the Group:

Amendment to IAS 24, Related Party Disclosures, ***issued in November 2009*** (effective for annual periods beginning on or after 1 January 2011). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. There is no party controlling the Company, therefore under the previous version of IAS 24 (i.e. before the amendment) the Company treated parties having significant influence over the Company as related and disclosed transactions and balances with them accordingly. Apart from key management personnel, as of 31 December 2011 Gediminas Žiemelis was deemed to have significant influence over the Company (although his direct and indirect holding through Eastern Agro Holdings UAB is less than 20% of the Company's share capital, Mr Žiemelis has nominated 2 members of the Board of Directors, and he is also the member of the Supervisory Council). As of 31 December 2011, Romualdas Petrošius (directly, together with other related parties and indirectly through Volemer Holdings Limited) held more than 20% of the Company's share capital, however, he is not deemed to have significant influence over the Company as he has no nominees in the Board of Directors or in the Supervisory Council. Following the amendment, the Company included other companies controlled by Mr Žiemelis as being related to the Company, however, this did not have significant influence for the disclosures because the Company and the Group did not have significant transactions with those other companies. See Note 30 for further details.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. Before adoption of the interpretation the Group accounts for extinguishment of debt with own equity instruments based on the carrying amount of the extinguished liability. Therefore there is no gain or loss on such transactions in these financial statements. The interpretation is applicable retrospectively. It means that extinguishment transactions that occurred during the comparative period in the financial statements for which the interpretation will be effective (financial statements ending 31 December 2011 for the Group) will be restated in accordance to the interpretation. Transactions closed before the beginning of the comparative period are not required to be restated, because the restatement would result only in reclassification in equity. The Group undertook certain debt extinguishment transactions where it issued equity instruments to the creditors to settle its liabilities during 2010. Following the interpretation, management assessed that the fair value of equity instruments issued equalled carrying amount of debt based on the following information:

- On the day of conversion (23 August 2010) and 2 weeks' period before and after this date, shares were traded at an average price of LTL 1.17 per share. 1 share settled against LTL 1 of liabilities. However, several months before the conversion share price fluctuated significantly, providing fewer grounds for a stable estimation of the fair value of a share at the day of conversion.
- Trading volumes around the time of conversion were not big and show more of a speculative trading pattern. There were no transactions for a bigger block of shares. In August 2010, total amount of 37.6 million new shares issued, making it very difficult to estimate the fair value of such a big block of shares.
- In June 2011, the Company issued 13.3 million new shares in the Warsaw Stock Exchange. Although the financial situation of the Company and the Group had improved at that time (e.g., restructuring plans were approved for all companies undergoing restructuring, prices of milk, grain and rapeseed recovered), emission priced equalled nominal price of share of LTL 1. This gives additional evidence that fair value of 1 share, if considering block of shares, was close to LTL 1 at the end of August 2010.

b) Standards, amendments and interpretations effective from 1 January 2011 and not applicable or having no material impact to the Group:

Classification of Rights Issues – Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment did not have any impact on the Group's financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment did not have any impact on the Group's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. This amendment will not have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The amendments did not have any material effect on the Group's financial statements.

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

At the date of authorization of these financial statements, the following amendments to existing standards have been published, adopted by EU and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but the Group has not early adopted them. None of them are expected to have an impact on the Group's financial statements:

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2012). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group does not expect the amendments to have any material effect on its financial statements.

2.2 Group accounting

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Transactions with non-controlling interest

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in in Lithuanian Litas (LTL), which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the Income statement within 'other income'. All other foreign exchange gains and losses are presented in the income statement within 'other income'.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) Income and expenses for each income statement transactions are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the rate on the dates of the transactions);
c) All exchange differences are recognised in other comprehensive income as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are assets that are owned and controlled by the Group, which are expected to generate economic benefits in the future periods and with the useful life exceeding one year. Property, plant and equipment are shown at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses.

Land and buildings comprise mainly of agricultural land, cow farms, machinery yards and grain storage buildings. Constructions and machinery comprise of agricultural equipment and milking farm equipment. All the property, plant and equipment, except for construction in progress and those buildings and structures where no legal title was obtained by the Group, are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revaluated amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation rezerve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation rezerve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'revaluation reserve' to 'retained earnings'.

Land is not depreciated. Depreciation of other assets, except construction in progress, is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful lives as follows:

Buildings	20 – 50	years
Constructions and machinery	5 – 20	Years
Vehicles, equipments and other assets	1 – 10	years

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenses' in the income statement. When revalued assets are sold, the amounts included in revalution rezerve are transferred to retained earnings.

2.6 Investment property

Investment property, principally comprising of agricultural land plots, is held mostly for long-term rental yields (small amount of land held for capital appreciation) and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually. Fair value based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in the income statement as part of other operating activities. The classification between property, plant and equipment and investment property is performed based on each plot of land.

2.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets

Intangible assets expected to provide economic benefit to the Group in future periods have finite useful life and are valued at acquisition cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method to allocate the cost of intangible asset over estimated benefit period as follows:

Software	2 – 3	years
Other intangible assets	5	years

Separately acquired licences are shown at historical cost less accumulated amortization. Licences acquired in a business combination are recognised at fair value at the acquisition date.

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Directly attributable cost that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised an expense are not recognised as an asset in a subsequent period.

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.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and intangible assets not yet available for use are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at its fair value less estimated cost to sell, except for the case where the fair value cannot be measured reliably on initial recognition. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated cost to sell at the point of harvest and subsequently recorded as inventories.

If an active market exists for a biological asset or agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date, is used in determining fair value. Cost is used as an approximation of fair value when little biological transformation has taken place since initial cost incurrence, e.g. within short time after seeding the crop.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated cost to sell and from a change in fair value less estimated cost to sell of a biological asset shall be included in profit or loss for the period in which it arises as "Gain (loss) arising from changes in fair value of biological assets".

The Group's biological assets consist of livestock and crops.

Livestock is measured at fair value less estimated point-of-sale costs. Fair value is determined using current market value of livestock groups or market values of similar groups of livestock by age, breed and adjusting them adequately, if necessary.

Crops are measured at their fair value less estimated cost to sell. At initial recognition the crops are measured at the cost as the market-determined values are not available for such biological assets. The crops are measured at fair value once the fair value becomes reliably measurable. Usually the fair value of a crop can be reliably measured only at the point of harvest. This does not create a significant limitation in valuation of crop balances at year-end, as the main increase in fair value is attributable to the same accounting period when the crop is harvested.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets into the following measurement categories: at fair value through profit or loss, available-for-sale, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the current period the Group did not hold any investments in at fair value through profit or loss category.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. Held to maturity investments are carried at amortised costs using the effective interest method, net of a provision for incurred impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.13.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value, except for agricultural produce which is stated at net realisable value. Cost is determined by FIFO method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. All inventories held by the Group attribute to the materials category.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

2.13 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

2.15 Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Grants related to assets

Government grants relating to property, plant and equipment are included in non-current liabilities in the balance sheet. The grants are setup as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Grants related to income

Grants related to income are received as a reimbursement for the expenses already incurred and as a compensation for unearned revenue, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received. Grants received as a compensation for unearned revenue are recognized as income over the periods necessary to match them with the related unearned revenue to compensate.

Grants related to biological assets

Unconditional grants related to biological assets measured at its fair value less estimated point-of-sale cost are recognized as income when government grant became receivable. Conditional grants related to biological assets measured at its fair value less estimated point-of-sale costs are recognized as income when the conditions attached to the government grant are met.

2.16 Trade payables

Trade payable are obligations to pay for goods or services that have been acquired in ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 month after the balance sheet date.

Issued bonds are classified as financial liabilities, which are repurchased in one amount or in instalments under a certain repayment schedule. Issued bonds are recognized initially at fair value, being their issue proceeds net of transaction cost incurred. They are measured at amortized cost using the effective interest rate method.

2.18 Accouting for leases where the Group is the lessee

Finance lease

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group is classified as finance lease. The assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term. If sale and leaseback transaction results in a finance lease, any excess or shortfall of sales proceeds over the carrying amount is not recognised immediately and is deferred and amortised over the lease term.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.19 Accounting for leases where the Group is the lessor

Operating lease

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term as revenues.

The depreciation policy for leased assets is consistent with the Group's depreciation policy for similar assets, and depreciation is calculated in accordance with the accounting policies, used for the property, pland and equipment.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income, or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Parent Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of income tax performed by the management in accordance with Lithuanian regulatory legislation on taxation. Deferred income tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

According to Lithuanian legislation, tax losses accumulated as of 31 December 2009 are carried forward indefinitely.

Deferred tax assets and liabilities are offset only where International Accounting Standard No. 12 allows this treatment.

The main temporary differences arise due to revaluation of investment property and revaluation of property plant and equipment.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's acitivities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

The Group manufactures and sells a range of agricultural commodities in an open market. Sales of goods are recognized when the Group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, either the customer has accepted the products in accordance with the sales contract.

Sales of services

Revenue from services is recognised on performance of the services. Payments received under operating leases are credited to the income statement on a straight-line basis over the period of the lease.

Interest income

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.

2.22 Employee benefits

Social security contributions

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.23 Segment information

Management has determined the operating segments based on the reports reviewed by Director of production and finance department that are used to make strategic decisions. The main business segments defined by the Group are stock-breeding, crop growing, trading, and other sales and services.

The Management of the Group assesses the performance of each individual agricultural and land management company. Those individual companies are analysed based on a measure of gross profit of different sub-segments: milk production and cattle sale in stock-breeding, different crops such as wheat, rapeseed, barley in the crop-growing segment, as well as trading and land rent activities.

Expenses of the Group’s structural units, which may be directly allocated to a specific segment, are allocated to this segment. Expenses of the structural units of the Group, which take part in more than one segment, are allocated pro rata to the established distribution of expenses.

All Group’s revenues are generated in Lithuania.

2.24 Investments in subsidiaries in the separate financial statements of the Company

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2.25 Subsequent events

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

3. Financial risk management

3.1 Financial risk factors

The Group's and the Parent Company's activities expose it to financial risks: market risk (including foreign Exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group. The Group does not use derivative financial instruments to hedge certain risk exposures.

The Board of Directors is responsible for the risk management policies and procedures.

Market risk

(i) Foreign exchange risk

The Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. In order to manage foreign currency risk the Group borrows only in LTL of EUR. Group's purchase / sale contracts are also concluded in LTL and EUR. Borrowings by currencies are provided in Note 18.

The Group companies do not have significant foreign currency concentration, thus no financial instruments were used in order to hedge against foreign currency risks. The Group operates in Lithuania and accordingly has only one functional currencies which is pegged with EUR, therefore the Group is not exposed to any significant foreign exchange risk.

(ii) Securities price risk

The Group 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 Group influences the results of subsidiaries by directly participating in management of the subsidiaries.

(iii) Agricultural market risk

The Group is exposed to several types of agricultural market risks:

Weather conditions
Weather conditions are one of the most important risks involved in agricultural activities. Poor or unfavourable meteorological conditions can have substantial impact upon yields by negatively affecting harvests and fodder preparation, destroying crop areas etc. In extreme cases, poor weather limits the ability to harvest the fields at all.

The Group management each year decides whether to insure the crops or not. In prior years the insurance conditions were not favourable and it was not useful to insure, as less possible compensations for damages received would be less than the insurance expenses incurred. In 2010, the only crop insurance company operating in Lithuania changed it's policies and conditions of insurance, therefore the management insured the most capricious crop – around 2,600 ha of winter rapeseed. In 2011, due to significant increase in insurance price (more than 10 per cent of total cost), the crops were not insured.

Prices for agricultural products
The group's income and operating results depend on such factors beyond the Group's control as prices for agricultural commodities. These prices are largely influenced by different and hardly predictable factors beyond the Group's control (weather conditions, state agricultural policy, changes in global demand caused by demographic changes, changes in living conditions, competing products in other countries).

Usually the Group agrees for crop delivery contracts in spring of each year. The management controls this risk by fixing the price of it's crop production (in certain bulk amounts) over the period of time starting April of each year. The management sets internal lowest acceptable crop price level, after reaching which it starts making the crop price fixing contracts.

Animal diseases
Animals can be infected with different viral infections including foot and mouth disease, bovine spongiform encephalopathy etc. Even though the Group complies with the highest sanitary standards in order to prevent diseases, there is no guarantee that the Group's cattle will not be infected for reasons beyond the control of the group. Although the majority of Group's cattle are insured, an outbreak of a cattle infection can result in high additional expenses and losses.

