Invalda

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Rules on Preparation And Submission Of Periodic And Additionai Information Of The Lithuanian Securities Comission and the Law On Securities Of The Republic Of Lithuania, management of Invalda AB hereby confirms that, to the best of our knowledge, the attached Company's and consolidated financial statements for the year 2008 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Invalda AB and the Consolidated Group. Presented Consolidated annual report includes a fair review of the development and performance of the business and the position of the Company and the consolidated group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSURE:
Company's and consolidated financial statements for the year 2008 and Consolidated annual report.

President

Darius Šulnis

Chief financier

Raimondas Rajeckas

AB „Invalda", adresas korespondencijai – Maironio g. 11, LT-01124, Vilnius. Registracijos adresas – Šeimyniškių g. 3, LT-09312 Vilnius, Lietuva.
Tel. (8 5) 279 0601, faks. (8 5) 279 0530, info@invalda.lt, www.invalda.lt
Įmonės kodas 121304349, PVM mokėtojo kodas LT1213043414, a. s. LT25 4010 0424 0124 2013, AB DnB NORD bankas, banko kodas 40100
Duomenys apie įmonę kaupiami ir saugomi VĮ „Registrų centras" Juridinių asmenų registre.

AB INVALDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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ERNST & YOUNG

UAB „Ernst & Young Baltic"
Subačiaus g. 7
LT-01127 Vilnius
Lietuva

Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com/lt

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01127 Vilnius
Lithuania

Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com/lt

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditors' report to the shareholders of AB Invalda

Report on the Financial Statements

We have audited the accompanying 2008 financial statements of AB Invalda, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Invalda Group (hereinafter the Group), which comprise the balance sheets as of 31 December 2008, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements

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

Auditors' 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 as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AB Invalda and the Group as of 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

ERNST & YOUNG

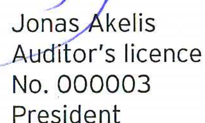
Emphasis of Matter

Without qualifying our opinion we draw your attention to the fact that as of 31 December 2008 the current liabilities of the Group and the Company exceeded their current assets by LTL 359,773 thousand and LTL 157,378 thousand, respectively, which, as further described in Note 2.2 to the accompanying financial statements, was mainly caused by non-compliance with loan covenants as of 31 December 2008 as well as a number of loans of the Group and the Company maturing in 2009. As further described in Note 2.2 to the accompanying financial statements, the Group's and the Company's ability to continue as a going concern primarily depends on the management's abilities to close some expected assets sales transactions and abilities to amend the maturities of the current loans.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2008 (presented as a separate document) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2008.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335



Jonas Akelis
Auditor's licence
No. 000003
President

Ramūnas Bartašius
Auditor's licence
No. 000362

The audit was completed on 29 April 2009.

GENERAL INFORMATION

Board of Directors

Mr. Vytautas Bučas (Chairman of the Board)
Mr. Dalius Kaziūnas
Mr. Darius Šulnis

Management

Mr. Darius Šulnis (President)
Mr. Raimondas Rajeckas (Chief Financial Officer)

Principal place of business and company code

Maironio Str. 11,
Vilnius,
Lithuania
Company code 121304349

Bankers

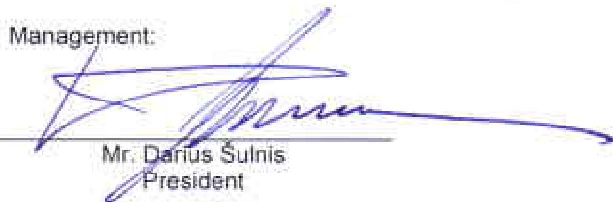
AB DnB NORD Bankas
Nordea Bank Finland Plc Lithuania Branch
AB Bankas SNORAS
Swedbank, AB
AB Šiaulių Bankas
Danske Bank A/S Lithuania Branch
UAB Medicinos Bankas
AB SEB Bankas
AS UniCredit Bank Lithuania Branch

Auditor

UAB Ernst & Young Baltic
Subačiaus Str. 7,
Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 29 April 2009.

Management:



Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief Financial Officer

According to the Law of Stock Companies of the Republic of Lithuania, the annual financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

Income statements

	Notes	Group 2008	Group 2007	Company 2008	Company 2007
Continuing operations					
Revenue	4				
Furniture production revenue		152,853	169,865	-	-
Sales of residential real estate		94,281	-	-	-
Rent and other real estate income		33,473	35,097	-	-
Financial mediation revenue		11,787	33,769	-	-
Other production and services revenue		28,679	14,864	-	-
Total revenue		**321,073**	**253,595**	**-**	**-**
Gain from investments and on sale of investment properties	5.1.	37,936	27,585	77,930	1,213
Other income		4,056	3,420	26	15
Valuation gains of investment properties	12	7,578	50,161	-	-
Valuation losses of investment properties	12	(42,226)	(674)	-	-
Changes in inventories of finished goods and work in progress		1,400	(674)	-	-
Raw materials and consumables used		(124,506)	(110,827)	(43)	(42)
Cost of sales of residential real estate		(78,317)	-	-	-
Salaries and related expenses		(66,539)	(67,306)	(2,355)	(1,681)
Impairment and allowance	5.2.	(41,530)	(2,977)	(77,265)	(2,830)
Premises rent and utilities		(17,577)	(13,348)	(399)	(385)
Depreciation and amortisation	10, 11, 13	(12,320)	(11,713)	(151)	(158)
Subcontractor expenses		(6,686)	(8,791)	-	-
Fees for securities		(5,720)	(3,552)	(128)	(94)
Repair and maintenance of premises		(5,380)	(2,409)	(1)	(3)
Other taxes		(4,464)	(3,579)	(259)	(164)
Advertising and other promotion expenses		(4,381)	(5,074)	(46)	(42)
Vehicles maintenance costs		(4,286)	(3,528)	(221)	(103)
Other operating expenses		(11,151)	(13,516)	(2,307)	(680)
Finance income	5.3.	14,562	8,889	34,429	100,114
Finance expenses	5.4.	(47,453)	(27,943)	(27,800)	(9,064)
Share of (loss) profit from associates and joint ventures		(7,000)	30,074	-	-
(Loss) profit before tax		**(92,931)**	**97,813**	**1,410**	**86,096**
Income tax	6	1,297	(12,241)	184	708
(Loss) profit for the year from continuing operations		**(91,634)**	**85,572**	**1,594**	**86,804**
Discontinued operation					
(Loss) profit after tax for the year from a discontinued operation	7	(494)	1,988	-	-
(LOSS) PROFIT FOR THE YEAR		**(92,128)**	**87,560**	**1,594**	**86,804**
Attributable to:					
Equity holders of the parent		(90,554)	78,964	1,594	-
Minority interest		(1,574)	8,596	-	-
		(92,128)	**87,560**	**1,594**	**-**
Basic and diluted earnings (deficit) per share (in LTL)	8	(2.13)	1.78		
Basic and diluted earnings (deficit) per share (in LTL) for continuing operations	7, 8	(2.12)	1.73		

Balance sheets

		Group		Company	
	Notes	As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
ASSETS					
Non-current assets					
Property, plant and equipment	10, 11	73,033	80,424	311	535
Investment properties	12	326,872	402,933	-	-
Intangible assets	13, 14	18,315	23,546	5	10
Non-current financial assets					
Investments into subsidiaries	1	-	-	165,361	163,991
Investments into associates and joint ventures	1	261,571	303,952	231,661	216,350
Investments available-for-sale	15	3,995	5,920	1,817	1,821
Loans granted	16	7,978	16,962	27,656	21,961
Total non-current financial assets		273,544	326,834	426,495	404,123
Other non-current assets	30	2,848	2,848	-	-
Deferred income tax asset	6	5,581	809	892	708
Total non-current assets		**700,193**	**837,394**	**427,703**	**405,376**
Current assets					
Inventories	17	63,951	119,950	-	-
Trade and other receivables	18	25,433	27,365	822	239
Current loans granted	16	58,010	77,977	120,582	108,754
Prepaid income tax		3,202	3,678	647	900
Prepayments and deferred charges	19	2,782	22,040	67	142
Financial assets held-for-trade	15	26,463	24,206	3,612	-
Restricted cash	21	15,606	-	-	-
Cash and cash equivalents	20	18,217	4,248	12	30
Total current assets		**213,664**	**279,464**	**125,742**	**110,065**
Non-current assets and assets of disposal group classified as held-for-sale	7	**-**	**87,669**	**-**	**10,079**
TOTAL ASSETS		**913,857**	**1,204,527**	**553,445**	**525,520**

(cont'd on the next page)

Balance sheets (cont'd)

	Notes	Group		Company	
		As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1, 22	42,569	42,569	42,569	42,569
Share premium		50,588	50,588	50,588	50,588
Reserves	23	74,078	41,779	73,383	39,001
Retained earnings		4,880	136,131	1,594	47,153
Discontinued operation		-	28,077	-	-
		172,115	**299,144**	**168,134**	**179,311**
Minority interest		**11,315**	**6,056**	**-**	**-**
Total equity		**183,430**	**305,200**	**168,134**	**179,311**
Liabilities					
Non-current liabilities					
Non-current borrowings	24	23,619	270,395	6,364	78,589
Finance lease liabilities	25	202	230	-	-
Government grants		19	31	-	-
Provisions		127	136	-	-
Deferred income tax liability	6	33,127	35,356	-	-
Derivative financial instruments	27	219	-	-	-
Convertible bonds	28	75,631	-	75,631	-
Other non-current liabilities	28	24,046	1,280	20,196	-
Total non-current liabilities		**156,990**	**307,428**	**102,191**	**78,589**
Current liabilities					
Current portion of non-current borrowings	24	314,561	134,830	105,653	1,350
Current portion of financial lease liabilities	25	206	6,102	-	-
Current borrowings	24	209,319	186,821	172,933	144,244
Trade payables	26	28,604	26,159	1,833	890
Income tax payable		3,392	4,729	-	-
Advances received	17	1,902	47,400	-	1,233
Derivative financial instruments	27	89	-	-	-
Other current liabilities	28	15,364	130,690	2,701	119,903
Total current liabilities		**573,437**	**536,731**	**283,120**	**267,620**
Non-current liabilities and liabilities of disposal group directly associated with the assets classified as held-for-sale	7	-	55,168	-	-
Total liabilities		**730,427**	**899,327**	**385,311**	**346,209**
TOTAL EQUITY AND LIABILITIES		**913,857**	**1,204,527**	**553,445**	**525,520**

(the end)

Statements of changes in equity

		Equity attributable to equity holders of the parent										
				Reserves								
Group	**Notes**	**Share capital**	**Share premium**	**Revaluation reserve**	**Fair value reserve**	**Legal and other reserves**	**Foreign currency translation reserve**	**Retained earnings**	**Discontinued operation**	**Subtotal**	**Minority interest**	**Total equity**
Balance as at 31 December 2006		**45,008**	**50,588**	**18,391**	**3,432**	**6,860**	**(48)**	**203,860**	**-**	**328,091**	**40,407**	**368,498**
Net (loss) on available-for-sale investments		-	-	-	(2,880)	-	-	-	-	(2,880)	-	(2,880)
Revaluation of hotels		-	-	9,933	-	-	-	-	-	9,933	-	9,933
Depreciation transferred for hotels		-	-	(492)	-	-	-	492	-	-	-	-
Foreign currency translation		-	-	-	-	-	(25)	-	-	(25)	-	(25)
Income and expenses for the year recognised directly in equity	1	-	-	-	-	-	-	8,640	-	8,640	-	8,640
Total income and expenses for the year recognised directly in equity		**-**	**-**	**9,441**	**(2,880)**	**-**	**(25)**	**9,132**	**-**	**15,668**	**-**	**15,668**
Net profit for the year 2007	8	-	-	-	-	-	-	78,964	-	78,964	8,596	87,560
Total income and expenses for the year		**-**	**-**	**9,441**	**(2,880)**	**-**	**(25)**	**88,096**	**-**	**94,632**	**8,596**	**103,228**
Discontinued operations		-	-	(27,832)	-	(245)	-	-	28,077	-	-	-
Minority interest arising on business combination		-	-	-	-	-	-	-	-	-	987	987
Acquisition of minority interests		-	-	-	-	-	-	(298)	-	(298)	(186)	(484)
Sales of subsidiaries		-	-	-	-	-	-	-	-	-	221	221
Changes in share capital after the merger	22	(2,439)	-	-	-	-	-	(109,590)	-	(112,029)	(13,072)	(125,101)
Change in reserves		-	-	-	-	34,685	-	(34,685)	-	-	-	-
Equity dividends	9	-	-	-	-	-	-	(11,252)	-	(11,252)	-	(11,252)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	(30,897)	(30,897)
Balance as at 31 December 2007		**42,569**	**50,588**	**-**	**552**	**41,300**	**(73)**	**136,131**	**28,077**	**299,144**	**6,056**	**305,200**

(cont'd on the next page)

Statements of changes in equity (cont'd)

Group	Notes	Equity attributable to equity holders of the parent								Minority interest	Total equity
				Reserves							
		Share capital	Share premium	Fair value reserve	Legal and other reserves	Foreign currency translation reserve	Retained earnings	Discontinued operation	Subtotal		
Balance as at 31 December 2007		**42,569**	**50,588**	**552**	**41,300**	**(73)**	**136,131**	**28,077**	**299,144**	**6,056**	**305,200**
Net (loss) on available-for-sale investments		-	-	(1,866)	-	-	-	-	(1,866)	-	(1,866)
Net (loss) on cash flow hedge		-	-	(262)	-	-	-	-	(262)	-	(262)
Income and expenses for the year recognised directly in equity	1	-	-	-	-	-	(20,093)	-	(20,093)	-	(20,093)
Total income and expenses for the year recognised directly in equity		**-**	**-**	**(2,128)**	**-**	**-**	**(20,093)**	**-**	**(22,221)**	**-**	**(22,221)**
Net (loss) for the year 2008	8	-	-	-	-	-	(90,554)	-	(90,554)	(1,574)	(92,128)
Total income and expenses for the year		**-**	**-**	**(2,128)**	**-**	**-**	**(110,647)**	**-**	**(112,775)**	**(1,574)**	**(114,349)**
Dividends declared		-	-	-	-	-	(12,771)	-	(12,771)	-	(12,771)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	(233)	(233)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	892	892
Changes in reserves	22	-	-	-	34,647	-	(34,647)	-	-	-	-
Minority of subsidiaries acquired		-	-	-	-	-	(1,342)	-	(1,342)	(671)	(2,013)
Sales of subsidiaries		-	-	-	-	(79)	79	-	-	(45)	(45)
Minority interest on sale of UAB Girių Bizonas		-	-	-	-	-	-	-	-	6,898	6,898
Discontinued operation	7	-	-	-	-	-	28,077	(28,077)	-	-	-
Foreign currency translation		-	-	-	-	(141)	-	-	(141)	(8)	(149)
Balance as at 31 December 2008		**42,569**	**50,588**	**(1,576)**	**75,947**	**(293)**	**4,880**	**-**	**172,115**	**11,315**	**183,430**

(the end)

Statements of changes in equity (cont'd)