State policy and regulation in the agricultural sector and related areas can have a negative effect upon the Group's operations and profitability
Agriculture, agricultural produce and products placement on the market are strongly affected by state policies and EU regulation. Regulation of agricultural activities manifests itself through the regulation of taxes, tariffs, quotas, subsidies, import and export legislation etc. Any change in this area can exert significant influence over the profitability of agricultural activities, determination of the choice of crops, increase or reduce the volumes of production, import and export of agricultural products. In addition, any international trade disputes can affect the trade flows, restricting trade among countries or regions. Future policies in this area can have a negative impact upon prices for the agricultural products offered by the group and upon the group's opportunities for operating in the market.

The Group's management discusses the possible changes in policies with Ministry of Agriculture and other official institutions, giving suggestions and comments on State agricultural policies.

3.1 Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates do not expose the Group to cash flow or fair value interest rate risk, because all borrowings are carried at amortised cost.

The Group's borrowings include loans with floating interest rate, which is related to EURIBOR and VILIBOR. Absolute majority of bank borrowings and finance lease liabilities are repriced each 6 months. Other borrowings are repriced each month or 12 months.

As at 31 December 2011 and 31 December 2010 the Group's bonds were classified with restructured liabilities and had a fixed rate of 10,1%. Trade and other receivables and payables are interest-free and have settlement dates within one year.

The Group's cash flow and fair value interest rate risk is periodically monitored by the Group's management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift.

In 2011, total Group borrowings at variable rates amount to LTL 85.5 million (2010: LTL 81.2 million), LTL 9.9 million (2010: LTL 11.5 million) of which is denominated in LTL, while the remaining LTL 75.6 million (2010: LTL 69.7 million) borrowings are denominated in EUR. If floating rate interest (influenced by EURIBOR or VILIBOR) changed by 1 percentage point, the annual effect on the Group would amount to LTL 855 thousand before taxes (2010: LTL 816 thousand).

In 2011, total Company's borrowings at variable rates amount to LTL nil, as all the borrowings were under restructuring (2010: LTL nil, as all the borrowings were under restructuring).

Credit risk

Credit risk is managed on a Group basis. Senior management is responsible for credit risk management. Credit risk arises from cash, cash equivalents, and short-term deposits with banks, as well as credit exposures to customers, mainly related to outstanding receivables. Credit risk associated with the cash funds at banks is minimal, as the Group deals with the banks which have high credit ratings established by foreign rating agencies. For customers, the Parent Company sells the majority of its production to wholesalers and has policies in place to ensure that sales of products are made only to customers with an appropriate credit history. The Group always makes an assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit period is awarded only to a few customers who are well known to the Group and have moderate credit history. The Group has no credit concentration risk as the sales are distributed among several clients. The Group does not use credit insurance and has not established any specific limits for any of the clients.

There were no significant difficulties in collecting accounts receivable from customers or withdrawing cash from banks during the reporting period and the management does not expect any material losses from non-performance by these counterparties.

See Notes 12, and 13 for further disclosure on credit risk.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecast of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance ratio targets and other material information.

(i) Recent development of International and Lithuanian financial markets

The Recent development of International and Lithuanian financial markets are discussed in detail in Note 2.1 Basis of preparation.

(ii) Borrowed capital accounts for a large share of the Group's total capital

The Borrowed capital is discussed in detail in Note 2.1 Basis of preparation.

(iii) Restructuring situation

The Restructuring process and progress is discussed in detail in Note 2.1 Basis of preparation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance sheet amounts payable within one year reflect fair value of the liabilities, as the influence of discounting is not significant.

3.1 Financial risk factors (continued)

GROUP	Payable on demand	Within one year	Within second year	Within third and fourth year	Within fifth year and later
31 December 2011					
Borrowings	42,150	26,006	418	786	153
Finance lease liabilities	6,005	1,130	917	653	-
Restructured amounts	-	-	2,980	58,506	-
Trade and other payables	42	17,381	136	272	1,297
Total	**48,197**	**44,517**	**4,451**	**60,217**	**1,450**
31 December 2010					
Borrowings	63,049	10,351	26,405	1,069	331
Finance lease liabilities	4,871	2,400	1,645	1,691	-
Restructured amounts	-	-	-	28,637	-
Trade and other payables	-	19,325	-	-	-
Total	**67,920**	**32,076**	**28,050**	**31,397**	**331**

COMPANY	Payable on demand	Within one year	Within second year	Within third and fourth year	Within fifth year and later
31 December 2011					
Borrowings	-	-	-	807	-
Guarantees issued (Note 31)	37,543	-	-	-	-
Finance lease liabilities	-	-	-	-	-
Restructured amounts	-	-	11,097	62,884	-
Trade and other payables	-	844	-	-	-
Total	**37,453**	**844**	**11,097**	**63,691**	**-**
31 December 2010					
Borrowings	-	-	-	471	-
Guarantees issued (Note 31)	65,493	-	-	-	-
Finance lease liabilities	-	-	-	-	-
Restructured amounts	-	-	-	75,173	-
Trade and other payables	-	1,113	-	-	-
Total	**65,493**	**1,113**	**-**	**75,644**	**-**

Payable on demand includes those loans which have their covenants breached and guarantees issued by the Group or the Company. It also includes all the loans of subsidiaries which restructuring plans were not approved as at 31 December 2010. As all the plans were approved in 2011, the payable on demand has decreased significantly. Of all the loans with breached covenants, neither one was demanded to be paid back by the creditors.

As at 31 December 2011 and 2010 the operating capital of the Group was negative and equalled LTL (15,903) thousand, and LTL (61,699) thousand respectively. The liquidity ratio of the Group amounted to 0.73 (2010: 0.43), while quick ratio was 0.47 (2010: 0.32). As at 31 December 2011, and 2010 the operating capital of the Company equalled LTL 4,635 thousand and LTL 3,039 thousand respectively. The liquidity ratio of the Company amounted to 3.43 (2010: 2.46), while quick ratio was 3.42 (2010: 2.44).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As the majority of agricultural entities and Parent Company are undergoing Restructuring, the main focus of Group's management is to guide individual entities through successful Restructuring processes for all separate entities and restore the liquidity of the Group. Currently gearing ratio is not being calculated by the Group, as the best capital sufficiency estimate due to legal procedures is the operating cash flow of the Group. The short term goal for the Group is to generate sufficient funds to carry out operations efficiently and profitably and to generate appropriate amounts of revenues and profits in order to pay the accumulated creditors claims which are currently under Restructuring.

Due to fact that Group companies are under Restructuring, the covenants in Bank agreements are no longer calculated or being taken into account for all companies under restructuring except Grūduva UAB (the sole agricultural entity which is not under Restructuring) and land management entities. Grūduva UAB meets all the covenants according to it's agreements with the banks.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company and private limited liability company must be not less than LTL 100,000 and LTL 10,000, respectively, and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2011, all Group companies, except ŽŪB Agrowill Eimučiai, ŽŪB Agrowill Žadžiūnai, ŽŪB Agrowill Kairėnai, ŽŪB Agrowill Vėriškės, ŽŪB Agrowill Nausodė, ŽŪB Agrowill Jurbarkai, Žemės vystymo fondas 20 UAB, Žemės vystymo fondas 5 UAB, Žemės vystymo fondas 9 UAB, Žemės vystymo fondas 10 UAB, AVG Investment, AWG Investment 2 UAB, AWG Trade UAB, ŽŪB Žemės fondas, ŽŪB Gustonys, Agro management team UAB, KB Siesarčio ūkis, KB Kašėta, Abagrain UAB, complied with these requirements.

As at 31 December 2010 all Group companies, except Žemės vystymo fondas 20 UAB, Žemės vystymo fondas 9 UAB, Žemės vystymo fondas 10 UAB, AWG Investment 2 UAB, Agrowill Trade UAB, and AVG Investment UAB, complied with these requirements. The Board of such company must convene a shareholders' meeting to solve the problem of capital level. However, there are no sanctions described in the acts of law if the board of the company does not take any decisions to meet the capital requirements as per Law on Stock companies. The Group is not using these externally implied requirements, or any other means for capital management.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of long-term and short term borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

As at 31 December, the Group and the Company had following structure of interest bearing financial liabilities (taking into account bank and other borrowings, bonds, and finance lease liabilities):

GROUP	**Liabilities with fixed interest rate**	**Liabilities with floating interest rate**
2011		
Loans from financial institutions	22,875	75,722
Bonds	8,887	-
Finance lease liabilities	1,224	7,878
Other borrowings	2,330	1,877
Total	**35,316**	**85,477**
2010		
Loans from financial institutions	22,725	66,980
Bonds	8,887	-
Finance lease liabilities	1,632	8,458
Other borrowings	3,125	5,728
Total	**36,369**	**81,166**

COMPANY	**Liabilities with fixed interest rate**	**Liabilities with floating interest rate**
2011		
Loans from financial institutions	-	-
Other borrowings	51,579	-
Bonds	8,887	-
Finance lease liabilities	-	-
Total	**60,466**	**-**
	Liabilities with fixed interest rate	**Liabilities with floating interest rate**
2010		
Loans from financial institutions	-	-
Other borrowings	47,515	-
Bonds	8,887	-
Finance lease liabilities	-	-
Total	**56,402**	**-**

The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. Average effective interest rate of borrowings of the Group with variable rate at 31 December 2011 equals 4.33 per cent (2010: 3.81 per cent).

Fair value of non-current borrowings with fixed interest rate could not be estimated reliably, as main companies of the Group are under Restructuring process since 2009. The Group renegotiated the loan terms with bank Snoras (the only fixed interest rate financial institution borrowing) in 2010 extending the loan by 2 years and reducing the fixed interest rate from 13% to

5% (Snoras loan was the last loan taken by the Group in November of 2008 – January 2009, i.e. no new loans were taken subsequent to January 2009). The public bonds issued by Parent Company had no trade volumes since 2009 so relevant market price is difficult to determine, however in spring 2010 some of bondholders sold their bonds for 28 percent of nominal bonds value (i.e. at a discount of 72 percent). These facts show that as of 31 December 2011 and 31 December 2010 fair value of the Group's financial liabilities with fixed interest rates could be below their carrying amounts.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are addressed below.

Income taxes

Tax authorities have right to examine accounting records of the Parent Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances which would raise substantial liability in this respect to the the Group.

The Group has created deferred tax liability on revaluation amounts of investment property and own assets. The applicable tax rate used was 15% (for land management entities and SPV's) and 5% (for agricultural subsidiaries), as it is planned that assets will be realized (if will be realized) after 2011 when the 15% corporate tax effect will be applicable to all Group's entities, excluding the agricultural subsidiaries which are currently taxed at 5% rate (2011: 5%).

The Group has accumulated tax losses amounting to LTL 68.7 million as at 31 December 2011 (Note 21). Management recognises a deferred tax asset for separate companies deferred tax losses only when possible future returns can be reliably estimated and confirmed. As at 31 December 2011, the deferred tax asset on accumulated tax losses of land management entities was created in the amount of LTL 1,511 thousand (2010: LTL 1,127 thousand). The Group also created deferred tax asset for the companies, for which the restructuring plans were approved as at 31 December 2011 and Grūduva UAB: LTL 5,052 thousand (2010: LTL 3,543 thousand).

Valuation of property, plant and equipment (except land)

The Group makes an assessment, at least annually, whether there are any indications that construction in progress have suffered any impairment. If that is the case, the Group company makes an impairment test in accordance with the accounting policy set out in Note 2.5. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As of 31 December 2011, and 2010 there were no indications that construction in progress might have been impaired.

The Group last time performed valuation of all buildings in August 2010, so, to evaluate whether there are signs of impairment of PPE for accounting period ended 31 December 2011, a sample of 50 buildings was selected and independent valuator provided current market values. As no material deviations were not noted between the market values and book values, no impairment charge is considered needed for buildings of the Group.

The Group performed various detailed tests for evaluating whether it's machinery and equipment is impaired. Similarly, around 50 items of machinery were selected and performed internal valuation by obtaining market quotes for similar equipment from external sources (international and local sales points). The tests performed showed, that current market prices of such equipment are generally higher than carrying amounts as of 31 December 2011. Therefore, the management decided to not adjust the values of equipment in the accounts.

There are no clear-cut market quotes for used farm equipment such as milking parlours, farm programs, and refrigerators (included in constructions and machinery balance). Most of the Group's farm equipment was acquired in 2006 – 2007 by using the State run program "modernization of milk farms". The management believes and there are market tendencies that prices of milk equipment correlate to raw milk prices in Lithuania and the world, as in 2008, when the milk prices peaked there were tendencies that milking equipment prices were also larger than in previous years. Currently market prices for milk are roughly 10-15% larger than those in 2006 and 2007, thus the management believes that there are no signs of fair value decline or increase of farm equipment, as the useful lives used for calculating depreciation are similar than those recommended by the suppliers of equipment.

As no significant differences were observed while testing the fair value of equipment in detail, the management believes that the values represented in the Financial Statements of the Group for the above mentioned groups of equipment are appropriate. However, there are items in Group's possession which are outdated and heavily depreciated, therefore after detailed evaluation of representative sample of such PPE and their fair value less cost to sell management accounted for LTL 3 million impairment loss as at 31 December 2009 for all such items (their net book value before impairment loss amounted to LTL 13 million). As at 31 December 2011 these items have depreciated by 1/3, the Group reduced the impairment by LTL 1.5 million.

Estimates concerning useful lives of property, plant and equipment

The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life.

4. Critical accounting estimates and assumptions (continued)

Impairment of goodwill

The Group tests annually whether goodwill been impaired, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. The Group annually evaluates whether the goodwill recognized on acquisitions is impaired by evaluating the past and forecasted results of subsidiaries. Goodwill of LTL 1,818 thousand resulting from Grūduva UAB acquisition was tested for impairment as of 31 December 2010 using the following assumptions: average growth in revenues over 3-year period is 11%, weighted average cost of capital (WACC), before taxes, is 11.4%, and 0% growth to perpetuity. Results showed that recoverable amount of non-current assets tested for impairment (including goodwill) was 11% higher that their carrying amounts. If WACC used for calculations is increased by 1 percentage point (i.e. to 12.4%), then recoverable amount would still be higher that carrying amount of non-current assets tested by 3%, consequently, no goodwill impairment would be needed. Although Grūduva UAB operates in several segments (crop-growing, stock-breading, as well as trade, see Note 23 for segment reporting), Group's management does not monitor assets split by those segments and therefore all Grūduva UAB was tested as one cash generating unit. The estimates used in 2011 were sligtly changed compared to 2010 due to changes in market conditions, but, nevertheless, tests provided similar results, proving that no impairment charge is needed.

Valuation of investment property and cultivated agricultural land

The Group owns around 11,800 ha of land via land management entities, part of which are leased and used by the Group's agricultural entities. The Group applies similar valuation principles for these two parts of assets. In 2010, the Group did not have an independent valuation on whole portfolio, rather the Group selected a representative sample of land plots which matched the general outlook of land portfolio and which valuation was performed by the external valuators Korporacija Matininkai UAB in July 2010. The valuation method used to determine the market values of land plots by the valuator was the comparable market price method.

The results of valuations showed that the average 1 ha values of land plots in the Financial statements are on the same level as market values. Additionally, the agricultural land market review was obtained from independent valuator Oberhaus UAB which stated that since 31 December 2009 prices of large plots of agricultural land were quite stable. Due to that, the management decided that carrying amount of land plots approximates their fair values at 31 December 2009. As small amount of time has passed since valuation performed in July and no significant changes in real estate market have happened, the management believes that carrying amount of land plots approximates their fair values at 31 December 2009.

As last valuation was performed in late 2010, the management believes that market values did not change significantly over the period until the year end of 2011, therefore land values in the balance sheet as of 31 December 2011 approximate their fair values. In addition to that, in 2011 the Group obtained an overall overview and high-level valuation of the whole portfolio of landplots owned, according to which an average fair value of 1 ha of landplot owned by the Group was not lower that the carrying amount as of 31 December 2011.

1% change in value of 1 ha of land equals to around LTL 1 million of change in total land portfolio held by Group (own cultivated land plus investment property).

Valuation of biological assets

The Group's biological assets are measured at fair value less sale costs at each balance sheet date (value at 31 December 2011: LTL 28,899 thousand, value at 31 December 2010: LTL 23,393 thousand). Due to the specifics of the agricultural production, fair value of some animals groups can not be determined by using comparable market prices method, as such biological assets in areas where the Group operates are not traded on active markets which could enable use of market value. Therefore the fair value is sometimes determined using the alternative. The use of alternative methods of fair value estimation requires the Group to refer to latest transactions and use price averages, or to use cost as an approximation of fair value.

For valuation of livestock the Group calculates the fair value by taking the average price of meat per kilo. The lowest values represent the value of old cows sold to meat processors, while the highest value is equal to the price of 1 kilo of pregnant heifer just before it's first calving. For remaining groups of animal, the value of livestock is determined by using the market values of meat (different for different groups of animals) and multiplying the price of 1kg by total weight of specific group of animals.

For the valuation purposes, the average value of 1 animal was adjusted based on prevailing market prices for raw milk. As at 31 December 2010 and 2011, the milk price was similar and well above the milk prices of previous periods (2009 and 2008), as well as good indication of cow prices from the market was obtained, the average value of 1 animal was determined at LTL 3,500.

Crops are valued at the year end at the prevailing market prices less estimated costs of sale. Market prices are obtained from 3 largest grain buyers in Lithuania and average value is taken for calculations. Own produced feed market price is determined by examining advertisements in agricultural newspapers and similar transaction performed in own and neighbouring farms.

Were the actual prices for the biological assets higher by 10% from management's estimates, the net profit for 2011 would increase by LTL 3,176 thousand (2010: would increase by LTL 1,300 thousand), if the prices were lower by 10%, the net profit would decrease by the similar amount respectively.

4. Critical accounting estimates and assumptions (continued)

Restructuring of liabilities (Group)

For calculating the fair value of financial liabilities that are renegotiated in the restructuring process, the management determines the discount rate by using the interest rates of last applicable bank loans and leasing liabilities. In case the Group's transactions with external parties were made in earlier periods, the Group analyses the impact of market trends in interest rates since the transaction, as well as assesses the potential impact of change in the Group's credit risk. The Group has estimated that appropriate discount rate is 10,1 %. The applicable interest rate was calculated by taking the interest rate of bonds issued by the Parent Company in 2008 (14 per cent), subtracting the July 2008 Euribor rate and adding current Euribor rate.

Should interest rate for other payables increase by 5 p.p., to 15.1%, the Group's net profit for 2010 would increase by LTL 1,800 thousand, and in 2011 would increase by LTL 789 thousand.

Restructuring of liabilities (Company)

For calculating the fair value of financial liabilities that are renegotiated in the restructuring process, the management determines the discount rate by using the interest rates of last applicable bank loans, leasing liabilities, and other financial liabilities. In case the Company's transactions with external parties were made in earlier periods, the Company analyses the impact of market trends in interest rates since the transaction, as well as assesses the potential impact of change in the Company's credit risk. The Company's has estimated that appropriate discount rate is 10,1 %. The applicable interest rate was calculated by taking the interest rate of bonds issued by the Company in 2008 (14 per cent), subtracting the July 2008 Euribor rate and adding current Euribor rate.

Should interest rate for other payables increase by 5 p.p., to 15.1%, the Company's net profit for 2010 would increase by LTL 1,489 thousand.

Valuation of financial assets (Group)

The Group possesses numerous investments in other companies (AB "Kauno grūdai", AB „Kėdainių grūdai", AB „Danisco Sugar Kėdainiai") and classifies them as available-for-sale financial assets. The management of the Group obtained the financial statements of these companies and estimated the values of its holdings. Obtained results showed that the actual value of investments totaled LTL 3,870 thousand as at 31 December 2011.

Impairment of Investment in subsidiaries (Company)

As of 31 December 2011 and 2010, management of the Company has performed testing of cost of investment in subsidiaries and receivables from subsidiaries for impairment. As a key test, management has compared cost of investment in a particular subsidiary with net assets of that subsidiary as of 31 December 2011 and 2010. If net assets are higher than cost of investment, management decided that no impairment is needed. If net assets are lower than cost of investment, management has estimated recoverable amount of a particular subsidiary using value-in-use calculations. Main assumptions used in VIU calculations: pre-tax discount rate of 15%, growth to perpetuity 0%. These calculations in turn are based on discounted cash flows that the particular subsidiary is able to generate, and result was again compared to cost of investment into that particular subsidiary. Results as of 31 December 2010 showed that cost of investment in and amounts receivable from none of subsidiaries, except for Agrowill Nausodė ŽŪB (agricultural entity), AWG Investment 1 UAB (investment management entity) and Žemės vystymo fondas 20 UAB (land management entity), was impaired. The impairment testing of the agricultural entity gave evidence that the investment into this subsidiary was impaired as of 31 December 2008, and impairment loss in amount of LTL 2,500 thousand was recorded for the year ended 31 December 2008. In addition, management assessed that the investment management entity and the land management entity generated substantial loss in 2010, while there were no impairment indicators at the year ends 2009 and 2008, therefore, impairment of amounts receivable from those entities was recognized in 2010 (LTL 1,000 thousand and LTL 1,400 thousand for the investment and land management entity, respectively). Although certain subsidiaries generated losses in 2011, management is confident that they are able to generate profits in the future, as a result, no impairment losses for cost of investment in and receivables from subsidiaries accounted for as of 31 December 2011.

5. Property, plant and equipment

GROUP	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
Carrying amount						
As of 31 December 2009	**39,549**	**57,039**	**40,824**	**2,565**	**6,983**	**146,960**
- additions	19	206	940	367	345	1,877
- acquisition of subsidiaries (note 26)	381	1,649	1,011	263	3	3,307
- disposals and write-offs	-	(218)	(100)	(160)	(5)	(483)
- depreciation	-	(3,408)	(6,618)	(617)	-	(10,643)
- revaluation of assets	-	(576)	-	-	-	(576)
- reclassifications	-	5,616	(5,737)	125	(4)	-
As of 31 December 2010	**39,949**	**60,308**	**30,320**	**2,543**	**7,322**	**140,442**
- additions	1,564	317	1,035	384	1,176	4,476
- acquisition of subsidiaries (note 26)	408	-	3,018	-	-	3,426
- disposals and write-offs	-	(782)	(96)	(56)	(177)	(1,111)
- depreciation	-	(3,482)	(5,859)	(660)	-	(10,001)
- revaluation of assets	270	455	-	-	-	725
- reversal of provisions	-	-	1,550	17		1,567
- reclassifications	-	3,523	(12)	115	(3,439)	187
As of 31 December 2011	**42,191**	**60,339**	**29,956**	**2,343**	**4,882**	**139,711**
Acquisition cost as at						
31 December 2010	39,949	66,309	44,680	3,659	7,322	161,919
31 December 2011	42,191	68,558	48,721	4,095	4,882	168,447
Accumulated depreciation and impairment losses as at						
31 December 2010	-	(6,001)	(14,360)	(1,116)	-	(21,477)
31 December 2011	-	(8,319)	(18,765)	(1,752)	-	(28,736)
Carrying amount as of 31 December 2010	**39,949**	**60,308**	**30,320**	**2,543**	**7,322**	**140,442**
Carrying amount as of 31 December 2011	**42,191**	**60,339**	**29,956**	**2,343**	**4,882**	**139,711**

As of 31 December 2011 the carrying amount of property, plant and equipment in the amount of LTL 74,087 thousand (2010: LTL 79,285 thousand) have been pledged as security for bank borrowings. The leased assets are pledged according to the finance lease agreements.

COMPANY	Vehicles	Equipment and other property, plant and equipment	Total
Carrying amount			
As of 31 December 2009	**134**	**76**	**210**
- additions	-	75	75
- disposals and write-offs	(147)	(7)	(154)
- depreciation	(18)	(46)	(64)
- reversal of impairment charge	50	-	50
As of 31 December 2010	**19**	**98**	**117**
- additions	-	14	14
- disposals and write-offs	-	(30)	(30)
- depreciation	(4)	(27)	(31)
As of 31 December 2011	**15**	**55**	**70**
Acquisition cost as at			
31 December 2010	26	234	260
31 December 2011	26	219	245
Accumulated depreciation and impairment losses as at			
31 December 2010	(7)	(136)	(143)
31 December 2011	(11)	(163)	(174)
Carrying amount as of 31 December 2010	**19**	**98**	**117**
Carrying amount as of 31 December 2011	**15**	**55**	**70**

5. *Property, plant and equipment (continued)*

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

Constructions and machinery	2011	2010
Acquisition cost / revalued amount	18,529	20,112
Less Accumulated depreciation	(8,463)	(6,665)
Carrying amount	10,067	13,446

Should no revaluations of property, plant and equipment had taken place, carrying amounts would have been the following:

	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
Carrying amount of PPE without revaluation effect as at 31 December 2010	22,668	33,696	30,494	2,036	7,321	96,214
Carrying amount of PPE without revaluation effect as at 31 December 2011	24,640	29,749	30,142	1,721	8,319	94,571

6. *Investment property*

As of 31 December 2011 the Group's investment property consisted of the following:

	Agricultural land
Fair value	
as at 31 December 2009	**82,364**
- sales of land	(570)
as at 31 December 2010	**81,794**
- sales of land	(528)
- acquisitions of land	235
- sales of subsidiaries	(12,769)
as at 31 December 2011	**68,732**

As of 31 December 2011 the carrying amount of investment property in the amount of LTL 66.2 million (as of 31 December 2010: LTL 74.8 million) have been pledged as security for bank borrowings.