				Reserves			
Company	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance as at 31 December 2006		**45,008**	**50,588**	**3,068**	**-**	**47,675**	**146,339**
Net profit for the year 2007		-	-	-	-	86,804	86,804
Total income and expenses for the year		**-**	**-**	**-**	**-**	**86,804**	**86,804**
Dividends for 2006		-	-	-	-	(11,252)	(11,252)
Transferred to legal reserve	9	-	-	1,433	-	(1,433)	-
Transferred to reserve of purchase of own shares		-	-	-	34,500	(34,500)	-
Changes in share capital after the merger	22	(2,439)	-	-	-	-	(2,439)
Loss from annulled own shares acquired during the merger		-	-	-	-	(40,141)	(40,141)
Balance as at 31 December 2007		**42,569**	**50,588**	**4,501**	**34,500**	**47,153**	**179,311**
Net profit for the year 2008		-	-	-	-	1,594	1,594
Total income and expenses for the year		**-**	**-**	**-**	**-**	**1,594**	**1,594**
Dividends for 2007	9	-	-	-	-	(12,771)	(12,771)
Transferred to reserve of purchase of own shares		-	-	(244)	34,626	(34,382)	-
Balance as at 31 December 2008		**42,569**	**50,588**	**4,257**	**69,126**	**1,594**	**168,134**

(the end)

Cash flow statements

	Group		Company	
	2008	**2007**	**2008**	**2007**
Cash flows from (to) operating activities				
(Loss) profit after tax from continuing operations	(91,634)	85,572	1,594	86,804
(Loss) profit after tax from discontinued operations	(494)	1,988	-	-
Net (loss) profit for the year	(92,128)	87,560	1,594	86,804
Adjustment to reconcile profit before tax to net cash flows:				
Non-cash:				
Valuation gain (loss), net	34,648	(49,487)	-	-
Depreciation and amortisation	12,320	13,429	151	158
Loss (gain) on disposal of tangible assets	8,628	(14,419)	(18)	-
Realized and unrealized loss (gain) on investments	21,753	(6,658)	(77,930)	(1,213)
(Gain) on disposal of subsidiaries and associates	(68,748)	(8,047)	-	-
Share of net loss (profit) of associates and joint ventures	7,000	(30,074)	-	-
Interest (income)	(9,148)	(8,391)	(13,836)	(7,126)
Interest expenses	47,258	27,467	27,694	9,053
Deferred taxes	(6,896)	4,576	(184)	(708)
Current income tax expenses	5,599	7,665	-	-
Allowances	41,530	2,977	77,265	2,830
Change in provisions	(9)	31	-	-
Dividend (income)	(5,106)	-	(20,478)	(92,877)
Loss (gain) from other financial activities	-	52	(9)	(99)
	(3,299)	26,681	(5,749)	(3,178)
Working capital adjustments:				
Decrease in inventories	67,942	2,528	-	-
Decrease (increase) in trade and other receivables	2,296	19,886	45	(8)
Decrease (increase) in other current assets	20,702	(20,208)	(11)	(138)
Increase (decrease) in trade payables	2,445	3,731	217	(529)
Income tax (paid)	(6,408)	(3,623)	-	(2,118)
(Decrease) increase in other current liabilities	(83,299)	64,932	(117,524)	(14,369)
Net cash flows from (to) operating activities	**379**	**93,927**	**(123,022)**	**(20,340)**

(cont'd on the next page)

Cash flow statements (cont'd)

	Group		Company	
	2008	2007	2008	2007
Cash flows from (to) investing activities				
(Acquisition) of non-current assets (except investment properties)	(15,451)	(66,728)	(73)	(65)
Proceeds from sale of non-current assets (except for investment properties)	1,095	3,839	168	-
(Acquisition) of investment properties	(5,834)	(58,505)	-	-
Proceeds from sale of investment properties	34,345	88,335	-	-
(Acquisition) and establishment of subsidiaries, net of cash acquired	(1,619)	(6,825)	(1,636)	(763)
Proceeds from sales of subsidiaries	48,223	8,767	50,192	9,526
(Acquisition) of associates and joint ventures	(18,215)	(11,163)	(18,215)	(19,436)
Proceeds from sales of associates and joint ventures	58,513	3,046	25,537	671
Loans (granted)	(174,630)	(78,227)	(137,265)	(114,171)
Repayment of granted loans	197,050	8,499	101,735	99,902
Dividends received	5,106	330	7,000	14,809
Interest received	6,209	8,391	2,537	1,576
(Acquisition) of minority interest and increase of share capital	(1,830)	(2,523)	(13,848)	(23,694)
(Acquisition of) proceeds from sales of held-for-trade and available-for-sale investments	(12,172)	14,500	-	(27)
Net cash flows from (to) investing activities	**120,790**	**(88,264)**	**16,132**	**(31,672)**
Cash flows from (to) financing activities				
Cash flows related to company shareholders:				
Dividends (paid) to equity holders of the parent	(12,282)	(10,841)	(12,282)	(10,841)
Dividends (paid) to minority interest	(233)	(30,897)	-	-
	(12,515)	(41,738)	(12,282)	(10,841)
Cash flows related to other sources of financing:				
Proceeds from loans	241,839	151,775	335,192	245,471
Issue of bonds	-	2,000	-	-
(Repayment) of loans	(276,561)	(93,054)	(197,987)	(176,877)
Interest (paid)	(39,807)	(27,467)	(18,051)	(5,484)
Finance lease (payments)	(6,408)	(1,239)	-	-
Transfer to restricted cash	(15,606)	-	-	-
Other cash flows from financing activities	-	1,005	-	102
	(96,543)	33,020	119,154	63,212
Net cash flows (to) from financial activities	**(109,058)**	**(8,718)**	**106,872**	**52,371**
Impact of currency exchange on cash and cash equivalents	**-**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**12,111**	**(3,055)**	**(18)**	**(52)**
Cash and cash equivalents at the beginning of the year	**6,106**	**9,161**	**30**	**82**
Cash and cash equivalents at the end of the year	**18,217**	**6,106**	**12**	**30**

(the end)

Notes to the financial statements

1 General information

AB Invalda (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania on 20 March 1992. The address of its registered office is Šeimyniškių Str. 3, Vilnius. The principal place of business is as follows:

Maironio str. 11,
Vilnius,
Lithuania.

AB Invalda is the company actively managing its investments by acquiring and restructuring businesses, applying modern methods of management and funding, diversifying risks. The Company receives income from managed companies and / or exiting businesses thus providing return to shareholders of the Company. Striving to obtain the highest effectiveness of investments and profitability to shareholders, AB Invalda concentrates to the priority segments, such as pharmacy, roads and bridges construction, furniture manufacturing and real estate.

The Company's shares are traded on the Baltic Main List of NASDAQ OMX Vilnius.

As at 31 December 2008 and 2007 the shareholders of the Company were (by votes)*:

	2008		2007	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
Mr. Vytautas Bučas	9,585,803	22.52 %	9,086,325	21.35 %
UAB Lucrum Investicija	7,210,798	16.94 %	7,276,865	17.09 %
Mr. Darius Šulnis	3,658,538	8.59 %	3,658,538	8.59 %
Mr. Algirdas Bučas	3,424,119	8.04 %	3,923,597	9.22 %
Mr. Dailius Juozapas Mišeikis	3,247,864	7.63 %	2,748,238	6.46 %
Mrs. Daiva Banienė	1,836,234	4.31 %	1,836,234	4.31 %
Mr. Alvydas Banys	1,029,624	2.42 %	1,029,624	2.42 %
Other minor shareholders	12,575,869	29.55 %	13,009,428	30.56 %
Total	42,568,849	100.00 %	42,568,849	100.00 %

* Major shareholders have sold part of shares under repo agreement (so not held title of shares), but they retained the votes of transferred shares.

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2008 and 2007. Subsidiaries, joint ventures and associated companies did not hold any shares of the Company as at 31 December 2008 and 2007. The Company did not hold its own shares.

On 28 September 2007 during the merger of the Company and AB Nenuorama 22,305,587 ordinary shares of the Company were annulled and 19,866,060 ordinary shares were issued with the par value of LTL 1 each. After the merger the share capital of the Company was decreased to LTL 42,568,849.

As at 31 December 2008 the number of employees of the Group was 1,095 (as at 31 December 2007 – 1,723). As at 31 December 2008 the number of employees of the Company was 11 (as at 31 December 2007 – 13).

The financial statements were approved and signed by the Management and the Board of Directors on 29 April 2009.

According to the Law of Stock Companies of the Republic of Lithuania, the annual financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

1 General information (cont'd)

The Group consists of the Company and the following directly and indirectly owned subsidiaries (hereinafter the Group):

Company	Registration country	As at 31 December 2008 Share of the stock held by the Group (%)	As at 31 December 2008 Size of investment (acquisition cost)	As at 31 December 2007 Share of the stock held by the Group (%)	As at 31 December 2007 Size of investment (acquisition cost)	Main activities
Real estate segment:						
AB Invaldos Nekilnojamojo Turto Fondas	Lithuania	100.00	116,908	100.00	91,608	Real estate investor
UAB PVP Nida	Lithuania	100.00	10	100.00	10	Real estate investor
UAB Ineturas	Lithuania	100.00	2,000	100.00	2,000	Real estate investor
UAB Trakų Kelias	Lithuania	100.00	512	100.00	512	Real estate investor
UAB Naujoji Švara	Lithuania	100.00	1,501	100.00	1,501	Real estate investor
UAB Ekotra	Lithuania	100.00	500	100.00	500	Real estate investor
UAB IBC Logistika	Lithuania	100.00	1,400	100.00	1,400	Real estate investor
UAB Saistas	Lithuania	100.00	1,884	100.00	1,884	Real estate investor
Incredo TOV	Ukraine	100.00	254	100.00	254	Real estate investor
SIA Gravity	Latvia	100.00	766	100.00	766	Real estate investor
UAB Šimtamargis	Lithuania	100.00	300	100.00	300	Real estate investor
UAB Dizaino Institutas	Lithuania	100.00	2,677	100.00	2,677	Real estate investor
UAB INTF Investicija**	Lithuania	100.00	700	100.00	700	Real estate investor
UAB Žemvesta**	Lithuania	100.00	300	100.00	300	Real estate investor
UAB SAGO**	Lithuania	100.00	1,500	100.00	1,500	Real estate investor
UAB Nerijos Būstas	Lithuania	100.00	1,000	100.00	1,000	Real estate investor
UAB Riešės Investicija	Lithuania	100.00	1,500	100.00	1,500	Real estate investor
UAB Inreal	Lithuania	100.00	1,475	100.00	1,475	Intermediation in operation with real estate, property valuation
UAB Invalda Nekilnojamojo Turto Valdymas (former UAB Inred)	Lithuania	100.00	5,899	100.00	5,899	Real estate management and administration
SIA Inreal	Latvia	100.00	1,315	100.00	499	Intermediation in operation with real estate, property valuation
UAB Invalda Construction Management	Lithuania	100.00	367	100.00	367	Construction management
Inreal TOV	Ukraine	98.68	1,954	88.68	1,768	Intermediation in operation with real estate, property valuation
Inreal-Ocinka TOV**	Ukraine	98.68	80	88.68	117	Intermediation in property valuation
UAB Aikstentis	Lithuania	76.00	108	75.00	8	Real estate investor
UAB Saulės Investicija	Lithuania	75.00	150	75.00	150	Real estate investor
UAB Broner	Lithuania	74.40	6,235	73.42	6,234	Real estate investor
UAB Wembley Neringa	Lithuania	64.23	400	63.39	400	Real estate investor
UAB BNN	Lithuania	100.00	41	-	-	Real estate investor

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2008		31 December 2007		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
Financial mediation segment:						
AB bankas Finasta*	Lithuania	100.00	20,000	-	-	Investment and private banking
AB FMĮ Finasta	Lithuania	100.00	12,202	100.00	7,202	Financial mediation
AB Finasta Įmonių Finansai	Lithuania	100.00	20,150	100.00	20,150	Financial mediation
UAB Invalda Turto Valdymas (former UAB Finasta Investicijų Valdymas)	Lithuania	100.00	8,609	100.00	2,609	Financial mediation
IPAS Invalda Asset Management Latvia	Latvia	100.00	2,109	-	-	Financial mediation
AS IPS Finasta Asset Management	Latvia	-	-	100.00	496	Financial mediation
UAB Finansų Spektras	Lithuania	-	-	100.00	1,000	Financial mediation
UAB Finansų Spektro Investicija	Lithuania	100.00	703	100.00	703	Financial mediation
UAB Finasta Rizikos Valdymas	Lithuania	100.00	97	100.00	97	Financial mediation
Finasta TOV	Ukraine	97.72	2,208	95.00	1,033	Financial mediation
Furniture production segment:						
UAB Kelio Ženklai	Lithuania	100.00	1,520	100.00	1,520	Road signs production, furniture manufacturing
OOO Bazilika	Russia	-	-	100.00	471	Furniture manufacturing
OOO Bazilika Invest	Russia	-	-	100.00	150	Furniture manufacturing
AB Vilniaus Baldai	Lithuania	71.96	13,708	69.60	11,978	Furniture manufacturing
UAB Ari-Lux	Lithuania	71.96	17	69.60	16	Furniture manufacturing
Hotels management segment:						
AB Valmeda	Lithuania	-	-	100.00	7,805	Hotel management
UAB Kelionių Viešbučiai	Lithuania	-	-	100.00	50	Hotel management

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2008 Share of the stock held by the Group (%)	31 December 2008 Size of investment (acquisition cost)	31 December 2007 Share of the stock held by the Group (%)	31 December 2007 Size of investment (acquisition cost)	Main activities
Other production and services segment:						
VšĮ Iniciatyvos Fondas**	Lithuania	100.00	10	100.00	10	Social initiatives activities
UAB Positor**	Lithuania	80.00	4,003	80.00	403	Information technology solutions
UAB Informatikos Pasaulis	Lithuania	80.00	836	80.00	836	Information technology solutions
UAB Vitma	Lithuania	80.00	5,857	80.00	6,076	Information technology solutions
UAB Baltic Amadeus Infrastruktūros Paslaugos	Lithuania	80.00	3,942	80.00	3,886	Information technology solutions
UAB Acena	Lithuania	80.00	137	-	-	Information technology solutions
UAB Hidroprojektas	Lithuania	-	-	97.99	2,274	Production and services
UAB Invalda Service	Lithuania	100.00	500	100.00	500	Facility management
UAB Ente**	Lithuania	100.00	10	100.00	10	Dormant
UAB 4IN**	Lithuania	-	-	100.00	10	Dormant
UAB Trakų Rekreacijos Centras**	Lithuania	76.00	10	75.00	10	Dormant
UAB Aktyvo**	Lithuania	100.00	10	100.00	10	Dormant
UAB Investicijų Tinklas**	Lithuania	100.00	10	100.00	10	Dormant
UAB Aktyvus Valdymas*	Lithuania	100.00	10	-	-	Dormant
UAB Volo*	Lithuania	100.00	10	-	-	Dormant
UAB Fortina*	Lithuania	100.00	10	-	-	Dormant
			248,414		194,644	
Less indirect ownership			(38,214)		(18,944)	
Less impairment			(44,839)		(1,630)	
Investments into subsidiaries (Company)			165,361		174,070	
Presented as:						
Investment into subsidiaries			165,361		163,991	
Non-current assets and assets of disposal group classified as held-for-sale			-		10,079	

(the end)

* These companies were newly established in 2008.
** These companies were newly established in 2007.

In 2008 investments in real estate segment subsidiaries were impaired by LTL 41,462 thousand, in financial mediation segment companies by LTL 2,651 thousand. In 2007 the investments to SIA Gravity and UAB Finansų Spektras were impaired by LTL1,630 thousand to the recoverable amounts, which represent the equity amounts of these companies. In 2008 UAB Finansų Spektras was liquidated. Previously these companies have paid dividends to the Company, which were recognised as finance income and reimbursed the investments of the Company.

As at 31 December 2007 the Group investments to hotels management segment companies (100 % subsidiary of the Company AB Valmeda and its 100 % subsidiary UAB Kelionių Viešbučiai) and UAB Hidroprojektas were classified as non-current assets and assets of disposed group classified as held-for-sale (Note 7). In 2008 they were sold.

1 General information (cont'd)

Associates of the Group as at 31 December 2008 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	19.42	2,686	3,351	55,915	11,780	44,136	35,575	Production and services
UAB VIPC Klaipėda	47.00	5,101	(11,778)	45,200	26,315	18,884	76	Real estate investor
UAB ŽVF Projektai	21.46	2	(21)	294	(62)	356	-	Investment property
AB Sanitas**	40.28	176,387	(1,884)	752,364	298,518	453,846	387,954	Pharmacy
Tiltra Group AB*	44.78	67	4	2,788	154	2,634	4,048	Roads and bridge construction
AB Kauno Tiltai	43.34	24,937	46,356	462,199	109,573	352,626	637,059	Roads and bridge construction
		209,180						
Continuing involvement asset into AB Sanitas recognised (Note 3)		21,676						
Investment into associates (Company)		230,856						

* This company was newly established in 2008.

Associates of the Group as at 31 December 2007 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	21.37	2,684	1,795	16,509	4,278	12,231	35,819	Production and services
UAB Girių Bizonas	17.40	26,250	(9,799)	266,247	51,521	174,742	196,931	Furniture manufacturing
UAB VIPC Klaipėda	42.00	3,672	15,432	55,351	38,093	17,258	194	Real estate investor
UAB ŽVF Projektai	21.46	2	(46)	293	(41)	334	1	Investment property
AB Agrowill Group*	20.63	352	31,982	202,443	79,177	123,266	42,687	Agriculture
AB Sanitas**	42.75	184,672	37,290	769,154	367,149	402,005	345,498	Pharmacy
AB Kauno Tiltai	41.76	19,313	13,068	319,573	70,518	249,055	253,671	Roads and bridge construction
		236,945						
Less other than Company's interest		(26,250)						
Investment into associates (Company)		210,695						

* Former AB Agrovaldymo Grupė.
** The fair value of the Group's and the Company's investment to AB Sanitas as at 31 December 2008 amounted between LTL 180 million and LTL 300 million according to valuation (LTL 398 million as at 31 December 2007 according published price quotations).

All investments into associates are above 20 %. The amount of share of the stock was held by the Group in 2007 stated in the table for UAB Girių Bizonas is below 20 % as this associate was held by AB Vilniaus Baldai which is not a fully owned subsidiary of the Company. After reorganisation, Group share in AB Umega decreased below 20 %, but the entity holds its own shares, therefore the voting rights amount to 21.22 %, i.e. above 20 %.

1 General information (cont'd)

The Group has a 50 % interest in the following jointly controlled entities in 2008 and 2007:

Joint venture	Registration country	Description
SIA DOMMO GRUPA	Latvia	Real estate investor, management and administration
UAB MBGK Group	Lithuania	Real estate investor
UAB Laikinosios Sostinės Projektai	Lithuania	Real estate investor
UAB DOMMO Nerija	Lithuania	Real estate investor
UAB RGJ Investicija	Lithuania	Dormant

In 2007 the Group had a 50 % interest in SIA Ammo, which was sold in 2008 to SIA DOMMO GRUPA. Indirect ownership remains the same.

The share of the assets, liabilities, income and expenses of the jointly controlled entities as at 31 December 2008 and 2007 and for the years then ended are as follows (amounts stated relate to 100 % of these entities):

	2008	2007
Current assets	49,393	72,628
Non-current assets	152,797	218,556
Total assets	**202,190**	**291,184**
Current liabilities	172,499	117,797
Non-current liabilities	36,341	128,346
Total liabilities	**208,840**	**246,143**
Revenue	39,654	28,334
Expenses	(92,873)	(27,351)
(Loss) profit before income tax	(53,219)	983
Income tax	7,554	(196)
Net (loss) profit	**(45,665)**	**787**

The Company's interest in joint ventures as at 31 December 2008 and 2007 amounted to LTL 805 thousand (less impairment of LTL 4,231 thousand) and LTL 5,655 thousand, respectively.

Income and expenses for the year recognised directly in the consolidated Group equity represent associates and joint ventures income / expense items recognised directly in their equity movement.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year ended 31 December 2008 are as follows:

2.1. Basis of preparation

These financial statements have been prepared on a historical cost basis, except for investment properties, financial assets held for trade and available-for-sale investments that have been measured at fair value and hotel properties that have been measured at revalued amounts. The financial statements are presented in Litas (LTL) and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interest by the Group are accounted for using the Entity concept method, i.e. the difference between the carrying value of the net assets acquired from the minority in the Group's financial statements and the acquisition price is accounted directly in equity.

Functional and presentation currency

The consolidated financial statements are prepared in local currency of the Republic of Lithuania, Litas (LTL), and presented in LTL thousand. Litas is the Company's functional and the Group's and the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Company (LTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Starting from 2 February 2002 Lithuanian Litas is pegged to euro at the rate of 3.4528 Litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

As these financial statements are presented in LTL thousand, individual amounts were rounded. Due to the rounding, totals in the tables may not add up.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* – Reclassification of Financial Assets;
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions.*

The principal effects of these changes are as follows:

Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets

Through these amendments the IASB implemented additional options for reclassification of certain financial instruments categorised as held-for-trading or available-for-sale under specified circumstances. Related disclosures were added to IFRS 7. The Group has not made any reclassification according to these amendments.

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. The Group has not issued instruments caught by this interpretation.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 January 2009).

The amendment to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements. These amendments are applied prospectively and will have no impact on the financial position or performance of the Company.

Besides, a new version of IFRS 1 was issued in November 2008. It retains the substance of the previous version, but within a changed structure and replaces the previous version of IFRS 1 (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Amendment to IFRS 2 *Share-based Payment* (effective for financial years beginning on or after 1 January 2009).

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. In accordance with the transitional requirements of these amendments, the Group will adopt them as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards will not be restated.

Amendments to IFRS 7 *Financial Instruments: Disclosures* (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The amendments improve disclosure requirements about fair value measurement and enhance existing principles for disclosures about liquidity risk associated with financial instruments. The Group is still evaluating whether additional disclosures will be needed.

IFRS 8 *Operating Segments* (effective for financial years beginning on or after 1 January 2009).

The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 *Segment Reporting*. The Group expects that the operating segments determined in accordance with IFRS 8 will not materially differ from the business segments previously identified under IAS 14.

Amendment to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2009).

This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Group is still evaluating whether it will present all items of recognised income and expense in one single statement or in two linked statements.

Amendment to IAS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009).

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, currently the Group and the Company apply borrowing costs capitalisation option of effective IAS 23; therefore, there will be no impact on the Group's and the Company's financial statements on the adoption of the revised standard.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective (cont'd)

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation *(*effective for financial years beginning on or after 1 January 2009).

The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

Amendment to *IAS 39 Financial Instruments: Recognition and Measurement* – Eligible Hedged Items *(*effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Improvements to IFRSs

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Group anticipates that these amendments to standards will have no material effect on the financial statements.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Clarification that all of a subsidiary's assets and liabilities are classified as held for sale, even when the entity will retain a non-controlling interest in the subsidiary after the sale.
- IFRS 7 *Financial Instruments: Disclosures.* Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 1 *Presentation of Financial Statements*. Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors.* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 *Events after the Reporting Period*. Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 16 *Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell".
- IAS 18 *Revenue.* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 19 *Employee Benefits.* Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance.* Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- IAS 23 *Borrowing Costs.* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 27 *Consolidated and Separate Financial Statements.* When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- IAS 28 *Investment in Associates.* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- IAS 29 *Financial Reporting in Hyperinflationary Economies.* Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Improvements to IFRSs (cont'd)

- IAS 31 *Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- IAS 34 *Interim Financial Reporting.* Earnings per share are disclosed in interim financial reports if an entity is within the scope of IAS 33.
- IAS 36 *Impairment of Assets.* When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- IAS 38 *Intangible Assets*. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- IAS 39 *Financial Instruments: Recognition and Measurement.* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- IAS 40 *Investment Property.* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- IAS 41 *Agriculture.* Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'.

Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* – Embedded derivatives (effective for financial years ending on or after 30 June 2009 once adopted by the EU).

The amendments clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment to IAS 39 and IFRS 7 issued in October 2008. The Group did not have financial instruments caught by these amendments.

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 29 March 2009).

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 13 *Customer Loyalty Programmes* (effective for financial years beginning on or after 1 January 2009).

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Group does not maintain customer loyalty programmes, therefore, this interpretation will have no impact on the financial position or performance of the Group.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2009).

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. The Group does not have defined benefit plans, therefore, the interpretation will have no impact on the financial position or performance of the Group.

IFRIC 15 *Agreement for the Construction of Real Estate* (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The Group is still evaluating the possible impact of IFRIC 15 on the consolidated financial statements.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for financial years beginning on or after 1 October 2008 once adopted by the EU).

The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 will not have an impact on the consolidated financial statements because the Group does not have hedges of net investments.

IFRIC 17 *Distributions of Non-cash Assets to Owners (*effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the consolidated financial statements because the Group does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers (*effective for transfers of assets received on or after 1 July 2009 once adopted by the EU).

The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The Group is still evaluating the possible impact of IFRIC 18 on the consolidated financial statements.

2.2. Going concern

In 2008 the Group incurred net losses of LTL 92,128 thousand.

The losses were generated mainly by two operating segments of the Group – real estate (due to decrease of investment properties' fair values) and financial mediation (due to turmoil in stock exchanges and significant decrease of values of securities).

The major part of the Group's real estate sector loans was current as of 31 December 2008 or was reclassified to current due to non compliance with loan covenants as it is described below.

As of 31 December 2008 the Company had a loan from AB DnB NORD Bankas amounting to LTL 105,653 thousand. According to the loan agreement, part of the loan in the amount of LTL 85,000 thousand matures on 1 July 2010. Due to a decrease in the fair value of pledged assets the Company did not comply with the loan covenant related to market value of collateral. Due to non compliance with the loan covenant the whole loan was presented as current in the balance sheet of the Group and the Company as of 31 December 2008. As described in Note 32, as of 23 April 2009 the Company signed an amendment to the loan agreement with AB DnB NORD Bankas according to which the loan repayment was rescheduled (LTL 18.4 million to be repaid in 2009 and the remaining LTL 85 million to be repaid in 2010). Also, the loan covenant related to estimation of pledged AB Sanitas shares was amended – for loan covenant assessment purposes AB Sanitas fair value (estimated by valuation) should be used instead of the market value.

As further described in Note 24, the Company's subsidiaries AB Invaldos Nekilnojamojo Turto Fondas and UAB Dizaino Institutas have not complied with certain loan covenants. Accordingly, the respective loans were treated as payable on demand as of 31 December 2008. AB Invaldos Nekilnojamojo Turto Fondas and UAB Dizaino Institutas have not received any notice on the premature loan repayment. In 2009 AB Invaldos Nekilnojamojo Turto Fondas has paid in advance loan payment for 2 years period and therefore negotiations with the bank regarding being dismissed from the complying of loan covenants and payment of loan instalments for the next 2 years is going to the end.

Due to the above mentioned non-current loans reclassification to current loans the current liabilities of the Group and the Company exceeded their current assets by LTL 359,773 thousand and LTL 157,378 thousand, respectively.
The management's plans for ensuring the going concern of the Group and the Company include repaying some of the loans as they fall due, rescheduling repayment terms of part of the loans and sales of some assets.

As described in Note 32, in January 2009 the Company received an amount of LTL 78 million for part of AB Sanitas shares sold. During the first quarter of 2009 the Group and the Company reduced their liabilities by LTL 73 million and LTL 78 million, respectively.

As disclosed in Note 32, subsequent to the balance sheet date the Company has signed an agreement for the sale of the finance sector investments (AB Bankas Finasta, AB FMĮ Finasta, UAB Finasta Įmonių Finansai, UAB Invalda Turto Valdymas and IPAS Invalda Asset Management Latvia) with AB Bankas SNORAS. Proceeds received from the sale will be used for repayment of the Group's and the Company's loans.

2 Accounting principles (cont'd)

2.2. Going concern (cont'd)

Also, the management of the Group is constantly investigating various options to sell other investments of the Group in order to reduce financial liabilities of the Group and Company.

According to the forecast for 2009, prepared by the Group's management, it is expected that the above described and other proceeds will be sufficient for settlement of about half of current liabilities of the Group and the Company.

The Group's management actively negotiates with the banks regarding extension of maturity terms. Verbal agreements for extension of maturity terms for 1-2 years are reached with a number of banks and agreements are currently in the preparation process. The management of the Group expects that the remaining current liabilities will be successfully renegotiated with the banks and their maturity will be postponed until 2010. On the other hand, the Company's maximum risk is limited to the amount of the investment, as the Company has not guaranteed the loans of the Group companies.

The financial statements have been prepared on a going concern basis. The validity of these assumptions depends on the Group's and the Company's ability to close some expected assets sales transactions and ability to reschedule loans. The Group and the Company is of the opinion that these uncertainties will be resolved positively.

Taking into account the above facts, the management of the Group and the Company concludes that the Group and the Company will continue as a going concern throughout 2009 therefore the financial statements for the year ended 31 December 2008 are prepared under the assumption that the Group and the Company will continue as a going concern.

2.3. Property, plant and equipment

Hotels

Hotels are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing hotel at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of a hotel. Repair and exploitation expenses are not included to the carrying amount of the hotel. Subsequent to initial recognition, hotels are stated at revalued amount being its fair value at the date of revaluation less any subsequent depreciation and subsequent accumulated impairment losses. Gains or losses arising from changes in the fair values of hotels are included in the revaluation reserve in equity section in the year in which they arise.

Depreciation is calculated on a straight-line basis from the revaluated value over the 40 years estimated useful life.

Valuations are performed frequently enough to ensure that the fair value of a revaluated asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly off-setting a previous surplus on the same asset is directly off-set against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revaluated carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluated amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Other property, plant and equipment

Other property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met. Replaced parts are written off.

The carrying values of other property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

2 Accounting principles (cont'd)

2.3. Property, plant and equipment (cont'd)

Other property, plant and equipment (cont'd)

Depreciation is calculated on a straight-line basis over the following estimated useful lives.

Buildings	8–66 years
Machinery and equipment	3–10 years
Vehicles	3–10 years
Other non-current assets	2–12 years

The asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of other property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Construction in progress represents plant and properties under construction and is stated at cost. This includes the cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until the relevant assets are completed and are available for its intended use.

2.4. Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy adopted for property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any differences between fair value of the property at that date and its previous carrying amount are recognised in the income statement. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.5. Intangible assets other than goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives.

Contracts

Contracts include the pension accumulation fund's contracts acquired separately and information technology solution service contracts acquired during information technology solutions entities acquisition.

Contracts assured on the acquisition of subsidiaries are capitalised at the fair value established on acquisition and treated as an intangible asset. Following initial recognition, contracts are carried at cost less any accumulated impairment losses. Contracts are amortised during 5–10 years.