The investment property of the Group consists of agricultural land plots. As at 31 December 2011, the Group had ownership rights to 11,838 ha of land (2010: 13,453 ha). Approximately 3,183 ha of them was used by the Group and therefore accounted for as PPE, see Note 5 above, and around 7,800 ha is rented out to third persons and companies, and approximately 800 ha were held for capital appreciation as at 31 December 2011.

As at 14 May 2010, the Group sold 3 land management entities (Žemės vystymo fondas 17 UAB, Žemės vystymo fondas 18 UAB, and Žemės vystymo fondas 21 UAB) to RN Investicijos UAB with a buy-back right until 28 February 2011. The Group then prolonged the buy-back period until 29 July 2011. As the term for buy-back option was not expired on 31 December 2010 and the date of signing these financial statements, the Group consolidates these three companies. In 2011, the Group decided not to buy-back these entities and, thus, sale of subsidiaries materialized.

The total value of Investment property leased out to third parties amounted to around LTL 62.1 million as at 31 December 2011 (2010: LTL 64.4 million).

Change in fair value of investment property

No change in fair value of investment property in 2011 and 2010, except for minor changes due to new plots acquired in 2011. Methods used to determine it are disclosed in Note 4.

7. Investments in subsidiaries

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

	2011	2010
As of 1 January	**37,229**	**37,223**
Acquisition of subsidiaries / additional acquisitions	1	6
Establishment of subsidiaries	30	-
Disposal of subsidiaries (Note 26)	(30)	-
As of 31 December	**37,230**	**37,229**

The Company did not acquire significant stakes in subsidiaries over the last years.

8. Financial assets

For the year ended 31 December the Group's financial assets consisted of the following:

	2011	2010
As of 1 January	**757**	**139**
Acquisition of investments	1	618
Revaluation of investments to fair value	3,777	-
Sale of investments	(57)	-
As of 31 December	**4,478**	**757**

In 2010, the Group acquired Government bonds for LTL 590 thousand. In 2011, the Group revaluated owned shares in different Lithuanian companies to their fair values. Methods used to determine the fair value of financial assets are disclosed in Note 4.

9. Intangible assets

As of 31 December 2011 the Group's intangible assets consisted of the following:

GROUP	Goodwill	Software	Other intangible assets	Total
Acquisition cost				
Balance as of 31 December 2009	**2,855**	**25**	**526**	**3,406**
- additions	-	35	-	35
As of 31 December 2010	**2,855**	**60**	**526**	**3,441**
- additions	310	46	21	377
- disposals	-	-	(10)	(10)
As of 31 December 2011	**3,165**	**106**	**537**	**3,808**
Accumulated amortization				
As of 31 December 2009	**-**	**16**	**429**	**445**
- amortization	-	11	69	80
As of 31 December 2010	**-**	**27**	**498**	**525**
- amortization	-	19	10	29
- disposals	-	-	(10)	10
As of 31 December 2011	**-**	**46**	**498**	**544**
Carrying amount				
As of 31 December 2010	**2,855**	**33**	**28**	**2,916**
As of 31 December 2011	**3,165**	**60**	**39**	**3,264**

The amortization of intangible assets is included in Operating expenses. The gross amount of goodwill as at 31 December 2011 amounts to LTL 3,989 thousand (2010: LTL 3,679 thousand), while accumulated impairment is LTL 824 thousand (2010: LTL 824 thousand).

9. Intangible assets (continued)

As of 31 December 2011 the Company's intangible assets consisted of the following:

COMPANY	Software	Other intangible assets	Total
Acquisition cost			
Balance as of 31 December 2009	**25**	**50**	**75**
- additions	35	-	35
As of 31 December 2010	**60**	**50**	**110**
- additions	46	-	46
As of 31 December 2011	**106**	**50**	**156**
Accumulated amortization			
As of 31 December 2009	**16**	**24**	**40**
- amortization	11	17	28
As of 31 December 2010	**26**	**41**	**67**
- amortization	19	9	28
As of 31 December 2011	**46**	**50**	**96**
Carrying amount			
As of 31 December 2010	**34**	**9**	**43**
As of 31 December 2011	**60**	**-**	**60**

10. Biological assets

The Group's livestock quantity consisted of the following:

	Milk cows	Heifers	Other livestock	Total
As of 31 December 2009	**3,631**	**1,196**	**166**	**4,993**
Acquisition of subsidiaries	162	114	97	**373**
Additions	23	379	-	**402**
Increase (birth)	-	1,215	1,366	**2,581**
Transfers from other groups (+)	303	305	2	**610**
Transfers to other groups (-)	-	(601)	(9)	**(610)**
Sales	(1,147)	(32)	(720)	**(1,899)**
Write offs and natural mortality	(315)	(278)	(249)	**(842)**
As of 31 December 2010	**2,657**	**2,298**	**653**	**5,608**
Additions	-	281	14	**295**
Increase (birth)	-	1,053	1,156	**2,209**
Transfers from other groups (+)	779	111	111	**1,001**
Transfers to other groups (-)	-	(890)	(111)	**(1,001)**
Sales	(947)	(85)	(581)	**(1,613)**
Write offs and natural mortality	(166)	(187)	(159)	**(512)**
As of 31 December 2011	**2,323**	**2,581**	**1,083**	**5,987**

10. Biological assets (continued)

The Group's livestock value consisted of the following:

	Milk cows	Heifers	Other livestock	Total
As of 31 December 2009	**9,085**	**847**	**49**	**9,981**
Acquisition of subsidiaries (Note 26)	312	158	22	**492**
Additions	48	615	-	**663**
Increase (birth)	-	315	423	**738**
Makeweight	5	2,626	872	**3,498**
Transfers from other groups (+)	857	672	1	**1,520**
Transfers to other groups (-)	-	(1,512)	(8)	**(1,520)**
Sales	(2,859)	(55)	(537)	**(3,451)**
Write offs and natural mortality	(827)	(149)	(190)	**(1,166)**
Gain (loss) arising from changes in biological assets fair value (note 21)	2,627	(220)	(153)	**2,354**
As of 31 December 2010	**9,233**	**3,297**	**479**	**13,009**
Additions	-	1,104	8	**1,112**
Increase (birth)	-	226	247	**472**
Makeweight	-	4,679	1,918	**6,597**
Transfers from other groups (+)	2,927	26	121	**3,074**
Transfers to other groups (-)	-	(2,954)	(121)	**(3,074)**
Sales	(3,332)	(295)	(810)	**(4,438)**
Write offs and natural mortality	(587)	(184)	(44)	**(815)**
Gain (loss) arising from changes in biological assets fair value (note 21)	(104)	692	135	**723**
As of 31 December 2011	**8,137**	**6,591**	**1,932**	**16,660**

The Group's crops consisted of the following:

2011	Winter crops	Summer crops	Winter rapeseed	Feed crops	Total
Total ha planted (land prepared)	6,302	7,808	1,447	4,765	**20,322**
Total expenses incurred	6,946	2,405	1,930	958	**12,239**
Average expenses per 1 ha (LTL)	1,102	308	1,333	201	**602**

2010	Winter crops	Summer crops	Winter rapeseed	Feed crops	Total
Total ha planted (land prepared)	6,198	5,927	2,516	4,253	**18,893**
Total expenses incurred	4,668	867	2,372	2,477	**10,384**
Average expenses per 1 ha (LTL)	753	146	943	583	**550**

The movement of biological assets (crops) of the Group was following:

	Crops
Balance as of 31 December 2009	**5,124**
Spring sowing and other expenses until harvest	24,211
Acquisition of subsidiaries (Note 26)	1,102
Harvest of crops	(30,437)
Autumn sowing and land preparation for spring	10,384
Balance as of 31 December 2010	**10,384**
Spring sowing and other expenses until harvest	34,664
Harvest of crops	(45,048)
Autumn sowing and land preparation for spring	12,239
Balance as of 31 December 2011	**12,239**

At the point of harvest the Group management determines the prices of crop cultures harvested by examining the market prices of particular crops at the point of harvest, less the costs associated with point of sale. In 2011 the Group harvest amounted to 46,654 tons of grains and rapeseed (2010: 41,849 tons).

11. Inventory

As of December 31 the Group's inventories consisted of the following:

	2011	2010
Raw materials	3,750	4,130
Finished goods (agriculture produce)	12,573	8,737
Total	**16,323**	**12,867**
Less: Writedown to net realizable value of agricultural produce	(478)	(1,279)
Carrying amount	**15,845**	**11,588**

No inventory balances are pledged as security for loans.

12. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Financial assets of the Group as per balance sheet as of 31 December:	**2011**	**2010**
Non-current trade and other receivables	5,512	430
Available-for-sale non-current financial assets	4,478	757
Current trade and other receivables	10,144	18,768
Cash and cash equivalents	2,756	1,322
Total	**22,890**	**21,277**
Financial liabilities of the Group as per balance sheet as of 31 December:		
Borrowings	66,896	98,558
Finance lease liabilities	8,569	10,090
Restructured liabilities	51,296	22,152
Trade payables	10,987	16,084
Other payables and current liabilities	3,210	3,151
Total	**140,958**	**150,035**

Financial assets of the Group include all current and non-current receivables and other receivables as per balance sheet of the Group except for advances made and receivable VAT from the State. Non-current financial assets are the shares and interests held in other Lithuanian companies, which shares are not publicly traded. The Group keeps all cash in bank balances with the banks which have Standart&Poors or Fitchratings long-term credit rating of A.

Financial liabilities of the Group include all current and non-current liabilities as per balance sheet of the Group except for advances received, deferred capital grants and deferred tax.

The Group operates in agricultural commodities producing market. There are small number of grain traders and milk refineries operating in Lithuania, so the Group determines concentration risk based on segment of operations. As at 31 December 2011, there was LTL 448 thousand (2010: LTL 986 thousand) receivable for sold grain, and around LTL 886 thousand (2010: LTL 947 thousand) receivable from milk buyers which was fully recovered on due time in January 2012.

Financial assets of the Company as per balance sheet as of 31 December:	**2011**	**2010**
Non-current trade and other receivables	89,607	73,406
Current trade and other receivables	5,703	3,997
Cash and cash equivalents	88	13
Total	**95,398**	**77,416**
Financial liabilities of the Company as per balance sheet as of 31 December:		
Borrowings	807	471
Restructured liabilities	59,659	55,931
Trade payables	844	1,113
Total	**61,310**	**57,515**

Financial assets of the Company include all current and non-current receivables and other receivables as per balance sheet of the Company except for advances made and receivable VAT from the State. The Company keeps all cash in bank balances with the banks which have Standart&Poors or Fitchratings long-term credit rating of A.

Financial liabilities of the Company include all current and non-current liabilities as per balance sheet of the Company except for advances received.

12. Financial instruments by category (continued)

Credit quality of financial assets

As of 31 December, Group's financial assets had following structures:

Year 2011	**Not overdue**		**Overdue, but not impaired**		**Impaired**	**Total**
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue	Overdue 90 days and more	
Total trade accounts receivable, gross	-	1,430	1,329	951	1,708	5,418
Impairment charge	-	-	-	-	(1,551)	(1,551)
Total trade accounts receivable, net	**-**	**1,430**	**1,329**	**951**	**157**	**3,867**
Receivables from NPA	5,572	-	-	-	571	6,143
Receivables from employees	-	70	-	-	44	115
Non-current receivables, gross	5,158	251	1	2	100	5,512
Impairment charge attributable to non-current receivables	-	-	-	-	-	-
Other receivables	-	-	20	-	-	20
Total	**10,730**	**1,751**	**1,350**	**953**	**872**	**15,656**

Year 2010	**Not overdue**		**Overdue, but not impaired**		**Impaired**	**Total**
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue	Overdue 90 days and more	
Total trade accounts receivable, gross	4,864	1,187	1,829	82	6,384	14,346
Impairment charge	-	-	-	-	(3,003)	(3,003)
Total trade accounts receivable, net	**4,864**	**1,187**	**1,829**	**82**	**3,381**	**11,343**
Receivables from NPA	6,052	-	-	-	-	6,052
Receivables from employees	-	757	-	-	-	757
Non-current receivables, gross	200	231	-	-	246	677
Impairment charge attributable to non-current receivables	-	-	-	-	(246)	(246)
Other receivables	-	615	-	-	-	615
Total	**11,116**	**2,790**	**1,829**	**82**	**3,381**	**19,198**

Receivables from National Payment Agency are the direct subsidies receivable for crops and milk which are due until 1 May of the following year.