2 Accounting principles (cont'd)

2.5. Intangible assets other than goodwill (cont'd)

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 3–5 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised during 3–5 years.

2.6. Business combinations and goodwill

Business combinations are accounted for using the purchase accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

2.7. Investments in associates (the Group)

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

2 Accounting principles (cont'd)

2.8. Investments in joint ventures (the Group)

The Group has an interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using the equity method. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

2.9. Investments in subsidiaries, associates and joint ventures (the Company)

Investments in subsidiaries, associates and joint ventures in the Company's stand-alone financial statements are carried at cost, less impairment.

2.10. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the nature of the impaired asset, except for property previously revaluated where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revaluated amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

2 Accounting principles (cont'd)

2.11. Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in profit and loss. Interest income or expense are recognised in finance income or expense (gain / loss from financial asset held for trade) according to the terms of the contract or when right to the payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement non-current loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through amortisation process.

Current receivables are subsequently carried at cost less impairment.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial instruments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in equity in the net unrealised gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as "Dividends received" when the right of payment has been established.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; and discounted cash flow analysis.

2 Accounting principles (cont'd)

2.12. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

The Group has an interest rate swap that is used as a hedge for the exposure to the changes in the variable interest rate of UAB Naujoji Švara loans. See Note 27 for more details.

Current versus non-current classification

Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the balance sheet date, the derivative is classified as non-current or separated into current and non-current portions) consistent with the classification of the underlying item;
- embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract;
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

2 Accounting principles (cont'd)

2.13. Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group assesses whether objective evidence of impairment exists individually for financial assets. The examples of objective evidence are: a debtor is facing serious financial difficulties, it is highly probable that insolvency proceedings will be initiated against the debtor, an active market for the financial asset disappears, there is a substantial change in the technological, economic or legal environment and the market environment of the issuer, or there is a continuous decline in the fair value of the financial asset to a level below amortised cost. When financial asset is assessed as uncollectible the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to pay to creditors, the debtor could not be found.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.14. Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials purchase cost on a first in, first out basis;
- finished goods and work in progress cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity and including borrowing costs, where applicable.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with an original maturity of three months or less.

2.16. Interest bearing loans and borrowings

Borrowings are initially recognised at the fair value less directly attributable transaction costs. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. The borrowings are classified as non-current if the financial agreement before the balance sheet date provides evidence that the substance of the liability at the balance sheet date was long-term.

2 Accounting principles (cont'd)

2.17. Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Financial lease

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

If the result of sales and lease back transactions is financial lease, any profit from sales exceeding the book value is not recognised as income immediately. It is postponed and amortised over the lease term.

Operating lease

Group as a lessee

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

If the result of sales and lease back transactions is operating lease and it is obvious that the transaction has been carried out at fair value, any profit or loss is recognised immediately. If the sales price is lower than the fair value, any profit or loss is recognised immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The profit is then deferred and it is amortised in proportion to the lease payments over a period, during which the assets are expected to be operated. If the sales price exceeds the fair value, a deferral is made for the amount by which the fair value is exceeded and it is amortised over a period, during which the assets are expected to be operated.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 Accounting principles (cont'd)

2.18. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Sale of investment

Revenue from sale of investment is recognised when the significant risk and rewards of ownership of the investment have passed to the buyer and are accounted under operating activity caption, as the parent company treats the securities trading as its main activity.

Long-term contracts

The Group recognises the revenues from long-term contracts according to the stage of completion, which is estimated comparing actual expenses incurred with those calculated in the project estimate.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends income

Revenue is recognised when the Group's right to receive the payment is established.

2.19. Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved.

2.20. Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.21. Income tax and deferred income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the respective country's tax legislation.

The standard income tax rate in Lithuania was 15 % in 2008. In 2007 along with the 15 % income tax companies had to pay an additional 3 % social tax calculated based on the income tax accounting principles. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 20 % income tax rate has been established for indefinite period starting 1 January 2009.

The standard income tax rate in Latvia is 15 % and in Ukraine – 25 %.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

2 Accounting principles (cont'd)

2.21. Income tax and deferred income tax (cont'd)

Deferred income taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred income tax asset has been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred income tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.22. Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as income in the financial statements over the period of depreciation of the assets associated with this grant. In the income statement, depreciation expense account is decreased by the amount of grant amortisation.

2.23. Segments

In these financial statements the primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced.

In these financial statements secondary information is reported geographically. The Group's geographical segments are based on the location of the Group's assets.

2.24. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.25. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management of the Group and the Company to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The significant areas of estimation used in the preparation of these financial statements are discussed below.

Fair value of investment properties

Investment properties have been valued on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics or on the sales comparison approach method which refers to the prices of the analogues transactions in the market and which are subject to uncertainty. The fair value of the investment properties as at 31 December 2008 was LTL 326,872 thousand (as at 31 December 2007 – LTL 402,933 thousand) (described in more details in Note 12).

2 Accounting principles (cont'd)

2.25. Significant accounting judgements, estimates and assumptions (cont'd)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2008 was nil (as at 31 December 2007 – LTL 4,831 thousand) (Notes 13 and 14).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses (net of allowance) as at 31 December 2008 for the Group and the Company were LTL 9,235 thousand and LTL 1,972 thousand, respectively (as at 31 December 2007 – LTL 2,577 thousand and LTL 337 thousand, respectively) (Note 6).

Other areas involving estimates include useful lives of property, plant and equipment, intangible assets, allowances for inventories and accounts receivable, provisions. According to the management, these estimates do not have significant risk of causing a material adjustment.

2.26. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.27. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group and the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group or the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.28. 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.

2.29. Comparative figures

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Business combinations and acquisition of minority interests

Acquisitions in 2008

UAB Acena

On 27 March 2008 the Group acquired 80 % shares of information technology solution company UAB Acena. Based on assessment of the fair and the carrying values of the identifiable assets and liabilities of UAB Acena at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Property, plant and equipment	5	5
Inventories and prepayments	212	212
Short-term loans granted and other receivables	894	894
Cash	79	79
Total assets	**1,190**	**1,190**
Liabilities	(1,053)	(1,053)
Net assets	**137**	**137**
Total consideration in cash		**137**
Cash acquired		(79)
Cash outflow on acquisition		**58**

If the acquisition of UAB Acena had been performed as at 1 January 2008, the revenue of the Group in 2008 would be larger by LTL 2,130 thousand and the net result would be larger by LTL 275 thousand. The net loss of LTL 191 thousand was included in the Group's results since the acquisition date.

UAB BNN

On 2 June 2008 the Group acquired 100 % shares of real estate company UAB BNN. Based on the assessment of the fair and the carrying values of the identifiable assets and liabilities of UAB BNN at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Amounts receivable within one year	2	2
Cash	39	39
Liabilities	-	-
Net assets	**41**	**41**
Total consideration in cash		**41**
Cash acquired		(39)
Cash outflow on acquisition		**2**

If the acquisition of UAB BNN would have been performed as at 1 January 2008, the revenue and the net result of the Group would not differ materially. The net loss of LTL 1,543 thousand was included in the Group's results since the acquisition date.

3 Business combinations and acquisition of minority interests (cont'd)

Acquisitions in 2008 (cont'd)

IPAS Invalda Asset Management Latvia (former IPAS Baltikums Asset Management)

On 19 September 2008 the Group acquired 100 % shares of Latvia based financial services company IPAS Baltikums Asset Management. Based on the assessment of the fair and the carrying values of the consolidated identifiable assets and liabilities of IPAS Baltikums Asset Management at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Intangible assets (pensions funds contracts)	-	1,218
Tangible assets	10	10
Prepaid income tax	6	6
Other receivables	14	14
Term deposits	855	855
Cash	6	6
Liabilities	-	-
Net assets	**891**	**2,109**

Total consideration in cash	**2,109**
Cash acquired	(6)
Cash outflow on acquisition	**2,103**

If the acquisition of IPAS Baltikums Asset Management had been performed as at 1 January 2008, the revenue of the Group in 2008 would be larger by LTL 77 thousand and the net result would be lower by LTL 180 thousand. The net loss of LTL 203 thousand was included in the Group's results since the acquisition date.

Acquisitions in 2007

Merger with AB Nenuorama

On 28 September 2007 the former shareholder of the Company AB Nenuorama was merged to the Company in the way of reorganisation. AB Nenuorama did not perform active business activities and was a holding company; therefore, according to IFRS this transaction is not a business combination, but an acquisition of a group of assets (the investments to the other companies). The cost of the acquired asset group is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the acquisition date. AB Sanitas and the Company's shares fair value has been determined based on quoted market price as at 28 September 2007 (LTL 32.95 and LTL 19.67, respectively). AB Invaldos Nekilnojamojo Turto Fondas shares' fair value has been determined based on the valuation performed by V. Černiaus Turto Vertinimo Paslaugų Įmonė, an accredited independent valuer. The fair value was set using Income approach method. Income approach method is based on the assumption that defined correlation between net activity future income and fair value of the object exists. Capitalisation rate used to determine the fair value was 11.68 % and yield used to evaluate real estate objects was decreased from 8 % in 2007 till 6.5 % in 2015.

The Company took over AB Nenuorama assets and liabilities and issued 19,866 thousand shares to the shareholders of AB Nenuorama.

	Carrying value	Fair value recognised on acquisition
AB Sanitas shares (7.42 %)	30,008	75,122
AB Invaldos Nekilnojamojo Turto Fondas shares (43.79 %)	1,190	85,051
The Company's shares (49.56 %)	195,916	433,346
Other investments	2	2
Trade and other receivables	39	39
Cash	2	2
Total assets	**227,157**	**593,562**
Liabilities	(204,945)	(202,797)
Total liabilities	**(204,945)**	**(202,797)**
Fair value of newly issued shares		390,765
Consideration		**593,562**

3 Business combinations and acquisition of minority interests (cont'd)

Acquisitions in 2007 (cont'd)

Merger with AB Nenuorama (cont'd)

Assets and liabilities taken over from AB Nenuorama were recognised at fair value in the Company's financial statements. AB Nenuorama owned shares of the Company (22,305 thousand) were annulled. The loss of LTL 40,141 thousand has been recognised in equity of the Company due to this transaction.

During the merger the Group acquired additionally 43.79 % shares of AB Invaldos Nekilnojamojo Turto Fondas. It was an acquisition of minority interest, so according to the Group accounting policy it was accounted using the Entity concept method. The value of the additional interest acquired was LTL 15,606 thousand at the acquisition day. The negative difference between the consideration and the value of the interest acquired equal to LTL 69,449 thousand has been recognised directly to the shareholders equity of the Group.

During the merger the Group also acquired additional 7.42 % AB Sanitas shares. The fair value of the additional interest in the net assets acquired directly attributable to the Group was LTL 5,689 thousand. The goodwill of LTL 69,433 thousand arising from this transaction was recognised in the value of the investment into associate.

UAB Informatikos Pasaulis

On 20 August 2007 the Group acquired 80 % shares of information technology solution company UAB Informatikos Pasaulis. The fair and the carrying values of the identifiable assets and liabilities of UAB Informatikos Pasaulis at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Intangible assets	1	780
Non-current assets	28	28
Inventories	34	34
Trade receivables	400	400
Cash	21	21
Total assets	**484**	**1,263**
Liabilities	(427)	(427)
Net assets	**57**	**836**
Total consideration		**836**
Cash acquired		(21)
Cash outflow on acquisition		**815**

Based on Purchase Price Allocation assessment the difference between the purchase price and the fair value of the acquired identifiable net assets largely comprises suppliers' contracts.

If the acquisition of UAB Informatikos Pasaulis had been performed as at 1 January 2007, the revenue of the Group in 2007 would be larger by LTL 2,419 thousand and the net result would be greater by LTL 46 thousand.

3 Business combinations and acquisition of minority interests (cont'd)

Acquisitions in 2007 (cont'd)

UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos

On 29 December 2007 the 80 % owned Group company UAB Positor has acquired 100 % shares of dormant company UAB Vitma, which at the same day has acquired 100 % shares of UAB Baltic Amadeus Infrastruktūros Paslaugos. Based on the assessment the fair and the carrying values of the consolidated identifiable assets and liabilities of UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Intangible assets	-	9,752
Trade receivables	168	168
Other current assets	6	6
Cash	10	10
Total assets	**184**	**9,936**
Liabilities	(136)	(136)
Net assets	**48**	**9,800**
Total consideration		**9,800**
The acquisition consideration is calculated as follows:		
Cash paid at acquisition date		6,000
Costs related to acquisition		20
Cash payable in the future		4,000
Provisional adjustment to acquisition cost		271
Write-off of provisional adjustment to acquisition cost		(271)
Additional price adjustment		80
Discount effect on consideration payable in the future		(300)
Total consideration		**9,800**
Purchase consideration settled in cash		6,020
Cash acquired		(10)
Cash outflow on acquisition		**6,010**

According to the share purchase agreements LTL 4,000 thousand for UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos acquisition was payable by the Group in the future: LTL 1,200 thousand was paid in 2008 and LTL 2,880 thousand in 2009 (Note 28).

Besides, in the acquisition agreements it was agreed, that the Group will have to pay to the former owners of UAB Baltic Amadeus Infrastruktūros Paslaugos an additional payment if the revenue of this company will exceed the set in the agreement threshold during the year 2008. Provisional amount of LTL 271 thousand was accounted for by the Group as it was forecasted that the revenue will exceed the set threshold. In 2008 this revenue threshold was not reached; therefore, an adjustment to acquisition cost was made, as well as additional cost adjustment of LTL 80 thousand was agreed. These adjustments were accounted for in 2008.

Based on Purchase Price Allocation assessment the difference between the purchase price and the fair value of the acquired identifiable net assets largely comprises customers, suppliers and technology based contracts as the part of the former parent of UAB Baltic Amadeus Infrastruktūros Paslaugos business, operating for a long time in the information technology market, was carved-out and transferred to UAB Baltic Amadeus Infrastruktūros Paslaugos at its establishment date (1 December 2007).

If the acquisition of UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos would have been performed as at 1 January 2007 the revenue and the net result of the Group would not differ materially.

3 Business combinations and acquisition of minority interests (cont'd)

Establishment of companies (increase of share capital)

Newly established Group companies in 2008 are listed in Note 1. In 2008 the Company increased share capital of UAB Positor, AB FMĮ Finasta, SIA Inreal, UAB Invalda Turto Valdymas, Finasta TOV, Inreal TOV and AB Invaldos Nekilnojamojo Turto Fondas. Due to non-pro rata share capital increase in Finasta TOV and Inreal TOV the Group had recognised directly in the shareholders equity the negative difference equal to LTL 179 thousand between the consideration and the value of the interest acquired.

Newly established Group companies in 2007 are listed in Note 1. In 2007 the Company increased share capital of Inreal TOV, Finasta TOV, Incredo TOV, UAB Inreal, UAB Inred and AB Finasta Įmonių Finansai. The share capital of AB Finasta Įmonių Finansai was increased by LTL 20,000 thousand in order to establish the bank (Notes 19 and 31). Due to non-pro rata share capital's increase in Finasta TOV the Group had a deemed disposal of 5 %. The gain on deemed disposal amounting to LTL 17 thousand was recognised in the income statement.