As of 31 December, the Compnay's financial assets had following structures:

Year 2011	**Not overdue**		**Overdue, but not impaired**		**Impaired**		**Total**
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue	Not overdue	Overdue 90 days and more	
Total trade accounts receivable	-	5,699	-	-	-	-	5,699
Receivables from employees	-	4	-	-	-	-	4
Non-current receivables, gross	-	89,607	-	-	2,400	-	92,007
Impairment charge attributable to non-current receivables	-	-	-	-	(2,400)	-	(2,400)
Total	**-**	**77,403**	**-**	**-**	**-**	**-**	**95,310**

12. Financial instruments by category (continued)

Year 2010	Not overdue		Overdue, but not impaired		Impaired		Total
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue	Not overdue	Overdue 90 days and more	
Total trade accounts receivable	-	3,893	-	-	-	-	3,893
Receivables from employees	-	104	-	-	-	-	104
Non-current receivables, gross	-	73,406	-	-	2,400	246	76,052
Impairment charge attributable to non-current receivables	-	-	-	-	(2,400)	(246)	(2,646)
Total	**-**	**77,403**	**-**	**-**	**-**	**-**	**77,403**

13. Trade receivables, advance payments and other receivables

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

	GROUP		COMPANY	
	2011	2010	2011	2010
Trade receivables	5,418	14,348	5,699	3,893
Subsidies and grants receivable from NPA	6,143	6,052	-	-
VAT receivable	2,018	2,556	-	-
Advance payments and deferred expenses	697	5,796	716	5,099
Accounts receivable private individuals	115	757	4	104
Other receivables	19	615	1	-
Total	**14,440**	**30,124**	**6,419**	**9,096**
Less: allowance for doubtful financial assets	(1,551)	(3,003)	-	-
Less: allowance for non-financial receivables	-	(4,342)	-	(4,014)
Carrying amount	**12,859**	**22,779**	**6,419**	**5,082**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

Trade receivables that are less than 30 days past due are not considered impaired. Impairment charges on amounts receivable are recognized after 90 days past due. As at 31 December 2011, and 2010, some of the trade receivables are past due, for which provisions are made. In the opinion of the Group's management, all other trade receivables, advance payments and other receivables approximate their fair value.

The movement of provisions for doubtful receivables consisted of the following:

	GROUP		COMPANY	
	2011	2010	2011	2010
Carrying amount as of 1 January	**7,345**	**5,660**	**4,014**	**4,014**
Allowance for doubtful receivables (Note 25)	1,056	2,100	-	-
Write-offs of bad receivables	(6,850)	(415)	(4,014)	-
Carrying amount as of 31 December	**1,551**	**7,345**	**-**	**4,014**

In 2010, the Group formed provision for doubtful receivable from TKB "Kotenas" in the amount of LTL 2,1 million. In 2011, certain provisions were made for various small land lease contracts and other trade debtors.

14. Long term receivables

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

	2011	2010
Long term receivable from UAB "Amber capital partners", maturity in 2015	5,158	-
The loan to UAB "Želsvelės mėsa" UAB (LTL), maturity in 2011	246	246
Receivable from Corporate Finance UAB, maturity in 2012	-	200
The loan to ŽVF projektai UAB (LTL), maturity in 2013	354	123
The loan to ŽVF projektai UAB (LTL), maturity in 2013	-	107
Provision for receivable from UAB "Želsvelės mėsa"	(246)	(246)
	5,512	**430**

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

	2011	2010
Loans to subsidiaries		
Land management entities	64,762	48,924
Agricultural entities	7,248	5,415
Trade companies and SPV's	20,423	22,042
Loans to 3rd parties	*103*	*132*
Loans to shareholders	-	-
Total	**92,536**	**76,513**
Less: amounts extinguished, as some subsidiaries have approved restructuring plans	(530)	(707)
Less: provisions for doubtful receivables	(2,400)	(2,400)
Total long term receivables	**89,606**	**73,406**

15. Cash and cash equivalents

As of 31 December the Group's cash and cash equivalents consisted of the following:

	GROUP		COMPANY	
	2011	2010	2011	2010
Cash in banks	2,529	501	88	13
Cash on hand	227	821	-	-
Carrying amount	**2,756**	**1,322**	**88**	**13**

16. Share capital

The share capital of Agrowill Group AB as at 31 December 2009 is LTL 26,142,732. The share capital was divided into 26,142,732 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

In the end of 2008, the Parent Company issued new share capital emission of 4,635,045 ordinary shares (with nominal value LTL 1 each), part of which – 1,545,015 ordinary shares was acquired by Finasta rizikų valdymas UAB, while the remaining part of 3,090,030 shares was supposed to be bought be the main shareholder – ŽIA valda UAB. As ŽIA valda UAB rejected the share purchase agreement, the Parent Company took a decision to register the share capital increase in the amount of paid shares – 1,545,015 ordinary shares. Finasta rizikų valdymas UAB sued such action to the court, and court issued temporary security measures by forbidding any registrations of share capital increase until civil case will be solved by the court of Lithuanian Republic.

In July 2010, the Parent Company signed the peace treaty with Invalda Group regarding registration of previously suspended share issue which enabled the additional 1,545,015 shares to be registered in the beginning of August. The Group made additional related agreements connected with the share registration, including the sale - buyback of three land management subsidiaries.

16. Share capital (continued)

Transactions related to the legal registration of 1,545,015 shares could be summarised as follows (from the Group's point of view):

Situation immediately before the transactions	**Situation after completion of the transactions**
Loan of LTL 4,730 thousand repayable to RN Investicijos UAB, a company related to Invalda AB	Loan of LTL 4,730 thousand repayable to other third party
LTL 8,961 thousad payable to Finansta rizikos valdymas UAB, a company related to Invalda AB (amount being litigated in the court)	• LTL 525 thousand repaid in cash to Finansta rizikų valdymas UAB; • Registered increase in share capital by LTL 1,545 thousand; • LTL 3,526 thousand loan payable to RN Investicijos, a company related to Invalda AB • LTL 3,465 thousand credited to share premium reserve • LTL 100 thousand receivable from other third party
3 land management companies legally belong to Agrowill Group AB	3 land management companies sold for nil to RN Investicijos UAB with the option to by back (at the same nil) on or before 28 February 2011 (prolonged until 29 July 2011), contingent on repayment of above mentioned LTL 3,526 thousand loan payable to the same party

Transactions related to the legal registration of 1,545,015 shares could be summarised as follows (from the Company's stand alone point of view):

Situation immediately before the transactions	**Situation after completion of the transactions**
Loan of LTL 4,730 thousand repayable to RN Investicijos UAB	Loan of LTL 4,730 thousand repayable to other third party
LTL 8,961 thousand payable to Finansta rizikos valdymas UAB, a company related to Invalda AB (amount being litigated in the court)	• LTL 525 thousand repaid in cash to Finasta rizikų valdymas UAB; • Registered increase in share capital by LTL 1,545 thousand; • LTL 6,891 thousand credited to share premium reserve
LTL 3,526 thousand receivable from 3 land management companies	• LTL 100 thousand receivable from another third party; • LTL 3,426 thousand debited to share premium reserve

On 23rd of August 2010, the Group's shareholders approved the new share capital issue of 37,572,650 million shares, which were all acquired by three investors: Hermis Capital UAB, Volemer Holdings Limited, and Vretola Holdings Limited. The shares hold nominal value of LTL 1 each and all were paid up by offseting the Group's payables to the above mentioned companies. The increase in share capital was registered on 24 August 2010.

On 22 October 2010, Agrowill Group AB shareholders undertook the decision to increase the share capital by 6,525,603 shares (with nominal value of LTL 1 each) up to 71,786,000 shares (LTL 71,786,000 share capital). Actually, the number of shares issued amounted to 6,291,857 as some of bondholders did not sign the share purchase agreements. The issue was paid up in cash contributions (bondholders set off of claims held against the Parent Company to newly issued shares, while 2,888,172 was paid in cash by Volemer Holdings Limited) and the increase in share capital was registered in the State Registrar on 11 November 2010.

Each share has usual material and intangible rights as per Lithuanian Republic law on Stock companies and Companies statutes.

During 2011, the Company issued a new capital issue of 13,268,732 shares. The issue commenced in Warsaw Stock Exchange. The Company incurred LTL 956 thousand of direct capital increase costs which have been deducted from share premium reserve.

The share capital of Agrowill Group AB as at 31 December 2011 is LTL 84,820,986. The share capital is divided into 84,820,986 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The legal rezerve of the Group equaled LTL 2 000 thousand as at 31 December 2011 and 2010.

A revaluation reserve is formed when the Group revaluates it's own used assets according to the accounting policies described above. The amounts credited to this reserve are net of taxes, and the rezerve is depreciated over the useful lives of the assets which were revaluated. The revaluation reserve (net of taxes) of the Group equaled LTL 44,363 thousand as at 31 December 2011.

17. Grants

For the year ended as of 31 December the movement of grants of the Group consisted of the following:

	2011	2010
Carrying amount as of 1 January	**9,905**	**10,650**
Grants, subsidies received	39	691
Acquisition of subsidiaries (note 26)	1,380	75
Release of grants related to property, plant and equipment to income	(1,062)	(1,511)
Carrying amount as of 31 December	**10,262**	**9,905**

18. Borrowings

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

	2011	2010
Borrowings from banks		
Land management entities	57,433	60,445
Agricultural entities	37,198	38,065
Agricultural cooperatives	2,215	-
Trade companies and SPV's	1,350	1,950
Long-term payment to 3rd parties		
Long-term payable to the State	1,651	459
Long-term payable to creditor	1,914	2,666
Total	**101,763**	**103,585**
Less: amounts, payable within one year (breached covenants)	(31,267)	(31,267)
Less: amounts, payable within one year (companies under restructuring)	-	(24,738)
Less: amounts, payable within one year (cancelled agreements)	(3,292)	(7,044)
Less: amounts, payable within one year (according to agreements)	(31,807)	(3,335)
Less: amounts under approved restructuring plans (Note 19)	(35,907)	(11,155)
Total long term borrowings	**510**	**26,046**

As at 31 December 2011, 2 companies had their agreements terminated, with negotiations ongoing regarding payment of the amounts. Amount of such agreements amounted to LTL 3,292 thousand. The loans taken by the entities which restructuring plans are approved are classified as restructured liabilities in the balance sheet. Such loans amount to LTL 35,907 thousand as at 31 December 2011 (31 December 2010: LTL 11,155 thousand (Note 19)).

As at 31 December 2010, 10 agricultural companies loans are currently classified as amounts payable within one year because, as stipulated in the loans agreements, these loans became repayable on demand on the date when entering into restructuring lawsuit. Additionally some land management entities have breached some minor covenants, and as some of the companies are under restructuring – such situation triggers the possible payback of other loans. Plus, 4 companies had their agreements terminated, with negotiations ongoing regarding payment of the amounts. The amount of such reclassification (breached covenants, companies under restructuring and cancelled agreements) was LTL 63,049 thousand as of 31 December 2010.

The Group owes payable amount to the State of LTL 1,877 thousand for land acquisition made by Group in 2008, 2010 and 2011. The payable amount to State is over 15 year period. The Group owes long-term payable of LTL 1,914 to the creditor – Litagros Prekyba AB which is due until 2013.

As of 31 December the Group's short term borrowings were the following:

	2011	2010
Borrowings from banks		
Land management entities	-	-
Agricultural entities	400	400
Bonds issued by the Parent Company, maturity in 2009	8,887	8,887
Borrowings from legal entities by the Group	416	5,728
Borrowings from private individuals by the Group	-	-
Total	**9,703**	**15,015**
Less: amounts under approved restructuring plans (Note 19)	(8,887)	(8,887)
Total short term borrowings	**816**	**6,128**

18. Borrowings (continued)

The long-term borrowings and payables are repayable as follows:

	2011	2010
Within second year	166	24,685
Within third and fourth year	331	1,018
After fifth year and later	13	343
Total	**510**	**26,046**

Property, plant and equipment (note 5) and investment property (note 6) of the Group were pledged to the banks as collateral to secure the loans payable.

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

	2011	2010
Borrowings from subsidiaries		
Land management entities	39,542	39,844
Agricultural entities	20,667	22,030
Trade companies and SPV's	811	-
Total	**61,020**	**61,874**
Less: amounts under approved restructuring plans (Note 19)	(60,213)	(61,403)
Total long term borrowings	**807**	**471**

As at the 31 December 2011 and 2010 the restructuring plan of the Company was approved most of the financial liabilities of the Company were reclassified to restructured liabilities.

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

	2011	2010
Bonds issued by the Company, maturity in 2009	8,887	8,887
Total	**8,887**	**8,887**
Less: amounts under approved restructuring plans (Note 19)	(8,887)	(8,887)
Total short term borrowings	**-**	**-**

The long-term borrowings and payables are repayable as follows:

	2011	2010
Within second year	-	-
Within third and fourth year	807	471
After fifth year and later	-	-
Total	**807**	**471**

Certain shares of subsidiaries (note 7) of the Company were pledged to the banks as collateral to secure the loans payable.

19. Restructured liabilities

The Group
In 2009, the Group initiated 15 restructuring proceses – 14 for subsidiary agricultural entities and for the Parent Company. In 2010, first restructuring plans were approved, in 2011 – all remaining ones, and the creditors agreed to be paid back the overdue amounts in following schedule: year 2011 – 0%, year 2012 – 0%, year 2013 – 15% and year 2014 – 85% (see Note 2 for details). In the balance sheet drafted as at 31 December 2011, the Group made certain reclassifications from long term liabilities and short term liabilities in order to present restructured liabilities separately.

The restructured liabilities as at 31 December have originated from and consists of the following:

	2011	**2010**
Long term borrowings (Note 18)	35,907	11,155
Short term financial liabilities (Note 18)	8,887	8,887
Leasing liabilities (Note 20)	533	533
Trade and other payables	15,043	8,062
Total before debt extinguishment	**60,369**	**28,636**
Less: gain from debt extinguishment	(11,970)	(6,695)
Add: interest expense	2,897	211
Total restructured liabilities	**51,296**	**22,152**

Additionally, the Parent Company made debt extinguishment by discounting the restructured liabilities by applicable interest rates (bank loans: by actual interest rate set, and trade and other liabilities: 10,1% [rate described in Note 4]). The gain on extinguished amount is presented in the profit and loss account as other income, while amortization of this gain will be included in interest expenses over the 4 year period.

The Company
In 2009, the management of the Company initiated restructuring proceses, In 2010, the restructuring plan of the Company was approved, and the creditors agreed to be paid back the overdue amounts in following schedule: year 2011 – 0%, year 2012 – 0%, year 2013 – 15% and year 2014 – 85% (see Note 2 for details). In the balance sheet drafted as at 31 December 2010, the Company made certain reclassifications from long term liabilities and short term liabilities in order to present restructured liabilities separately.

The restructured liabilities as at 31 December have originated from and consists of the following:

	2011	**2010**
Long term borrowings (Note 18)	60,213	61,403
Short term financial liabilities (Note 18)	8,887	8,887
Trade and other payables	4,881	4,883
Total before debt extinguishment	**73,981**	**75,173**
Less: gain from debt extinguishment from amounts owed to related parties	(15,426)	(15,426)
Less: gain from debt extinguishment from amounts owed to 3rd parties	(4,254)	(4,254)
Add: interest expense	5,358	438
Total restructured liabilities	**59,659**	**55,931**
Including:		
Total restructured liabilities owed to related parties	48,986	46,332
Total restructured liabilities owed to 3rd parties	10,673	9,599
	59,659	**55,931**

Additionally, the Company made debt extinguishment by discounting the restructured liabilities by applicable interest rates (bank loans: by actual interest rate set, and trade and other liabilities: 10,1% [rate described in Note 4]). The gain on extinguished amount is presented in the profit and loss account as other income, while amortization of this gain will be included in interest expenses over the 4 year period.

19. Obligations under finance lease

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

	2011		2010	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Gross amount payable within one year	7,668	7,590	7,803	7,541
Less: transferred to restructured amounts	(533)	(533)	(533)	(533)
Net amount payable within one year	7,135	7,057	7,270	7,008
In the second to fifth years inclusive	1,570	1,512	3,336	3,082
Minimum lease payments	**8,705**	**8,569**	**10,606**	**10,090**
Less: future finance charges	(136)		(516)	
Present value of minimum lease payments	**8,569**	**8,569**	**10,090**	**10,090**

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 5). The fair value of the Group's obligations under finance leases approximates their carrying amount.

20. Income tax

Income tax charge in Income Statement for the Group is calculated as follows:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Profit tax for the year	-	-	-	-
Deferred tax (credit) debit	(1,502)	(6,385)	382	(2,725)
Total income tax charge	**(1,502)**	**(6,385)**	**382**	**(2,725)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Profit (loss) before tax	(293)	912	1,390	12,515
Tax calculated at a tax rate of 15%	(1,314)	(380)	209	1,877
Tax calculated at a tax rate of 5%	426	172	-	-
Total theoretical tax	**(887)**	**(208)**	**209**	**1,877**
Non-taxable income, agricultural companies	(1,344)	(580)	-	-
Non-taxable income, non-agricultural companies	(390)	(1,577)	(136)	(2,594)
Non-deductible expenses, agricultural companies	361	583	-	-
Non-deductible expenses, non-agricultural companies	759	-	309	-
Gain from previously unrecognised tax losses, agricultural companies	-	(671)	-	-
Gain from previously unrecognised tax losses, non-agricultural companies	-	(2,335)	-	(2,008)
Change in tax rate	-	(1,597)	-	-
Total income tax charge	**(1,502)**	**(6,385)**	**382**	**(2,725)**

Profit for 2011 and 2010 is taxable at a rate of 5% for agricultural companies and at a rate of 15% for non-agricultural companies of the Group, in accordance with Lithuanian regulatory legislation on taxation. In order to apply a reduced tax rate of 5%, a share of a company's agricultural sales should be at least 50% of total company's sales.

21. Income tax (continued)

Deferred tax

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Assets (Liability) as at 1 January	(7,327)	(17,919)	2,725	-
Income statement charge (credit)	1,502	6,385	(382)	2,725
Subsidiaries sold	945	-	-	-
Recognized in shareholder equity	-	4,207	-	-
Assets (Liability) as at 31 December	**(4,880)**	**(7,327)**	**2,343**	**2,725**

As of 31 December 2011 and 2010 deferred income tax was calculated using 15% income tax rate, except for tax provisions applicable to agricultural entities.

Deferred tax asset	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Tax loss carried forward	6,563	4,670	2,343	2,725
Deferred tax asset	**6,563**	**4,670**	**2,343**	**2,725**

Deferred tax liability	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Revaluation of Investment property	8,490	8,490	-	-
Revaluation of PPE	2,953	3,507	-	-
Deferred tax liability	**11,443**	**11,997**	**-**	**-**

Amounts of deferred tax asset netted against deferred tax liability in the balance sheet amount to LTL 3,382 thousand as at 31 December 2011 (2010: LTL 1,127 thousand).

Deferred tax asset in 2011 is created on tax losses carried forward of subsidiary ZVF entities, Grūduva UAB, and Group companies for which restructuring plans are approved (2010: subsidiary ZVF entities, Grūduva UAB, and Group companies for which restructuring plans are approved as of 31 December 2010). As at 31 December 2010, deferred tax asset was not created on agricultural companies' tax losses carried forward, because it was not clear that the companies will be able to use the accumulated tax losses (due to unapproved restructuring plans).

In the Management opinion the whole amount of the Group's deferred tax asset will be recovered after more than 12 months from the date of these financial statements.

The amount of unused tax losses carried forward for the Group is as follows:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Total tax loss carried forward	68,694	61,289	15,621	18,166
Less: deferred tax asset created from tax loss carried forward	(68,694)	(40,899)	(15,621)	(18,166)
Total tax loss carried forward for which no deferred tax asset created	**-**	**20,390**	**-**	**-**

According to Profit Tax Law amendment, starting from 2008, taxable results can be retained for unlimited time. As of 1 January 2010, according to the new amendments to the Income tax law, the companies belonging to a holding structure can offset taxable profit with other holding companies tax losses carried forward.

22. Other payables and current liabilities

As of 31 December the other payables and current liabilities consisted of the following:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Payroll related liabilities	1,598	2,679	358	370
Vacation reserve	1,112	896	177	180
Advances received	199	2,058	-	190
Taxes payable	315	3,384	37	22
Other payables	3,215	3,151	489	210
Total	**6,439**	**12,168**	**1,061**	**972**

23. Segment information

Income statement		**Stock-breeding**					**Crop-growing**				
2011	**Total**	**Milk**	**Cattle meat**	**Total stock-breeding**	**Wheat**	**Barley**	**Rapeseed**	**Other crops**	**Total crop growing**	**Trade**	**Other segments**
Sales	**128,241**	16,514	4,885	**21,399**	32,298	1,284	27,392	1,667	**62,640**	**22,950**	**21,252**
Total cost of sales	**(119,708)**	(15,765)	(6,771)	**(22,536)**	(33,610)	(1,328)	(27,669)	(1,618)	**(64,224)**	**(22,726)**	**(10,222)**
Gross profit as reported to management of the Group	**8,532**	749	(1,886)	**(1,137)**	(1,312)	(44)	(277)	49	**(1,584)**	**224**	**11,029**
Intergroup eliminations											
Intergroup sales	**72,163**	-	2,332	**2,332**	15,865	1,117	13,642	711	**31,335**	**22,237**	**16,259**
Intergroup cost of sales	**(70,550)**	-	(2,332)	**(2,332)**	(16,371)	(877)	(17,002)	(514)	**(34,764)**	**(22,229)**	**(11,225)**
Eliminations, net	**1,613**	-	-	**-**	(506)	240	(3,359)	197	**(3,429)**	**8**	**5,034**
Total revenues from external customers	**56,078**	16,514	2,552	**19,067**	16,434	166	13,749	955	**31,304**	**713**	**4,993**
Direct subsidies	**10,772**	1,630	144	**1,774**	-	-	-	8,897	**8,897**	**-**	**101**
Gain on changes in biological assets fair value	**(1,010)**	-	724	**724**	-	-	-	(1,734)	**(1,734)**	**-**	**-**
Gross profit	**16,682**			**1,362**					**9,010**	**216**	**6,025**
Depreciation included in cost of sales	**4,172**	1,207	199	**1,405**	1,475	76	1,121	54	**2,726**	**-**	**41**

'Other segments' include accounting and management services provided by the Parent Company to subsidiaries, also land rent income (both inside and outside the Group). 'Trade' segment supplies combined feed as well as fertilizer and chemicals. 'Stock-breading' includes milk processing and cattle raising, whereas 'Crop-growing' includes growing of wheat, barley, rapeseed, triticale, maize as well as other several agricultures.

The main intersegment transactions are the following:

a) The crop growing segment prepared feed for cows (corn silage, hay, haylage) and sells to cattle growing segment
b) Trade segment produces combined feed for cows and sells to cattle growing segment
c) Trade segment supplies the crop growing segment with fertilizer and chemicals and buys grain and rapeseed as the mean of payment.

In 2011, 43.4 per cent of total revenues were received from Kauno Grūdai AB (buyer of grain), 12.7 per cent – from Vilkyškių pieninė (buyer of milk), and 11.4 per cent from Pieno Žaigždės AB (buyer of milk). In 2010, 16.7 per cent of total revenues were received from Pieno Žvaigždės AB, 14.5 per cent – from Linas Agro AB, 14.4 per cent from Vilkyškių pieninė AB, and 13.7 per cent from Kauno Grūdai AB.

As of 1 June 2004 the Group companies are entitled to subsidies for agricultural land used in operations according to the European Commission directive „Regarding European agriculture direction and guarantee fund support to rural regions". Plantation declaration must be submitted by 1 June, and subsidies for the year are paid until 30 April of next year. These subsidies reduce the cost of sales of plant-growing operations.

According to the Republic of Lithuanian Ministry of Agriculture „Rules on additional national subsidies payments for livestock for 2005", the Group companies are entitled to subsidies for livestock sold for realization. These subsidies reduce the cost of sales of cattle-breeding activities. According to the Republic of Lithuania Ministry of Agriculture „Rules on subsidies payments to milk producers", the Group companies are entitled to subsidies for the amount of milk sold during the year. These subsidies reduce the cost of sales of cattle-breeding activities.