Minority acquisition in 2008

AB Vilniaus Baldai

In 2008 the Group acquired additional 2.36 % shares of AB Vilniaus Baldai for LTL 1,730 thousand. The value of the additional interest of the net assets acquired was LTL 583 thousand. The negative difference equal to LTL 1,147 thousand between the consideration and the value of the interest acquired has been recognised directly in the shareholders equity.

U*AB Aikstentis*

In 2008 the Group acquired additional 1.00 % shares of AB Aikstentis for LTL 100 thousand. The value of the additional interest of the net assets acquired was LTL 84 thousand. The negative difference equal to LTL 16 thousand between the consideration and the value of the interest acquired has been recognised directly in the shareholders equity.

Minority acquisition in 2007

AB Vilniaus Baldai

In 2007 the Group acquired additional 0.70 % shares of AB Vilniaus Baldai for LTL 491 thousand. The value of the additional interest of the net assets acquired was LTL 186 thousand. The negative difference equal to LTL 305 thousand between the consideration and the value of the interest acquired has been recognised directly in the shareholders equity.

Additional acquisition of associates in 2008

Tiltra Group AB

In 2008 the Group participated in establishment of roads and bridges building company Tiltra Group AB and acquired 44.78 % of shares for LTL 67 thousand.

UAB VIPC Klaipėda

In 2008 the Group acquired additional 5 % of net assets of UAB VIPC Klaipėda for LTL 1,429 thousand. The negative difference equal to LTL 446 thousand between the consideration and the fair value of the interest acquired has been recognised in the income statement.

AB Kauno Tiltai

The Group acquired additional 1.58 % of net assets of AB Kauno Tiltai for LTL 5,624 thousand during 2008. The goodwill of LTL 4,947 thousand has been recognised in the value of the investment into associate.

Additional acquisition of associates in 2007

AB Sanitas

In January 2007 the Group acquired additional 0.62 % shares of AB Sanitas for LTL 2,498 thousand. The value of the additional interest of the net assets acquired was LTL 251 thousand. The goodwill of LTL 2,247 thousand was recognised in the value of the investment into associate.

AB Kauno Tiltai

The Group acquired additional 3.17 % of net assets of AB Kauno Tiltai for LTL 6,688 thousand during 2007. The goodwill of LTL 2,142 thousand was recognised in the value of the investment into associate.

3 Business combinations and acquisition of minority interests (cont'd)

Disposals in 2008

UAB Hidroprojektas

UAB Hidroprojektas was sold on 10 January 2008. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Intangibles assets	126
Property, plant and equipment	740
Inventories, prepayments and contracts in progress	160
Trade receivables and other current assets	3,078
Cash	1,765
Total assets	**5,869**
Liabilities	(3,647)
Net assets	**2,222**
Group sold net assets	2,177
Goodwill allocated to sold net assets	728
Profit on sale	5,695
Proceeds from sale	**8,600**
Cash sold	(1,765)
Net cash received	**6,835**

The revenues and net profit of UAB Hidroprojektas during 2008 until the date of disposal were not material.

AB Valmeda Group

AB Valmeda Group (including UAB Kelionių Viešbučiai) was sold on 14 March 2008. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Intangibles assets	55
Hotels property	59,441
Other equipment, property and plant	505
Inventories	1,069
Trade and other receivables	27,574
Deferred tax assets	449
Cash	87
Total assets	**89,180**
Non-current liabilities (excluding deferred income tax liabilities)	(42,557)
Deferred tax liabilities	(6,401)
Current liabilities	(2,748)
Total liabilities	**(51,706)**
Net assets	**37,474**
Group sold net assets	37,474
Profit on sale	31,025
Proceeds from sale	**68,499**
Cash sold	(87)
Net cash received	**68,412**

The revenues and net loss of AB Valmeda during 2008 until the date of disposal amounted to LTL 1,536 thousand and LTL 361 thousand, respectively.

3 Business combinations and acquisition of minority interests (cont'd)l

Disposals in 2008 (cont'd)

AS IPS Finasta Asset Management

AS IPS Finasta Asset Management was sold in 2008.The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Non-current assets	3
Prepaid income tax and other receivables	3
Financial assets held-for-trade	47
Term deposits	453
Cash	41
Total assets	**547**
Total liabilities	-
Net assets	**547**
Loss on sale	(3)
Proceeds from sale	**544**
Cash sold	(41)
Net cash received	**503**

The revenues and net loss of AS IPS Finasta Assets Management during 2008 until the date of disposal amounted to LTL 132 thousand and LTL 76 thousand, respectively.

OOO Bazilika and OOO Bazilika Invest

During 2008 the Group sold 100 % shares of OOO Bazilika and OOO Bazilika Invest for LTL 2 thousand (discontinued activity in Russia). In the consolidated statements profit of LTL 3,457 thousand was recognised, as equities of these companies were negative. On the other hand, the Group's loan amounting to LTL 3,547 thousand, granted to OOO Bazilika and OOO Bazilika Invest, was fully impaired and derecognised.

The revenue and net loss of both OOO Bazilika and OOO Bazilika Invest during 2008 until the date of disposal amounted to LTL 152 thousand and LTL 215 thousand, respectively.

Disposals in 2007

UAB DB Voltera

UAB DB Voltera was sold on 7 December 2007. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Intangibles assets	7
Property, plant and equipment	59
Trade receivables and other current assets	152
Cash	50
Total assets	**268**
Liabilities	(172)
Net assets	**96**
Group sold net assets	67
Profit on sale	333
Proceeds from sale	**400**
Cash sold	(50)
Net cash received	**350**

The revenues and net profit of UAB DB Voltera during 2007 until the date of disposal amounted to LTL 1,066 thousand and LTL 39 thousand, respectively.

3 Business combinations and acquisition of minority interests (cont'd)

Disposals in 2007 (cont'd)

AB Minija

AB Minija was sold on 21 June 2007. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Intangibles assets	37
Property, plant and equipment	5,520
Inventories	1,463
Trade and other receivables	920
Cash	25
Total assets	**7,965**
Trade and other liabilities	(1,370)
Bank borrowings	(8,065)
Total liabilities	**(9,435)**
Net assets	**(1,470)**
Group sold net assets	(1,307)
Profit on sale	1,307
Proceeds from sale	**-**
Cash sold	(25)
Net cash received	**(25)**

The revenues and net loss of AB Minija during 2007 until the date of disposal amounted to LTL 3,279 thousand and LTL 1,443 thousand, respectively. The Company has granted the loan to AB Minija with nominal value as at 31 December 2007 of LTL 1,935 thousand which was impaired until its recoverable amount of LTL 735 thousand.

UAB Vilniaus Senamiesčio Restauravimo Direkcija

UAB Vilniaus Senamiesčio Restauravimo Direkcija was sold in 2007. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Investment property	2,790
Trade receivables and other current assets	592
Cash	2
Total assets	**3,384**
Deferred tax liability	(38)
Interest bearing liabilities	(2,945)
Other liabilities	(4)
Total liabilities	**(2,987)**
Net assets	**397**
Profit on sale	8,729
Proceeds from sale	**9,126**
Cash sold	(2)
Net cash received	**9,124**

The revenues and net loss of UAB Vilniaus Senamiesčio Restauravimo Direkcija during 2007 until the date of disposal amounted to LTL 249 thousand and LTL 216 thousand, respectively.

3 Business combinations and acquisition of minority interests (cont'd)

Disposals of associates and joint ventures in 2008

AB Sanitas

On 24 October 2008 AB Invalda signed an agreement regarding the transfer of 6,314,502 AB Sanitas shares, which amounts to 20.3 % of authorised share capital. The buyer is Baltic Pharma Limited, investment company controlled by City Venture Capital International (CVCI). On 28 October 2008, as the first part of agreement, 5 % of AB Sanitas shares were transferred for LTL 25,513 thousand. As per the terms of the agreement with Baltic Pharma Limited, the price paid for the shares and the number of shares transferred may be adjusted based upon a future sale of the shares by Baltic Pharma Limited, depending on the price received by the latter from such sale. The Company has guaranteed possible variations in sales prices by pledge of 3,763,816 shares of AB Sanitas held to Baltic Pharma Limited and assured by other shares of AB Sanitas held.

Due to above mentioned facts the Group and the Company derecognised this part of the investment and recognised separately continuing involvement asset amounting to LTL 25,526 thousand and LTL 21,676 thousand, respectively (included in investments in associates caption) and continuing involvement liability amounting to LTL 24,046 thousand and LTL 20,196 thousand, respectively (included in other non-current liabilities caption) The Company and the Group gained LTL 5,317 thousand and LTL 1,468 thousand profit from this part of the deal, respectively.

The Company also acquired 2.53 % of AB Sanitas shares for LTL 13,391 thousand. The goodwill of LTL 11,980 thousand was recognised in the value of the investment into associate.

UAB Girių Bizonas

On 10 December 2008 the Group signed a shares purchase-sale agreement for the disposal of the UAB Girių Bizonas ordinary shares. The Group held the 122,497 ordinary shares with the par value of LTL 100 each (25 % of the share capital). According to the agreement the selling price is LTL 33,000 thousand. The profit on the sale of LTL 16,375 thousand has been recognised in the income statement.

AB Agrowill Group

AB Agrowill Group completed its initial public offering on 1 April 2008. As a result the Company ceased to have significant influence (share of stock of AB Agrowill Group decreased from 20.63 % till 15.78 % and the Company is not represented in the governing bodies). From 1 April 2008 the Company accounts for this investment as financial assets at fair value as held-for-trade. The fair value on 31 December 2008 was LTL 3,612 thousand (excluding lended securities).

In the Company's income statement due to the loss of significant influence a gain of LTL 20,275 thousand has been recognised.

In the Group's income statement gain of LTL 10,580 thousand was recognised due to the loss of significant influence.

From the date of loss of significant influence until 31 December 2008 the Group and the Company have recognised an unrealised loss of LTL 10,865 thousand and LTL 14,851 thousand, respectively, in the income statement.

AB Umega

In 2008 AB Umega acquired control over AB Vienybė, company engaged in equipment manufacturing and metal processing. At the end of 2008 AB Vienybė was merged with AB Umega (previous AB Vienybė minority shareholders received AB Umega shares). Due to that Group's share in AB Umega has decreased by 1.95% and loss of LTL 240 thousand was recognised in statement of income for 2008.

Disposals of associates and joint ventures in 2007

UAB Panevėžio Melioracija

In February 2007 UAB Panevėžio Melioracija was sold. The loss on the sale of LTL 1,271 thousand has been recognised in the income statement.

In March 2007 UAB Žemės Vystymo Fondas, UAB Žemės Vystymo Fondas 11, UAB Žemės Vystymo Fondas 12, UAB Žemės Vystymo Fondas 14, UAB Žemės Vystymo Fondas 15, UAB Žemės Vystymo Fondas 16, UAB Žemės Vystymo Grupė 3, UAB Žemės Vystymo Grupė 4, UAB Žemės Vystymo Grupė 5 and UAB Žemės Vystymo Grupė 6 were sold to the associate AB Agrowill Group in order to achieve more efficient management of the companies.

In May 2007 0.21 % shares of AB Agrowill Group were sold. In September 2007 the Group had deemed disposals of 0.62 % shares of AB Agrowill Group due to non-pro rata share capital increase in this company. The loss of the disposals of LTL 312 thousand has been recognised in the income statement.

4 Segment information

The operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Group is organised into following segments:

Real estate

The real estate segment is involved in investment in real estate, real estate management and administration, facility management, construction management, intermediation in buying, selling and rating real estate.

Financial mediation

The financial mediation segment is involved in financial brokerage, corporate finance services, investment and pension fund management, investment and private banking activities.

Pharmacy

The pharmacy segment produces injections preparations, tablets, and ointments.

Furniture production

The furniture segment includes furniture design, production and sale.

Hotels management

The hotels management segment renders room revenue, restaurant revenue, conference facilities revenue. The segment was sold in 2008 and in these financial statements it is presented as discontinued operations (Note 7).

Roads and bridge construction

The roads and bridge construction segment is involved in building bridges and high quality highway construction.

Other production and service segments

The other production and service segment is involved in designing water management objects, agricultural investment, hardware articles production, information technology solution services and other.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

4 Segment information (cont'd)

The following table presents revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2008:

	Continuing operations								Discontinued operation	
	Real estate	Financial media-tion	Pharmacy	Furniture produc-tion	Roads and bridge construction	Other production and service	Elimina-tion and other	Total	Hotels management	Total operations
Year ended 31 December 2008										
Revenue										
Sales to external customers	127,754	11,787	-	152,853	-	28,679	-	321,073	1,533	322,606
Inter-segment sales	3,258	220	-	163	-	437	(4,078)	-	-	-
Total revenue	**131,012**	**12,007**	**-**	**153,016**	**-**	**29,116**	**(4,078)**	**321,073**	**1,533**	**322,606**
Results										
Other income (loss)	(41,083)	11,033	-	21,057	-	1,937	28,962	21,906	17	21,923
Segment expenses	(166,985)	(57,173)	-	(162,019)	-	(30,578)	22,385	(394,370)	(2,044)	(396,414)
Unallocated expenses	-	-	-	-	-	-	(34,540)	(34,540)	-	(34,540)
Operating profit (loss)	(77,056)	(34,133)	-	12,054	-	475	12,729	(85,931)	(494)	(86,425)
Share of profit (loss) of the associates and joint ventures	(17,530)	-	(56)	(6,070)	18,744	(128)	(1,960)	(7,000)	-	(7,000)
Profit (loss) before income tax	(94,586)	(34,133)	(56)	5,984	18,744	347	10,769	(92,931)	(494)	(93,425)
Income tax expenses	(3,266)	3,860	-	(999)	-	(163)	1,865	1,297	-	1,297
Net profit for the year	**(97,852)**	**(30,273)**	**(56)**	**4,985**	**18,744**	**184**	**12,634**	**(91,634)**	**(494)**	**(92,128)**
Attributable to:										
Equity holders of the parent	(94,437)	(30,242)	(56)	3,092	18,744	205	12,634	(90,060)	(494)	(90,554)
Minority interest	(3,415)	(31)	-	1,893	-	(21)	-	(1,574)	-	(1,574)
As at 31 December 2008										
Assets and liabilities										
Segment assets	411,838	138,965	-	111,690	-	17,165	(81,219)	598,439	-	598,439
Investment in associates and joint ventures	17,588	-	193.208	-	48,423	2,352	-	240,085	-	261.571
Unallocated assets	-	-	-	-	-	-	53,847	53,847	-	53,847
Total assets	**429,426**	**138,965**	**193.208**	**111,690**	**48,423**	**19,517**	**(27,372)**	**892,371**	**-**	**913.857**
Segment liabilities	346,424	113,242	-	76,730	-	13,707	(148,202)	401,901		401,901
Unallocated liabilities	-	-	-	-	-	-	307,040	307,040	-	307,040
Total liabilities	**346,424**	**113,242**	**-**	**76,730**	**-**	**13,707**	**158,838**	**708,941**	**-**	**708,941**
Other segment information										
Capital expenditure:										
Tangible assets	8,896	2,895	-	1,475	-	825	73	14,164	184	14,348
Investment properties	5,834	-	-	-	-	-	-	5,834	-	5,834
Intangible assets	29	950	-	221	-	87	-	1,287	-	1,287
Depreciation and amortisation	605	2,142	-	8,173	-	1,247	153	12,320	55	12,375
Valuation losses of investment properties	(41,131)	-	-	(1,095)	-	-	-	(42,226)	-	(42,226)
Impairment losses recognised in the income statement	(28,983)	(8,530)	-	(3,915)	-	-	(102)	(41,530)	-	(41,530)

Gain of sale of AB Hidroprojektas shares and gain of loss of significant influence in AB Agrowill Group is shown in "Other income" of other production and service segment. Gain of sale of AB Valmeda shares is shown in "Other income" in Elimination and other column.