23. Segment information (continued)

Income statement		**Stock-breeding**			**Crop-growing**						
2010	**Total**	**Milk**	**Cattle meat**	**Total stock-breeding**	**Wheat**	**Barley**	**Rapeseed**	**Other crops**	**Total crop growing**	**Trade**	**Other segments**
Sales	**99,895**	17,085	6,164	**23,249**	19,960	2,083	13,121	2,537	**37,701**	**21,637**	**17,308**
Total cost of sales	**(92,116)**	(15,938)	(8,472)	**(24,410)**	(20,421)	(2,073)	(12,267)	(2,642)	**(37,403)**	**(21,670)**	**(8,633)**
Gross profit as reported to management of the Group	**7,689**	1,147	(2,308)	**(1,161)**	(461)	10	854	(105)	**298**	**(33)**	**8,585**
Intergroup eliminations											
Intergroup sales	**(54,730)**	(283)	(4,312)	**(4,595)**	(8,055)	(1,343)	(6,404)	(1,087)	**(16,889)**	**(19,352)**	**(13,894)**
Intergroup cost of sales	**51,959**	283	4,312	**4,595**	12,495	1,076	8,039	750	**22,360**	**19,904**	**5,100**
Eliminations, net	**(2,771)**	-	-	**-**	4,440	(267)	1,635	(337)	**5,471**	**552**	**(8,794)**
Total revenues from external customers	**45,165**	16,802	1,852	**18,654**	11,905	740	6,717	1,450	**20,812**	**2,285**	**3,234**
Direct subsidies	**11,562**	2,251	605	**3,232**					**8,402**	-	**304**
Gain on changes in biological assets fair value	**2,448**		2,286	**2,286**					**162**	-	**-**
Gross profit	**19,018**			**3,981**					**14,333**	**519**	**185**
Depreciation included in cost of sales	**3,456**	1,051	108	**1,159**	1,017	106	669	130	**1,922**	**-**	**375**

The Company's sales breakdown by type was the following:

	2011	**2010**
Business consultations	1,937	3,073
Financial accounting services	871	815
Trade revenues	-	-
Other revenues	71	89
Total	**2,879**	**3,977**

23. Segment information (continued)

The Group management monitors the assets and liabilities on a higher level, i.e on a company basis. Therefore, assets of an agricultural entity contain the only split of biological assets between stock-breading and crop-growing, whereas all other assets (as well as liabilities) are reported in aggregate and are not further split between segments. For land rent companies, financial liabilities are monitored.

Main intercompany eliminations include eliminations of intercompany balances on consolidation (i.e. intergroup accounts payable and receivable, intergroup loans granted and received, as well as eliminations of cost of investments in agricultural and land rent companies of investment management companies).

See table below for assets and liabilities breakdown by different segments:

	Agricultural companies			Land rent companies	Investment management companies	Intergroup eliminations	Total
	Stock-breading	Crop-growing	Not attributable to stock-breading or crop-growing				
Assets							
2011	16,660	12,239	231,542	210,685	185,908	(371,797)	285,237
2010	13,009	10,384	202,936	227,255	238,438	(403,058)	288,964
Acquisitions of PP&E and Investment property							
2011	-	-	7,902	235	-	-	8,137
2010	-	-	4,827	-	357	-	5,184
Liabilities							
2011	-	-	178,786	180,157	100,082	(296,515)	162,510
2010	-	-	149,918	175,356	108,165	(253,612)	179,827

24. Cost of sales by nature

As of 31 December the Group's cost of sales breakdown by type of expenses was the following:

	2011	**2010**
Payroll expenses	4,221	5,410
Social security expenses	1,292	1,677
Fertilizer	12,390	6,982
Property, plant and equipment depreciation (Note 23)	4,172	3,456
Fuel costs	4,346	2,508
Chemicals	4,076	2,035
Feed for animals	6,539	6,856
Land rent	3,821	2,785
Seed	3,054	1,617
Spare parts and inventory	2,333	1,591
Services from contractors	-	2,718
Electricity	1,125	930
Medicine	747	743
Veterinary and insemination	121	82
Other expenses	918	475
Less: direct subsidies from State	(10,769)	(11,270)
Total	**38,386**	**28,595**

25. Operating expenses

As of 31 December the expenses consisted of the following:

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Payroll expenses	3,540	3,264	2,023	1,905
Social security expenses	1,098	1,012	636	591
Loss on sale of subsidiaries	2,876	-	-	-
Property, plant and equipment depreciation	2,769	2,890	35	91
Write-off of inventory, bio assets	2,485	1,635	-	-
Consultations and business plan preparations	2,165	2,082	453	1,214
Impairment of accounts receivable (Note 13)	1,056	2,100	-	2,400
Selling expenses	1,039	741	-	-
Insurance and tax expense	1,034	1,083	323	45
Fines and late payments	455	3,470	18	165
Loss on sale of PPE	432	-	-	-
Fuel costs	403	468	175	215
Transportation costs	190	164	53	114
Real estate registration and notaries	180	268	2	-
Write-off of property, plant and equipment	176	21	-	-
Rent and utilities	157	208	121	118
Loss on accounts receivable extinguishment	-	-	-	707
Other expenses	1,612	2,622	1,894	919
Total	**21,667**	**22,028**	**5,733**	**8,484**

Expense for defined contribution of the Group plans amount to LTL 2,221 thousand in 2011 (2010: LTL 2,689 thousand). Defined contribution plan payments consist of payments to State social security fund only, with the amount calculated equalling 31 per cent from the gross salary expense of all employees.

26. Business combinations

In February 2011, the Group acquired subsidiary in Moldova "Natur Agro Grup" SRL for LTL nil as part of payment for previously written-off account receivable. The subsidiary is engaged in land management business. Additionally, in December 2011, after winning a court case the Group increased it's holding in Agricultural entity „Gustoniai" from 63 to 75 per cent.

In June 2010, the Group acquired control over a subsidiary entity Gustoniai ŽŪB and at the same time acquired additional ownership interest in that company of 41.35% resulting in total ownership interest of 62.81% after this transaction. The Group acquired part of the company in 2007 (previously held interest of 21.46%) with a goal to expand activities, however, due to ongoing legal cases, only in 2010 the acquisition of control was achieved.

Acquisitions of subsidiaries	**Gustoniai December 2011**	**Coops December 2011**	**Natur Agro Grup January 2011**	**Gustoniai June 2010**
Non-current assets				
PPE (Note 5)	2,899	3,235	408	3,307
Receivables	-	807	-	-
Biological assets (Note 10)	-	-	-	1,594
Current assets				
Cash and cash equivalents	1	71	1	136
Trade receivables and other current assets	1,189	95	3	591
Inventory	1,719	-	-	748
Long term liabilities				
Grants	(68)	(1,380)	-	(75)
Loans		(1,839)		
Short term liabilities				
Other financial liabilities	-	-	-	(1)
Trade payables and other current liabilities	(47)	(1,252)	-	(604)
Net assets at acquisition date	**5,693**	**(263)**	**412**	**5,696**
Acquired share capital, %	12.49	100	100	62.81
Interest in net assets acquired	711	(263)	412	3,577
Previously held interest at fair value	-	-	-	1,200
Cash paid upon acquisition acquired	-	47	-	299
Total purchase consideration	**-**	**47**	**-**	**(1,499)**
Total negative (positive) goodwill	**711**	**(310)**	**412**	**2,078**

26. Business combinations (continued)

The carrying value of tangible and intangible assets and biological assets at the date of acquisition amounts to LTL 1,667 thousand and LTL 1,697 thousand respectively. Fair values of other assets and liabilities corresponded to their carrying amounts. The gain on acquisition of Gustonys subsidiary occurred because the Group paid for the stake acquired in June 2010 price that was based on a court ruling to determine the price with reference to the price that previous management of Gustoniai ŽŪB paid in 2007 for acquisition of some treasury shares of that company.

Gain on acquisition of a subsidiary	June 2010
Gain on revaluation of previouosly held interest	765
Negative goodwill charged to the income statement	2,078
Total gain on acquisition of subsidiary	**2,843**

The combined effect of the acquisition to the profit and loss account of the Group of 2011 since the day of acquisitions till the end of reporting period amounts to LTL nill. Had the acquisitions occurred at the 1 January 2011, the combined Group's annual revenues in 2011 would have amounted to LTL 56,078 thousand (no external revenues from acquired subsidiaries).

Had the acquisitions occurred at the 1 January 2011, the combined Group's annual net profit for 2011 would have amounted to LTL 997 thousand (Cooperatives: LTL 266 thousand total net loss in 2011).

The combined effect of the acquisition to the profit and loss account of the Group of 2010 since the day of acquisitions till the end of reporting period amounts to LTL 339 thousand. Had the acquisitions occurred at the 1 January 2010, the combined Group's annual revenues in 2010 would have amounted to LTL 45,804 thousand (Gustoniai: LTL 3,137 thousand total revenues in 2010, of which LTL 639 thousand is revenues in 2010 before the acquisition, and LTL 2,498 thousand is revenues in 2010 after acquisition).

Had the acquisitions occurred at the 1 January 2010, the combined Group's annual net profit for 2010 would have amounted to LTL 7,237 thousand (Gustoniai: LTL 279 thousand total net profit in 2010, of which net loss of LTL 60 thousand was incurred in 2010 before the acquisition, and net profit of LTL 339 thousand was earned in 2010 after acquisition).

Net cash paid to acquire subsidiaries

	2011	2010
Acquisition cost paid in cash	47	299
Less: cash and cash equivalents of acquired subsidiaries	(72)	(136)
	(25)	**163**

In 2011, the Company and the Group changed their intentions and decided not to buy back 3 land management companies sold to RN Investicijos UAB (see Notes 6 and 16). The details of the result of the Company's and the Group's loss on subsidiaries' disposal is as follows:

Cash consideration received by the Company for shares	-
Shares of the subsidiaries at the Company's balance sheet	(30)
Net loss on subsidiaries disposal in the Company's income statement	(30)
The subsidiaries reserves de-recognition	(2,846)
Loss on disposal of subsidiaries recognised in the Group's income statement	(2,876)

The details of the book value of the assets and liabilities disposed were as follows (LTL 000's):

Cash and cash equivalents	173
Investment property (Note 6)	12,769
Other assets	464
Amounts borrowed from credit and financial institutions	(9,529)
Deferred tax liabilities (Note 21)	(945)
Other liabilities	(86)
Total disposal consideration received (discharged by cash)	-
Disposal consideration	-
Less: Cash and cash equivalents in subsidiary disposed	(173)
Cash outflow on disposal	(173)

27. Other income

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Extinguishment of debt, net	5,275	6,695	176	19,680
Revaluation of financial assets	3,776	-	-	
Reversal of provision for TFA	1,500	-	-	
Write-down of liabilities	560		1	
Fines	23	297	787	-
Interest income	20	36	18	-
Interest income from subsidiaries	-	-	8,881	1,057
Other income	236	875	151	127
Total	**11,390**	**7,903**	**10,014**	**20,864**

28. Finance cost

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

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Bank interest expenses	3,466	4,244	-	1,564
Restructured liabilities interest expense	2,718	211	4,920	437
Other borrowings interest expenses	688	636	331	324
Other liabilities interest expenses	577	1,564	-	-
Borrowings from subsidiaries interest expenses	-	-	44	1,243
Other financial expenses	318	169	475	274
Total	**7,767**	**6,824**	**5,770**	**3,842**

29. Basic and diluted earnings per share

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Net profit (loss) attributable to equity holders of the Parent Company	926	7,087	1,008	15,240
Weighted average number of shares	78,241,149	40,893,272	78,241,149	40,893,272
Earnings per share (LTL)	**0.01**	**0.17**	**0.01**	**0.37**

The Parent Company had no dilutive options outstanding during 2011, and 2010 or as of 31 December 2011, and 2010.
Weighted average number of shares for 2011 is calculated as following:

	Weighted number of shares
Share capital of 71,552,254 shares for 181 days	35,482,077
Share capital of 84,820,986 shares for 184 days	42,759,072
Weighted number of shares for 2011	**78,241,149**

Weighted average number of shares for 2010 is calculated as following:

	Weighted number of shares
Share capital of 26,142,732 shares for 221 days	15,828,887
Share capital of 27,687,747 shares for 15 days	1,137,853
Share capital of 65,260,397 shares for 79 days	14,124,853
Share capital of 71,552,254 shares for 50 days	9,801,679
Weighted number of shares for 2010	**40,893,272**

30. Related party transactions

Over the years ended 31 December 2011, and 2010 the average number of Senior Management was 7. Senior management includes Board of Directors, General Director and chief accountant of the Parent Company.

i) Payments to Board Members and Senior management

In 2011, salaries and other payments to the Board Members and Senior Management of the Parent Company amounted to LTL 820 thousand (2010: LTL 390 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. Trading transactions with related parties were carried out on commercial terms and conditions and market prices.