4 Segment information (cont'd)

The following table presents revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2007:

	Continuing operations								Discontinued operation	
	Real estate	Financial mediation	Pharmacy	Furniture production	Roads and bridge construction	Other production and service	Elimination and other	Total	Hotels management	Total operations
Year ended 31 December 2007										
Revenue										
Sales to external customers	35,097	33,769	-	169,865	-	14,864	-	253,595	14,581	268,176
Inter-segment sales	2,251	229	-	134	-	2	(2,616)	-	-	-
Total revenue	**37,348**	**33,998**	**-**	**169,999**	**-**	**14,866**	**(2,616)**	**253,595**	**14,581**	**268,176**
Results										
Other income	72,313	19,954	-	2,714	-	25	879	95,885	14	95,899
Segment expenses	(56,383)	(36,210)	-	(169,289)	-	(13,756)	9,149	(266,489)	(12,412)	(278,901)
Unallocated expenses	-	-	-	-	-	-	(15,252)	(15,252)	-	(15,252)
Operating profit (loss)	53,278	17,742	-	3,424	-	1,135	(7,840)	67,739	2,183	69,922
Share of profit (loss) of the associates and joint ventures	6,866	-	13,203	(2,361)	5,675	6,691	-	30,074	-	30,074
Profit (loss) before income tax	60,144	17,742	13,203	1,063	5,675	7,826	(7,840)	97,813	2,183	99,996
Income tax expenses	(7,299)	(3,690)	-	(988)	-	(264)	-	(12,241)	(195)	(12,436)
Net profit for the year	**52,845**	**14,052**	**13,203**	**75**	**5,675**	**7,562**	**(7,840)**	**85,572**	**1,988**	**87,560**
Attributable to:										
Equity holders of the parent	44,610	14,053	13,203	(313)	5,675	7,588	(7,840)	76,976	1,988	78,964
Minority interest	8,235	(1)	-	388	-	(26)	-	8,596	-	8,596
As at 31 December 2007										
Assets and liabilities										
Segment assets	600,496	151,951	-	117,034	-	18,004	(67,543)	819,942	63,247	883,189
Investment in associate and joint ventures	36,191	-	206,545	15,796	28,090	11,675	-	298,297	-	298,297
Unallocated assets	-	-	-	-	-	-	23,041	23,041	-	23,041
Total assets	**636,687**	**151,951**	**206,545**	**132,830**	**28,090**	**29,679**	**(44,502)**	**1,141,280**	**63,247**	**1,204,527**
Segment liabilities	449,872	100,919	-	86,157	-	15,417	(49,110)	603,255	51,538	654,793
Unallocated liabilities	-	-	-	-	-	-	244,534	244,534	-	244,534
Total liabilities	**449,872**	**100,919**	**-**	**86,157**	**-**	**15,417**	**195,424**	**847,789**	**51,538**	**899,327**
Other segment information										
Capital expenditure:										
Property, plant and equipment	53,203	1,729	-	3,362	-	377	-	58,671	197	58,868
Investment properties	53,144	-	-	5,361	-	-	-	58,505	-	58,505
Intangible assets	18	7,584	-	176	-	82	-	7,860	-	7,860
Depreciation and amortisation	(566)	(591)	-	(10,020)	-	(536)	-	(11,713)	(1,716)	(13,429)
Valuation losses of investment properties	(155)	-	-	(519)	-	-	-	(674)	-	(674)
Impairment losses recognised in the income statement	(1,102)	(427)	-	(241)	-	-	(1,207)	(2,977)	-	(2,977)

4 Segment information (cont'd)

The Group's geographical segments are based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding Group's geographical segments for the years ended 31 December 2008 and 2007:

Year ended 31 December 2008	**Lithuania**	**Latvia**	**Ukraine**	**Total**
Revenue				
Sales to external customers	321,264	715	627	322,606
Discontinued operations	(1,533)	-	-	(1,533)
Segment revenue	**319,731**	**715**	**627**	**321,073**
Other segment information				
Segment assets	649,779	1,777	730	652,286
Investment in an associate	261.571	-	-	261.571
Total assets	**911.350**	**1,777**	**730**	**913.857**
Capital expenditure:				
Property, plant and equipment	14,098	31	35	14,164
Investment properties	5,834	-	-	5,834
Intangible assets	1,285	-	2	1,287

Year ended 31 December 2007	**Lithuania**	**Latvia**	**Ukraine**	**Total**
Revenue				
Sales to external customers	266,851	735	590	268,176
Discontinued operations	(14,581)	-	-	(14,581)
Segment revenue	**252,270**	**735**	**590**	**253,595**
Other segment information				
Segment assets	903,674	1,088	1,468	906,230
Investment in an associate	298,297	-	-	298,297
Total assets	**1,201,971**	**1,088**	**1,468**	**1,204,527**
Capital expenditure:				
Property, plant and equipment	58,743	18	107	58,868
Investment properties	58,505	-	-	58,505
Intangible assets	7,851	2	7	7,860

There were no material inter-segment sales in 2008 and 2007.

5 Other revenues and expenses

5.1. Gain from investments and on sale of investment properties

	Group		Company	
	2008	2007	2008	2007
Net gain on sale of subsidiaries, associates and joint ventures	68,748	8,047	92,781	1,213
Net gain from sales of available-for-sale investments	73	6,774	-	-
Net (loss) gain on sale of investment properties	(9,059)	12,880	-	-
Net (loss) gain from held-for-trade investments	(21,826)	(116)	(14,851)	-
	37,936	27,585	77,930	1,213

5.2. Impairment and allowance

	Group		Company	
	2008	2007	2008	2007
Impairment of current loans granted	(26,410)	(2,750)	(28,918)	(1,200)
Impairment of investments	(7,688)	-	(48,347)	(1,630)
Impairment of goodwill	(4,054)	-	-	-
Change in allowance for inventories	(2,183)	352	-	-
Change in allowance for trade receivable	(547)	(579)	-	-
Other impairment	(648)	-	-	-
	(41,530)	(2,977)	(77,265)	(2,830)

In 2008 impairment of investments of the Group comprise impairment of investment into associated company engaged in real estate business, the Company – impairment of investments into subsidiaries and associated companies engaged in real estate and financial mediation businesses (to Note 1).

5.3. Finance income

	Group		Company	
	2008	2007	2008	2007
Interest income	9,148	8,391	13,836	7,126
Dividend income	5,106	-	20,478	92,877
Foreign currency exchange gain, net	247	-	115	111
Other finance income	61	498	-	-
	14,562	8,889	34,429	100,114

5.4. Finance expenses

	Group		Company	
	2008	2007	2008	2007
Interest expenses	(47,258)	(27,467)	(27,694)	(9,053)
Foreign currency exchange loss, net	-	(375)	-	-
Other finance expenses	(195)	(101)	(106)	(11)
	(47,453)	(27,943)	(27,800)	(9,064)

6 Income tax

	Group		Company	
	2008	2007	2008	2007
Components of the income tax income (expenses)				
Current year income tax	(5,549)	(7,645)	-	-
Prior year current income tax correction	(50)	(20)	-	-
Deferred tax income (expenses)	6,896	(4,576)	184	708
Income tax income (expenses) charged to the income statement	1,297	(12,241)	184	708

	Group		Company	
	2008	2007	2008	2007
Deferred tax asset				
Losses available for offset against future taxable income	14,325	3,321	1,972	337
Property, plant and equipment	102	123	-	-
Investments properties	1,522	-	-	-
Investments available-for-sale	1,118	-	-	-
Investments held for trade	981	6	-	-
Investments into subsidiaries and associates	68	244	-	244
Receivables	-	328	-	207
Inventories	601	734	-	-
Accruals	80	79	5	4
Intangible assets	22	78	-	-
Other	-	100	-	-
Deferred tax asset before valuation allowance	18,819	5,013	1,977	792
Less: tax loss carried forward valuation allowance	(5,090)	(744)	-	-
Less: other valuation allowance	(3,082)	(6)	-	-
Deferred income tax asset, net	10,647	4,263	1,977	792
Asset netted with liability	(5,066)	(2,975)	(1,085)	(84)
Deferred income tax asset, net	**5,581**	**1,288**	**892**	**708**
Deferred tax liability				
Property, plant and equipment	(2,660)	(8,444)	-	-
Investment properties	(33,207)	(32,478)	-	-
Investments available-for-sale	-	(398)	-	-
Investments held for trade	(1,085)	(450)	(1,085)	-
Investments into subsidiaries and associates	-	(1,384)	-	-
Inventories	(236)	(658)	-	-
Other	(1,005)	(921)	-	(84)
Deferred income tax liability	(38,193)	(44,733)	(1,085)	(84)
Liability netted with asset	5,066	2,975	1,085	84
Deferred income tax liability, net	**(33,127)**	**(41,758)**	**-**	**-**
Recognised in the balance sheet as follows:				
Deferred tax asset – continuing operations	5,581	809		
Deferred tax asset – discontinuing operations	-	479		
Deferred income tax liability – continuing operations	(33,127)	(35,356)		
Deferred income tax liability – discontinued operations	-	(6,402)		
Deferred income tax liabilities, net	**(27,546)**	**(40,470)**		

6 Income tax (cont'd)

	Group	
	2008	2007
Consolidated statement of changes in equity		
Current year income tax on cash flow hedge	46	-
Deferred tax effect of net gains (loss) on available-for-sale investments	362	643
Deferred tax effect of revaluation of hotels	-	(1,752)
Deferred tax effect on income (expenses) recognised directly in equity of associates	(257)	22
Income tax income charged directly in equity	151	(1,087)

Deferred income tax asset and liability were estimated at 20 % and 15 % rates for 2008. Movements in pre-tax components of temporary differences for the Group during 2008 are as follows:

	Balance as at 31 December 2007	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2008
Tax loss carry forward	21,735	51,769	-	(1,793)	71,711
Property, plant and equipment – asset	225	284	-	-	509
Property, plant and equipment – liability	(63,019)	4,306	-	42,677	(16,036)
Investment property	(218,443)	57,736	-	-	(160,707)
Investments – liability	(14,883)	7,822	1,637	-	(5,424)
Investments – asset	1,653	10,036	(857)	-	10,832
Receivables	2,185	(2,185)	-	-	-
Accruals	320	136	-	(54)	402
Inventories	4,610	(1,633)	-	(1,151)	1,826
Other assets	753	(651)	-	2	104
Other liabilities	(557)	557	-	-	-
Temporary differences before valuation allowance	(265,421)	128,177	780	39,681	(96,783)
Less: valuation allowance	(4,665)	(36,786)	-	-	(41,451)
Total temporary differences	(270,086)	91,391	780	39,681	(138,234)
Deferred income tax, net	(40,470)	6,896	105	5,923	(27,546)

The balance of tax loss carry forward as at 31 December 2008 can be carried for indefinite period of time.

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15 % and 18 % rates for 2007. Movements in pre-tax components of temporary differences for the Group during 2007 are as follows:

	Balance as at 31 December 2006	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2007
Tax loss carry forward	8,378	13,490	-	(133)	21,735
Property, plant and equipment – asset	2,015	(1,790)	-	-	225
Property, plant and equipment – liability	(44,795)	(7,126)	(11,098)	-	(63,019)
Investment property	(180,915)	(37,914)	-	386	(218,443)
Investments – liability	(14,104)	(4,481)	3,702	-	(14,883)
Investments – asset	472	1,181	-	-	1,653
Receivables	1,195	990	-	-	2,185
Accruals	1,443	(1,123)	-	-	320
Inventories	1,845	2,765	-	-	4,610
Other assets	519	234	-	-	753
Other liabilities	(7)	(550)	-	-	(557)
Temporary differences before valuation allowance	(223,954)	(34,324)	(7,396)	253	(265,421)
Less: valuation allowance	(2,260)	(2,405)	-	-	(4,665)
Total temporary differences	(226,214)	(36,729)	(7,396)	253	(270,086)
Deferred income tax, net	(34,845)	(4,576)	(1,087)	38	(40,470)

Movements in pre-tax components of temporary differences for the Company during 2008 are as follows:

	Balance as at 31 December 2007	Recognised in the income statement	Balance as at 31 December 2008
Tax loss carry forward	2,245	7,617	9,862
Investments	1,630	(7,054)	(5,424)
Receivables	1,377	(1,377)	-
Accruals	26	(5)	21
Other liabilities	(557)	557	-
Temporary differences before valuation allowance	4,721	(262)	4,459
Less: valuation allowance	-	-	-
Total temporary differences	4,721	(262)	4,459
Deferred income tax, net	708	184	892

6 Income tax (cont'd)

Movements in pre-tax components of temporary differences for the Company during 2007 are as follows:

	Balance as at 31 December 2006	Recognised in the income statement	Balance as at 31 December 2007
Tax loss carry forward	-	2,245	2,245
Investments	-	1,630	1,630
Receivables	-	1,377	1,377
Accruals	-	26	26
Other liabilities	-	(557)	(557)
Temporary differences before valuation allowance	-	4,721	4,721
Less: valuation allowance	-	-	-
Total temporary differences	-	4,721	4,721
Deferred income tax, net	-	708	708

The reconciliation of the total income tax to the theoretical amount that would arise using the tax rate of the Group and the Company is as follows:

	Group		Company	
	2008	2007	2008	2007
Accounting profit before tax from continuing operations	(92,931)	97,813	1,410	86,096
(Loss) profit before tax from a discontinued operation	(494)	2,183	-	-
(Loss) profit before income tax	**(93,425)**	**99,996**	**1,410**	**86,096**
Tax calculated at the tax rate of 15 % (18 % in 2007)	14,014	(17,999)	(212)	(15,497)
Tax non-deductible (expenses) / non taxable income	(264)	7,784	172	16,400
Change in allowance for deferred tax	(5,479)	(1,090)	-	-
Tax loss carry forward expiry (recognition)	90	(899)	-	-
Correction of prior year current income tax	(50)	(20)	-	-
Differences of tax rates to subsidiaries	-	(6)	-	-
Change in income tax rate	(7,014)	(206)	224	(195)
Income tax income (expenses) recorded in the income statement	1,297	(12,436)	184	708
Income tax attributable to a discontinued operation	-	195	-	-
	1,297	(12,241)	184	708

7 Discontinued operations and non-current assets classified as held-for-sale

	Group		Company	
	2008	**2007**	**2008**	**2007**
Non-current assets and assets of disposal group classified as held-for-sale				
Investment properties held-for-sale	-	18,553	-	-
Assets of investment classified as held-for-sale	-	5,869	-	2,274
Discontinued operation	-	63,247	-	7,805
	-	87,669	-	10,079
Liabilities directly associated with the assets classified as held-for-sale				
Liabilities of investment classified as held-for-sale	-	3,630	-	-
Discontinued operation	-	51,538	-	-
	-	55,168	-	-

Investment properties held-for-sale

In August 2007 AB Invaldos Nekilnojamojo Turto Fondas has signed the preliminary sales agreements of two investment properties objects at Vytenio Str. and J. Jasinskio Str. in Vilnius. These investment properties were evaluated at disposal price equal to LTL 18,553 thousand as at 31 December 2007 and were classified as investment properties classified as held-for-sale. The prepayments in the amount of LTL 18,442 thousand were received according to the preliminary sales agreements in year 2007. The investment properties were disposed in February 2008.

Investment classified as held-for-sale

On 13 December 2007 the Company has signed the agreement for 97.99 % shares of UAB Hidroprojektas sale; therefore, the Company's investment to this subsidiary (LTL 2,274 thousand) was classified as held-for sale. In the Group's financial statements total assets (LTL 5,869 thousand) and total liabilities (LTL 3,630 thousand) of UAB Hidroprojektas were classified as assets and liabilities held-for-sale. The sale was completed on 10 January 2008 (Note 3).

Discontinued operation

In February 2007 the Group management publicly announced searching for the investor to the Group's hotels management segment (100 % subsidiary of the Company AB Valmeda and its 100 % subsidiary UAB Kelionių Viešbučiai). The potential investor was found on 16 August 2007 and the Letter of intent with investor Triangle Investments and Development limited for the sale and purchase of AB Valmeda shares was signed. The disposal of the Group hotels management segment was completed on 13 March 2008. As at 31 December 2007 the Company's investment to AB Valmeda (LTL 7,805 thousand) in the Company's financial statements and the total hotels management segment assets (LTL 63,247 thousand) and total segment liabilities (LTL 51,538 thousand) were classified as a disposal group held-for-sale.

The results of the hotel management segment for the year 2008 and 2007 are presented below:

	2008	**2007**
Revenue	1,550	14,581
Expenses	(1,643)	(10,584)
Operating (loss) profit	**(93)**	**3,997**
Finance revenue	-	14
Finance expenses	(401)	(1,828)
(Loss) profit before tax from a discontinued operation	**(494)**	**2,183**
Income tax expenses	-	(195)
(Loss) profit for the year from a discontinued operation	**(494)**	**1,988**

7 Discontinued operations and non-current assets classified as held-for-sale (cont'd)

The major classes of assets and liabilities of the hotel management segment classified as held-for-sale as at 31 December 2007 are as follows:

	2007
Assets	
Intangible assets	56
Property, plant and equipment	60,096
Deferred tax asset	479
Inventories	1,200
Trade and other receivables	1,325
Cash	91
	63,247
Liabilities	
Deferred tax liabilities	(6,402)
Interest-bearing liabilities	(44,132)
Income tax payable	(27)
Advances received	(164)
Trade and other payables	(813)
	(51,538)
Net assets directly associated with disposal group	**11,709**
Asset revaluation reserve	32,744
Legal reserve	245
Deferred tax on asset revaluation reserve	(4,912)
Reserve of disposal group classified as held-for-sale	**28,077**

Earnings per share:	2008	2007
Basic and diluted, from discontinued operation	0.01	0.05

Diluted earnings per share equal to basic earnings per share as there were no potential shares issued as at 31 December 2007.

As of December 2007 interest-bearing liabilities comprise LTL 44,132 thousand bank loan denominated in EUR having a variable interest rate (effective interest rate in 2007 4.79 %). Loan will be fully repaid in 2013.

8 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for 2008 and 2007 were as follows:

Calculation of weighted average for 2008	**Number of shares (thousand)**	**Par value (LTL)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2007	42,569	1	366/366	42,569
Shares issued as at 31 December 2008	42,569	1	-	42,569

Calculation of weighted average for 2007	**Number of shares (thousand)**	**Par value (LTL)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2006	45,008	1	365/365	45,008
28 September 2007	19,866	1	94/365	5,116
Shares annulled on 28 September 2007	(22,305)	1	94/365	(5,744)
Shares issued as at 31 December 2007	42,569	1	-	44,380

Diluted earnings per share in 2008 and 2007 equal to basic earnings per share.

The following table reflects the income and share data used in the basic earnings per share computations:

	2008	**2007**
Net (loss) profit (LTL thousand), attributable to the equity holders of the parent from continuing operations	(90,060)	76,976
Net (loss) profit (LTL thousand), attributable to the equity holders of the parent from discontinued operation	(494)	1,988
Net (loss) profit (LTL thousand), attributable to equity holders of the parent for basic earnings	(90,554)	78,964
Weighted average number of ordinary shares (thousand)	42,569	44,380
(Deficit) earnings per share (LTL)	(2.13)	1.78

9 Dividends per share

	2008	**2007**
Dividends approved (LTL thousand)	12,771	11,252
Number of ordinary shares at the date when dividends were declared (thousand)	42,569	45,008
Dividends per share (LTL)	0.30	0.25

10 Hotels

	2008	2007
Cost:		
Balance at the beginning of the year	-	53,558
Transfer to investment property	-	(612)
Fair value adjustment	-	11,685
Transfer*	-	(4,911)
Discontinued operations	-	(59,720)
Balance as the end of the year	-	-
Accumulated depreciation:		
Balance at the beginning of the year	-	3,737
Charge for the year	-	1,350
Transfer to investment property	-	(176)
Transfer*	-	(4,911)
Balance as the end of the year	-	-
Net book value	-	-

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued hotels asset.

Hotels assets were evaluated at fair value as at 31 December 2007, which has been determined based on the valuation performed by UAB OBER-HAUS Nekilnojamasis Turtas, an accredited independent valuer. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using Income approach method, which is based on the assumption that defined correlation between net activity future income and fair value of the object exists. Capitalisation rate used to determine fair value as at 31 December 2007 was 8–8.5 %.

As described in more details in Note 7, in 2007 the Group management has decided to sell the whole hotel management segment; therefore, the hotels asset were transferred to assets of disposal group classified as held-for-sale as at 31 December 2007.

As at 31 December 2007 hotels with the carrying value of LTL 59,720 thousand were pledged to the banks as collaterals for the loans (Note 24).

11 Other property, plant and equipment

Group	Buildings	Machinery and equipment	Vehicles	Construction in progress	Other property, plant and equipment	Total
Cost:						
Balance as at 31 December 2006	36,810	66,653	3,722	71,506	11,741	190,432
Additions	31	2,159	331	53,791	2,556	58,868
Acquisition of subsidiaries	-	25	12	-	33	70
Disposals and write-offs	(1,064)	(1,778)	(741)	-	(1,150)	(4,733)
Disposals of subsidiaries	(4,867)	(2,104)	(511)	-	(1,063)	(8,545)
Transfers between captions	2,498	(1,396)	(110)	(756)	(236)	-
Foreign currency exchange difference	(14)	-	(4)	-	(41)	(59)
Transfer to inventories	-	-	-	(105,333)	-	(105,333)
Reclassified to held-for-sale assets	-	(515)	(670)	-	(3,746)	(4,931)
Balance as at 31 December 2007	33,394	63,044	2,029	19,208	8,094	125,769
Additions	148	732	23	7,889	5,372	14,164
Acquisition of subsidiaries	-	-	-	-	15	15
Disposals and write-offs	(474)	(811)	(836)	-	(558)	(2,679)
Disposals of subsidiaries	(268)	(66)	(54)	-	(16)	(404)
Transfers between captions	932	178	-	(1,183)	73	-
Foreign currency exchange difference	-	-	(15)	-	(26)	(41)
Transfer to inventories	-	-	(115)	(14,434)	-	(14,549)
Transfer to/ from investment properties	4,595	-	-	-	(910)	3,685
Balance as at 31 December 2008	38,327	63,077	1,032	11,480	12,044	125,960
Accumulated depreciation:						
Balance as at 31 December 2006	7,440	28,045	1,397	-	6,101	42,983
Charge for the year	1,527	7,732	480	-	1,845	11,584
Disposals and write-offs	(247)	(975)	(425)	-	(786)	(2,433)
Disposals of subsidiaries	(748)	(1,359)	(296)	-	(563)	(2,966)
Transfers between captions	1,053	(950)	(62)	-	(41)	-
Foreign currency exchange difference	(4)	-	(1)	-	(3)	(8)
Reclassified to held-for-sale assets	-	(393)	(325)	-	(3,097)	(3,815)
Balance as at 31 December 2007	9,021	32,100	768	-	3,456	45,345
Charge for the year	1,502	6,351	224	-	1,789	9,866
Disposals and write-offs	(263)	(809)	(459)	-	(487)	(2,018)
Disposals of subsidiaries	(56)	(17)	(9)	-	(6)	(88)
Transfers between captions	4	9	-	-	(13)	-
Foreign currency exchange difference	-	-	(9)	-	(11)	(20)
Transfer to/ from investment properties	-	-	-	-	(158)	(158)
Balance as at 31 December 2008	10,208	37,634	515	-	4,570	52,927
Net book value as at 31 December 2008	**28,119**	**25,443**	**517**	**11,480**	**7,474**	**73,033**
Net book value as at 31 December 2007	**24,373**	**30,944**	**1,261**	**19,208**	**4,638**	**80,424**

11 Other property, plant and equipment (cont'd)

Company	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:			
Balance as at 31 December 2006	612	320	932
Additions	-	58	58
Balance as at 31 December 2007	612	378	990
Additions	-	73	73
Disposals and write-offs	(289)	(45)	(334)
Balance as at 31 December 2008	323	406	729
Accumulated depreciation:			
Balance as at 31 December 2006	171	131	302
Charge for the year	92	61	153
Balance as at 31 December 2007	263	192	455
Charge for the year	64	82	146
Disposals and write-offs	(138)	(45)	(183)
Balance as at 31 December 2008	189	229	418
Net book value as at 31 December 2008	**134**	**177**	**311**
Net book value as at 31 December 2007	**349**	**186**	**535**

The depreciation charge of the Group's and the Company's other property, plant and equipment for the year 2008 amounts to LTL 9,866 thousand and LTL 146 thousand, respectively (in the year 2007 LTL 11,584 thousand and LTL 153 thousand, respectively). Amounts of LTL 9,420 thousand and LTL 146 thousand for the year 2008 (LTL 11,218 thousand and LTL 153 thousand for the year 2007) have been included into operating expenses in the Group's and the Company's income statement, respectively. The remaining amounts have been included into balance of inventories in furniture production segment's companies (Note 17).

Property, plant and equipment of the Group with a net book value of LTL 49,895 thousand as at 31 December 2008 (LTL 62,204 thousand as at 31 December 2007) was pledged to the banks as a collateral for the loans (Note 24).

Borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset amounted to LTL 1,684 thousand for the year 2008 (LTL 3,258 thousand for the year 2007).

12 Investment properties

	2008	2007
Balance at the beginning of the year	**402,933**	**391,303**
Additions	5,834	58,505
Disposals	(43,404)	(75,455)
Disposals of subsidiaries	-	(2,790)
Transfer from hotels	-	436
Transfer from other property, plant and equipment	752	-
Transfer to other property, plant and equipment	(4,595)	-
Transfer to non-current assets held-for-sale	-	(18,553)
Gain from fair value adjustment	7,578	50,161
Loss from fair value adjustment	(42,226)	(674)
Balance at the end of the year	**326,872**	**402,933**

Investment properties of the Group include office buildings, warehouses, land and flats. The majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 17,327 thousand in 2008 (LTL 18,195 thousand in 2007). The direct operating expenses arising from investment properties that generated rental income during the year 2008 amounted to LTL 6,491 thousand (LTL 6,331 thousand in 2007).

Investment properties are stated at fair value, which has been determined based on the joint valuations performed by the accredited valuers: independent valuer UAB OBER-HAUS Nekilnojamasis Turtas and UAB Inreal (the Group company) as at 31 December 2008 and 2007. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using Sales comparison approach and Income approach methods. Income approach method is based on the assumption that defined correlation between net activity future income and fair value of the object exists. Capitalisation rate used to determine fair value as at 31 December 2008 was 10.1 % (as at 31 December 2007 was 9.65–10.9 %). Sales comparison approach method refers to the prices of the analogues transactions in the market. In case investment property value changed by 1 % that would have impact of LTL 3,268 thousand to the Group's income statement.

On 4 November 2008, AB Invaldos Nekilnojamojo Turto Fondas signed an agreement regarding sale of real estate objects located at Savanorių av. 28, Vilnius. Land plot (1.50 hectare), office building (12 thousand sq. meters) and industrial building (565 sq. meters) were sold for LTL 30,000 thousand (carrying amount was LTL 40,066 thousand).

In 2007 UAB INTF Investicija acquired investment property at Visorių str., Vilnius for LTL 22,051 thousand and UAB SAGO acquired investment property at Pylimo Str., Vilnius for LTL 23,000 thousand.

In 2007 three office buildings and two logistics centres in Vilnius and Kaunas were sold to Irish private investors owned company by AB Invaldos Nekilnojamojo Turto Fondas and UAB Naujoji Švara for LTL 78,852 thousand (carrying amount was LTL 66,397 thousand). These sold Group investment properties were leased back by AB Invaldos Nekilnojamojo Turto Fondas (Note 30).

In August 2007 AB Invaldos Nekilnojamojo Turto Fondas has signed the preliminary sales agreements of two investment properties at Vytenio str. and J. Jasinskio str. in Vilnius. These investment properties were evaluated at disposal price equal to LTL 18,553 thousand as at 31 December 2007 and were classified as investment properties classified as held-for-sale (Note 7). Final sales agreements were signed in February 2008.

As at 31 December 2008 investment properties with carrying amount of LTL 320,464 thousand (LTL 349,072 thousand as at 31 December 2007) were pledged to the banks as collateral for the loans (Note 24).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2008 and 2007. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end except as stated above.

13 Intangible assets

Group

	Goodwill	Contracts	Software	Other intangible assets	Total
Cost:					
Balance as at 31 December 2006	7,811	-	2,894	247	10,952
Additions	-	6,000	1,848	12	7,860
Acquisition of subsidiaries	-	10,694	5	-	10,699
Disposals and write-offs	-	-	(274)	(15)	(289)
Disposals of subsidiaries	(1,790)	-	(84)	-	(1,874)
Transfers between captions	-	-	1	(1)	-
Reclassified to held-for-sale assets	-	-	(737)	(165)	(902)
Foreign currency exchange difference	-	-	(1)	-	(1)
Balance as at 31 December 2007	6,021	16,694	3,652	78	26,445
Additions	-	-	1,281	6	1,287
Acquisition of subsidiaries	-	1,218	1	-	1,219
Disposals and write-offs	-	-	(446)	-	(446)
Disposals of subsidiaries	(1,127)	-	(2)	-	(1,129)
Foreign currency exchange difference	-	(1)	(1)	-	(2)
Balance as at 31 December 2008	4,894	17,911	4,485	84	27,374
Accumulated amortisation:					
Balance as at 31 December 2006	2,980	-	2,086	227	5,293
Charge for the year	-	-	480	15	495
Disposals and write-offs	-	-	(273)	(15)	(288)
Disposals of subsidiaries	(1,790)	-	(41)	-	(1,831)
Reclassified to held-for-sale assets	-	-	(605)	(165)	(770)
Balance as at 31 December 2007	1,190	-	1,647	62	2,899
Charge for the year	-	2,497	397	6	2,900
Disposals and write-offs	-	-	(443)	-	(443)
Disposals of subsidiaries	(350)	-	(1)	-	(351)
Impairment	4,054	-	-	-	4,054
Balance as at 31 December 2008	4,894	2,497	1,600	68	9,059
Net book value as at 31 December 2008	**-**	**15,414**	**2,885**	**16**	**18,315**
Net book value as at 31 December 2007	**4,831**	**16,694**	**2,005**	**16**	**23,546**

13 Intangible assets (cont'd)

Company	**Software**	**Other intangible assets**	**Total**
Cost:			
Balance as at 31 December 2006	15	2	17
Additions	7	-	7
Balance as at 31 December 2007	22	2	24
Additions	-	-	-
Balance as at 31 December 2008	22	2	24
Accumulated amortisation:			
Balance as at 31 December 2006	7	2	9
Charge for the year	5	-	5
Balance as at 31 December 2007	12	2	14
Charge for the year	5	-	5
Balance as at 31 December 2008	17	2	19
Net book value as at 31 December 2008	**5**	**-**	**5**
Net book value as at 31 December 2007	**10**	**-**	**10**

The Group and the Company have no internally generated intangible assets.