Transactions with related parties are as follows:

	2011				
	Accounts receivable	**Borrowings**	**Accounts payable**	**Purchases**	**Sales**
Parties related to Board Member Marius Žutautas					
ŽIA valda UAB	-	-	41	254	-
Parties related to Board Member Linas Strėlis					
Vilkyškių pieninė AB	421	-	3	16	7,097
Board Member Mindaugas Juozaitis	-	-	-	-	-
Parties related to general director Mindaugas Juozaitis					
MJ Holding UAB	-	-	-	-	-
Total	**421**	**-**	**44**	**270**	**7,097**

	2010				
	Accounts receivable	**Borrowings**	**Accounts payable**	**Purchases**	**Sales**
Parties related to Board Member Marius Žutautas					
ŽIA valda UAB	-	-	10	228	-
Parties related to Board Member Linas Strėlis					
Vilkyškių pieninė AB	528	-	-	-	6,451
Board Member Mindaugas Juozaitis	696	-	-	-	-
Parties related to general director Mindaugas Juozaitis					
MJ Holding UAB	-	-	-	108	-
Total	**1,224**	**-**	**10**	**336**	**6,451**

Companies balances and transactions with Group companies are as follows:

	2011					
	Borrowings provided (gross)	**Accounts receivable and advances**	**Borrowings**	**Accounts payable**	**Purchases**	**Sales and interest income**
Subsidiaries						
Agricultural entities	10,040	1,434	-	82	8	3,290
Land management companies	61,970	129	-	6	8	7,190
Trade companies	139	6	-	-	25	48
SPV's	20,284	4,620	806	15	32	2,162
Total	**92,434**	**6,189**	**806**	**103**	**74**	**12,690**

	2010					
	Borrowings provided (gross)	**Accounts receivable and advances**	**Borrowings**	**Accounts payable**	**Purchases**	**Sales and interest income**
Subsidiaries						
Agricultural entities	22,313	2,530	12,006	965	256	6,820
Land management companies	29,662	96	-	8	3	3,682
Trade companies	-	-	-	-	-	-
SPV's	35,960	1,542	-	-	-	759
Total	**87,935**	**4,168**	**12,006**	**973**	**259**	**11,261**

30. Commitments and contingencies

The Group leases agricultural land, some passenger cars, and premises under operating lease agreements. Total amount of such expenses included in the profit (loss) account for years ended 31 December 2011, and 2010 equals to LTL 3,725 thousand, and LTL 3,755 thousand respectively. These contracts are with an average term of 5 – 6 years. All contracts are registered in State Registrar, so the lessor cannot terminate them before the original term expires. The Group can cancel the contracts with 1 year prior notice. The first hand right to buy the leased land belongs to the Group, however, if the Group does not wishes to acquire the land, the rent contract stays valid until the original term expires.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011	**2010**
Not later than 1 year	3,725	3,453
Later than 1 year, but not later than 5 years	9,178	10,079
After 5 years	900	1,459
Total future lease payments	**13,803**	**14,991**

The Group leases out agricultural land to third parties. Total amount of such revenues included in the profit (loss) account for years ended 31 December 2011, and 2010 equals to LTL 2,391 thousand, and LTL 2,262 thousand respectively. The future aggregate minimum lease receivables unded non-cancellable agreements:

	2011	**2010**
Not later than 1 year	2,292	2,299
Later than 1 year, but not later than 5 years	8,575	9,104
After 5 years	10,281	12,044
Total future lease receivables	**21,148**	**23,447**

The main legal cases where Group and the Company is participating are the Restructuring cases for 14 agricultural subsidiaries and the Parent Company. Other legal cases where Group parties are involved are regarding legal adjudgement of the amounts payable by the Group. As the Group companies are in Restructuring process, all such cases are being merged into Restructuring case of each company after such case has been appointed by the court of Lithuania. The Group management believes that no significant additional liabilities will arise upon the completion of these legal cases.

There are no other ongoing or pending legal cases which might result in possible additional losses for the Group, apart from the following.

In 2011, the Arbitration Court concluded that the Group's company Abagrain UAB should compensate LTL 1,232 thousand to Bornhorst GmbH for not delivered grain. The Group objects such a conclusion and claims that Bonghorst GmbH did not meet its contractual obligations. Currently Abagrain UAB is undergoing bankruptcy procedures, and creditors' list has been approved by the Lithuanian courts prior to the conclusion of the Arbitration Court and does not include above mentioned amount. As such, the Group does not expect any loss to be incurred due to dispute with Bonghorst GmbH, and no provision formed as of 31 December 2011.

In 2011, Lithuanian courts concluded that acquisition of treasury shares of Gustoniai ŽŪB by other third parties in previous years is void, and that those treasury shares should be returned to this agricultural entity. This conclusion is further appealed. However, the Group's management believes that there is very little chance that courts of upper instances would take a different view. Therefore, having returned the treasury shares to Gustoniai ŽŪB, the Group's interest in the share capital of this agricultural entity increases from 63% to 75%, see further Note 26 for accounting for this transaction.

The Company has issued Guarantees to AB "Snoras" bank and AB "DnB Nord" bank for the loans taken by the subsidiary entities (agricultural companies and land management entities). The amount of outstanding loans as at 31 December 2011 amounted to LTL 37,543 thousand (2010 – LTL 65,493 thousand).

31. Subsequent events

In March, Agrowill Group, AB has signed futures contracts for a sale of part of 2012's harvest. In order to avoid fluctuation of prices the Group has already chosen this kind of sales for 10 thousand tonnes of wheat and 2,5 thousand tonnes of winter rapeseed harvest. The size of signed futures contract is around LTL 11 million.

In April 2012, bank Snoras BAB made a decision to prolong repayment of loan in amount of LTL 22.9 million until 29 March 2013. Amendment of the loan agreement should be signed until the middle of May 2012.

* * * * *

AGROWILL GROUP AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2011

The public company Agrowill Group AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 23.5 of the Trading Rules of the NASDAQ OMX Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Changes estimated during the nearest fiscal years are provided by the company in the annual reports, which are provided on the company's and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The company's Board members and chief executive officer attempt in their actions to increase the shareholders' equity and transparency of the company by ensuring a high long-term financial rate of return, maintaining a small risk level and abiding by the ethic standards.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The company's shareholders form the Supervisory Council, which represent the shareholders and elect the Board of Directors, which is responsible for the strategic management and supervises the work of the CEO. On Supervisory Council meetings the activities of the Board are reviewed. On regular Board meetings, the activities of company's administration are reviewed and approved (in certain cases).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company respects all the rights and interests of persons other than the company's shareholders participating in or connected with the company's operation.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Company has a Supervisory Council and Board of Directors. Meetings of the Supervisory Council and Board of Directors ensure the effective supervisions of companies activities.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions set forth in the recommendation are performed by the collegial management body – the Supervisory Council.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Yes	The Company has a Supervisory Council and Board of Directors.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The relevant provisions set forth in III and IV principles are applicable to the formation of company's Supervisory Council and activity assessment.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	There are 5 (five) members of Supervisory Council and 5 (five) Board members in the Company who do not have other mutual interests but only activity within the Supervisory Council and Board of Directors and who act seeking benefit to the company and all shareholders.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	There are no directors-consultants in the company. The members of Supervisory Council and the Board are elected for 2 year term.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Board is elected by the Board of the company. The CEO of the Company is elected by the Board of the company. The Chairman of the board and Chief executive officer of the company are different persons. The independent supervision function is ensured via the Supervisory Council, which is comprised of 5 members.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of non-controlling shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of non-controlling shareholders.	Yes	When electing collegial body, the shareholders can access the thorough information about each candidate before the shareholders meeting and during it. The company's Supervisory Council operates impartially, objectively and represents the interests of all shareholders equally.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about the members of the Supervisory Council of the company, their education, qualification, professional experience, participation in the activity of other companies is released in the reports of the company. The information about the Supervisory Council members is constantly updated.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	When electing Supervisory Council, the shareholders can access the thorough information about each candidate before the shareholders meeting and during it.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The composition of the Supervisory Council is regularly assessed in the company with consideration to the type and structure of activity pursued by the Company.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	Presently, members of the Supervisory Council do not perform the assessment of skills and knowledge. The members of the Supervisory Council are regularly informed about changes in the legal acts and other circumstances influencing the operations of the company.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	Yes	No shareholders have majority of the votes in the Supervisory Council, as the majority of the Council is independent. So the possible conflicts of interests are solved appropriately.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;	Yes	2 of the 5 members of the Supervisory Council elected at the general shareholders meeting fail to meet this code recommendation on independency, but nevertheless in their actions seek to benefit the company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	Supervisory Council members' independency assessment is not practiced in the Company.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	See comment for 3.8
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	See comment for 3.8
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The Supervisory Council members can be remunerated from the resources of the Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[1] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The company's Supervisory Council performs all supervision functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the data held with the company, all Supervisory Council members act in good will with respect to the company, are guided by the interests of the company, and not personal or third parties' interests, seeking to preserve their independency while adopting the decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The company's Supervisory Council performed the functions assigned properly.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The company's Supervisory Council treats all shareholders honestly and impartially.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	All significant transactions with the shareholders of the Company (over LTL 20 thousand), which are made not in line with the main business of the Company are approved by the Board of directors.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The company's Supervisory Council is independent while adopting decisions which are significant for the activity and strategy of the company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	There is Nomination and Remuneration, and Audit committees formed in the Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	The Committees do not replace Supervisory Council. Rather, within their responsibility areas they make suggestions and opinions to the Supervisory Council.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	The Committees are formed from 3 persons.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The Committees act according to their regulations.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	The members of the Supervisory Council who are not on the Committees can participate in the meetings only if they are allowed by the Committee.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Yes	Main functions of the Committee match those advised in recommendation. Due to simplicity this committee is merged with the Remuneration committee.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;	Yes	Main functions of the Committee match those advised in recommendation. Due to simplicity this committee is merged with the Nomination committee.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;	Yes	Main functions of the Committee match those advised in recommendation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.		

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	As the collegial body Supervisory Council was formed only in December 2007 and was no active in 2008-2010, there were no assessments carried out. The assessments will be performed by the members of the Committees starting of 2011.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	This provision is implemented by the company's Supervisory Council and Board of Directors.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The Board of directors meetings were held at least once per month (typically – once per two weeks) The Supervisory Council meetings were held at least once per quarter/or per half a year.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including non-controlling and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares which compose the company's authorized capital grant equal rights to all shareholders of the company's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The company publicly informs about the rights granted by the newly issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	All shareholders of the company have equal opportunities to get familiarized and participate in adopting decisions important to the company. Approval of the shareholder's meeting is also necessary in cases stipulated in the Company Law of the Republic of Lithuania.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The shareholders meetings are held in Vilnius, in conference rooms in hotels. The procedures for the convention and conduction of the general shareholders meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meeting, get familiarized with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All information dedicated to the shareholders and investors is announced on the company's website and and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The company's shareholders may exercise their rights to participate in the general shareholders meeting both personally and via an attorney, if such person has a proper authorization.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The company does not follow this recommendation. In the future, the Company will seek to implement such possibility.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Supervisory Council and Board members act according to the following recommendations.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	See 7.1
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	See 7.1
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	See 7.1
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not prepare a remuneration policy. Information about the benefits and loans for the members of the management bodies is provided in the annual prospectuses – reports, financial accounts.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See 8.1

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See 8.1
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	See 8.1
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See 8.1
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.	No	See 8.1
8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.	No	See 8.1

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.	No	See 8.1
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	N/A	The Company does not use such remuneration policy.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	N/A	See 8.8

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	N/A	See 8.8
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	N/A	See 8.8
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	N/A	See 8.8
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The company respects the rights of stakeholders which are protected by the laws and which authorize the stakeholders to participate in the management of the company in the manner set forth in the laws.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	See 9.1
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	See 9.1

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy.	Yes	Information set forth in this recommendation is disclosed in the periodic prospectuses-reports, annual report, website, and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems..
This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list	Yes	See 10.1
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	See 10.1
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions	Yes	Information is provided by the company and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems. in the Lithuanian (only via NASDAQ OMX Vilnius) and English languages at the same time, as much as it is possible. The exchange announces the information received in their website and trade system, this way ensuring simultaneous provision of information to everyone. The company does not disclose information that may have an effect on the price of securities issued by the company in the commentaries, interview or other ways as long as such information is publicly announced via the information system of the Stock Exchange.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Information is provided by the company and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems. in the Lithuanian (only via NASDAQ OMX Vilnius) and English languages at the same time, as much as it is possible. The exchange announces the information received in their website and trade system, this way ensuring simultaneous, timely and cheap provision of information to everyone.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company follows this recommendation.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent audit company audits the annual financial statements and annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	No	The candidature of the audit company is suggested to the general shareholders meting by the company Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	N/A	The audit company did not provide non-audit services to the company.

****