14 Impairment testing of goodwill

The goodwill acquired through business combinations of five companies has been allocated to two cash-generating units for impairment testing. As of 31 December 2007 LTL 1,176 thousand were allocated to financial mediation cash-generating unit, LTL 3,655 thousand were allocated to real estate cash-generating unit. In 2007 the recoverable amount of each unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Group management covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 10 % and cash flows beyond the 5-year period are extrapolated using 3 % growth rate, which reflects the expected average rate of economic growth. As at 31 December 2007 there were no other indications of goodwill impairment.

In 2008 due to incurred losses in real estate and financial mediation segments goodwill amounting to LTL 4,054 thousand was impaired and related expenses were recognised in the income statement.

15 Investments

	Group		**Company**	
	2008	**2007**	**2008**	**2007**
Available-for-sale				
Ordinary shares – quoted	956	2,581	-	-
Ordinary shares – unquoted	2,669	2,454	1,817	1,821
Investment funds	370	885	-	-
	3,995	5,920	1,817	1,821
Held-for-trade				
Ordinary shares	25,747	21,925	3,612	-
Bonds	198	1,061	-	-
Investment funds	518	1,220	-	-
	26,463	24,206	3,612	-

The fair value of the quoted ordinary shares is determined by reference to published price quotations in the active market. For securities, where market value does not represent fair value the Group uses valuation models.

16 Loans granted

The Group's and the Company's loans granted are described below:

	Group 2008	Group 2007	Company 2008	Company 2007
Loans granted to third parties	24,116	22,033	3,043	6,724
Repurchasing agreements	5,999	41,843	-	-
Loans granted to related parties	61,386	33,813	175,297	125,191
	91,501	97,689	178,340	131,915
Less: long-term loans	(7,978)	(16,962)	(27,656)	(21,961)
Less: impaired	(25,513)	(2,750)	(30,102)	(1,200)
	58,010	77,977	120,582	108,754

As at 31 December 2008 and 2007 the Group and the Company had loans granted to third parties and repurchasing agreement with the maturity term till 2009. The annual interest rate of loans granted to third parties and repurchasing agreements is fixed and varies from 7 % to 18 %. Loans granted for related parties are disclosed in more details in Note 31.

As at 31 December 2008 the Group's and the Company's loans granted at nominal value of LTL 46,447 thousand and LTL 77,786 thousand, respectively, were impaired (as at 31 December 2007 LTL 3,485 thousand and LTL 1,935 thousand, respectively). The net amounts of LTL 20,934 thousand and LTL 47,684 thousand, respectively, are outstanding in the balance sheet of the Group and the Company (LTL 735 thousand in 2007).

Movements in the allowance for impairment of granted loans (assessed individually) were as follows:

	Individually impaired Group	Individually impaired Company
Balance as at 31 December 2006	-	-
Charge for the year	2,750	1,200
Balance as at 31 December 2007	2,750	1,200
Charge for the year	27,052	28,918
Disposals of subsidiaries	(1,539)	-
Write-offs charged against the allowance	(2,108)	(16)
Recoveries of amounts previously written-off	(642)	-
Balance as at 31 December 2008	25,513	30,102

Changes in allowance for doubtful loans granted for the year 2008 and 2007 have been included into impairment and allowance caption in the income statement (Note 5.2.).

The ageing analysis of loans granted of the Group as at 31 December 2008 and 2007 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired: Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2008	42,583	540	484	380	1,067	45,054
2007	89,909	2,180	533	998	584	94,204

The ageing analysis of loans granted of the Company as at 31 December 2008 and 2007 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired: Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2008	98,502	35	1,142	230	645	100,554
2007	129,876	-	-	-	104	129,980

16 Loans granted (cont'd)

The fair value of collaterals received as at 31 December 2008 and 2007 by the Group and the Company for loans granted:

	Group		Company	
	2008	2007	2008	2007
Received collaterals which can be re-pledged or sold, total	7,202	180,070	-	-
Out of total re-pledged or sold collaterals	2,225	69,143	-	-

17 Inventories

	Group	
	2008	2007
Raw materials	9,343	10,772
Work in progress	2,177	2,746
Finished goods	3,507	1,497
Residential real estate	50,791	105,333
Goods for resale	864	150
	66,682	120,498
Less: net realisable value allowance	(2,731)	(548)
	63,951	119,950

The acquisition cost of the Group's inventories accounted for at net realisable value as at 31 December 2008 amounted to LTL 22,534 thousand (LTL 7,575 thousand as at 31 December 2007). Changes in the allowance for inventories for the years 2008 and 2007 have been included into impairment and allowance caption in the income statement (Note 5.2.).

As at 31 December 2008 and 2007 the Group has transferred the constructed for sale apartments, which are in the selling process from other property plant and equipment (Note 11). The advance payments received for these apartments as at 31 December 2008 amounted to LTL 449 thousand (as at 31 December 2007 LTL 26,632 thousand). The Group expects to realise these apartments within the year. As of 31 December 2008 net realisable value allowance, amounting to LTL 2,025 thousand, was recognised for apartments.

As disclosed in Note 24, inventories of the Group with the carrying value of LTL 59,428 thousand as at 31 December 2008 (LTL 114,333 thousand as at 31 December 2007) were pledged to banks as collateral for the loans.

18 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
Trade and other receivables, gross	23,538	22,228	822	239
Taxes receivable, gross	2,702	5,527	-	-
Less: allowance for doubtful trade and other receivables	(807)	(390)	-	-
	25,433	27,365	822	239

Changes in allowance for doubtful trade and other receivables for the year 2008 and 2007 have been included into impairment and allowance caption in the income statement (Note 5.2.).

Trade and other receivables are non-interest bearing and are generally on 10–60 days terms.

Receivables from subsidiaries in more details are described in Note 31.

18 Trade and other receivables (cont'd)

Movements in the allowance for accounts receivable of the Group (assessed individually) were as follows:

	Individually impaired
Balance as at 31 December 2006	1,529
Charge for the year	627
Write-offs charged against the allowance	(1,293)
Disposals of subsidiaries	(425)
Recoveries of amounts previously written-off	(48)
Balance as at 31 December 2007	390
Charge for the year	586
Write-offs charged against the allowance	(36)
Disposals of subsidiaries	(94)
Recoveries of amounts previously written-off	(39)
Balance as at 31 December 2008	807

The Company did not have the allowance for impairment of receivables in 2008 and 2007.

The ageing analysis of trade and other receivables of the Group as at 31 December 2008 and 2007 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2008	19,140	1,486	1,406	326	233	22,591
2007	18,905	1,277	826	618	182	21,808

The ageing analysis of trade and other receivables of the Company as at 31 December 2008 and 2007 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2008	822	-	-	-	-	822
2007	230	-	9	-	-	239

Credit quality of financial assets neither past due nor impaired

With respect to trade and other receivables that are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group and the Company trades only with recognised, creditworthy third parties.

19 Prepayments and deferred charges

As at 31 December 2007 the Group company AB Finasta Įmonių Finansai had LTL 20,000 thousand prepayment for the establishment of a bank. The bank was established on 2 January 2008.

20 Cash and cash equivalents

	Group		Company	
	2008	**2007**	**2008**	**2007**
Cash at bank	17,878	4,170	12	30
Cash on hand	339	78	-	-
Cash at bank and short-term deposits attributable to disposal group (Note 7)	-	1,858	-	-
	18,217	6,106	12	30

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 December 2008 of the Group and the Company is LTL 18,217 thousand and LTL 12 thousand, respectively (LTL 6,106 thousand and LTL 30 thousand, respectively, as at 31 December 2007).

The Group's foreign and local currency accounts in banks amounting to LTL 1,496 thousand as at 31 December 2008 (LTL 653 thousand as at 31 December 2007) are pledged to the banks as collateral in relation to the loan (Note 24).

21 Restricted cash

Major part of restricted cash amounting to LTL 13,490 thousand as of 31 December 2008 represents the balance of cash received by the Group company AB Invaldos Nekilnojamojo Turto Fondas for sold investment properties which were pledged to Nordea Bank Finland Plc Lithuania Branch. The subsidiary has no ability to use these funds except for repayment of loan and payment of interest. Until issue of these financial statements major part of the above mentioned amount was settled as repayment of loan. The remaining amount will be deposited to secure variation in future cash flows.

The remaining amount of restricted cash represent frozen cash in UAB Medicinos Bankas and other banks deposited to secure future interest payments of various Group companies.

22 Share capital

On 28 September 2007 during the merger of the Company and AB Nenuorama 22,305,587 ordinary shares of the Company were annulled and 19,866,060 ordinary shares with par value of LTL 1 each were issued. After that the share capital of the Company was decreased to LTL 42,568,849. The newly issued Company's shares were exchanged for LTL 19.67 each and the difference between proceeds and par value of shares amounting to LTL 370,899 thousand was accounted for as share premium. Subsequently, the same share premium was decreased by following annulment of shares.

The newly issued Company's shares were exchanged to AB Nenuorama shares owned by Mr. Darius Šulnis, Mr. Alvydas Banys, Mr. Algirdas Bučas, Mr. Vytautas Bučas, Mr. Dailius Juozapas Mišeikis, Mrs. Daiva Banienė and UAB Lucrum Investicija according to the reorganisation conditions. Assets and liabilities, taken over from AB Nenuorama, were recognised at fair value in the Company's financial statements. AB Nenuorama owned 22,305,587 shares of the Company were annulled,. The loss of LTL 40,141 thousand has been recognised in equity due to this transaction.

23 Reserves

Group	Revaluation reserve	Fair value reserve	Legal reserve	Own shares reserve	Translation reserve	Total
As at 31 December 2006	**18,391**	**3,432**	**6,860**	**-**	**(48)**	**28,635**
Revaluation of land and buildings	11,685	-	-	-	-	11,685
Tax effect of revaluation of land and buildings	(1,752)	-	-	-	-	(1,752)
Depreciation transfer	(492)	-	-	-	-	(492)
Discontinued operations	(32,744)	-	(245)	-	-	(32,989)
Tax effect of discontinued operations	4,912	-	-	-	-	4,912
Currency translation differences	-	-	-	-	(25)	(25)
Net unrealised gains on available-for-sale investments	-	3,095	-	-	-	3,095
Net realised gains on available-for-sale investments reclassified to the income statement	-	(6,618)	-	-	-	(6,618)
Tax effect of net gains on available-for-sale investments	-	643	-	-	-	643
Transfer to reserves	-	-	185	34,500	-	34,685
As at 31 December 2007	**-**	**552**	**6,800**	**34,500**	**(73)**	**41,779**
Currency translation differences	-	-	-	-	(220)	(220)
Net unrealised loss on available-for-sale investments	-	(2,428)	-	-	-	(2,428)
Net realised loss on available-for-sale investments reclassified to the income statement	-	200	-	-	-	200
Tax effect of net loss on available-for-sale investments	-	362	-	-	-	362
Net gain (loss) on cash flow hedge	-	(308)	-	-	-	(308)
Tax effect on cash flow hedge	-	46	-	-	-	46
Transfer to reserves	-	-	21	34,626	-	34,647
As at 31 December 2008	**-**	**(1,576)**	**6,821**	**69,126**	**(293)**	**74,078**

Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries.

Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

Fair value reserves

Fair value reserves comprise changes in fair value of available-for-sale investments and cash flow hedge.

23 Reserves (cont'd)

Revaluation reserve

Revaluation reserve reflects the result of the revaluation of the hotels' assets.

Other reserves

Other reserves of the Group comprise the legal reserve and own shares reserve. Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses. Own shares reserve is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations.

24 Borrowings

	Group		Company	
	2008	**2007**	**2008**	**2007**
Non-current:				
Non-current bank borrowings	17,255	265,391	-	60,193
Other borrowings	5,857	5,004	5,857	-
Borrowings from related parties	507	-	507	18,396
	23,619	270,395	6,364	78,589
Current:				
Current portion of non-current borrowings	314,561	134,830	105,653	-
Current portion of non-current borrowings from related parties	-	-	-	1,350
Current bank borrowings	102,311	112,288	77,698	64,500
Other borrowings	59,669	59,218	24,956	39,028
Borrowings from related parties	14,607	15,315	70,279	40,716
Non-bank deposits	32,732	-	-	-
	523,880	321,651	278,586	145,594
Total borrowings	547,499	592,046	284,950	224,183

The significant amounts of the Company's borrowings are from related parties. Please refer to Note 31 for more details.

Borrowings at the end of the year in local and foreign currencies expressed in LTL were as follows:

	Group		Company	
Borrowings denominated in:	**2008**	**2007**	**2008**	**2007**
EUR	363,407	412,842	131,865	93,844
LTL	170,726	179,204	153,085	130,339
USD	848	-	-	-
Other currencies	12,518	-	-	-
	547,499	592,046	284,950	224,183

24 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Property, plant and equipment	49,895	62,204	-	-
Investments held-for-trade	3,692	-	3,612	-
Investments into subsidiaries and associates	256,402	-	302,742	121,489
Investment properties	320,464	349,072	-	-
Inventories	59,428	114,333	-	-
Cash	1,496	653	-	-
Other current assets	1,728	-	-	-
Trade receivables	1,000	7,774	-	-
Assets held-for-sale	-	5,784	-	-
Hotels (discontinued operations)	-	59,720	-	-

Weighted average effective interest rates of borrowings outstanding at the year-end:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Borrowings	6.93 %	5.90 %	7.90 %	6.28 %

As of 31 December 2008 the Company and its subsidiaries have not complied with certain bank loan covenants:

AB Invalda – debt and pledged assets ratio;
AB Invaldos Nekilnojamojo Turto Fondas – debt service coverage ratio and loan to EBITDA ratio;
UAB INTF Investicija – equity ratio and debt service coverage ratio;
UAB Naujoji Švara – debt and pledged assets ratio;
UAB SAGO – debt and pledged assets ratio and equity ratio;
UAB Dizaino Institutas – debt service coverage ratio;
UAB Saulės Investicija – debt and pledged assets ratio; as well as equity should be positive;
UAB Broner – equity should be positive.

In addition during 2008 the Group companies UAB Invalda Nekilnojamojo Turto Valdymas, UAB Invalda Construction Management and UAB VIPC Klaipėda defaulted in repayment of loan and payment of interest. In January 2009 UAB Invalda Nekilnojamojo Turto Valdymas has renegotiated the repayment terms and conditions of the above mentioned loan. UAB Invalda Construction Management has repaid all the loan due prior to the year end. In February 2009 UAB VIPC Klaipėda has renegotiated the repayment terms and conditions of the above mentioned loan.

Subsequent to the year end some Group companies also defaulted in repayment of loan and payment of interest. The management of the Group actively negotiates with the banks regarding the rescheduling of loan repayments, as described in Note 32.

The Company and its subsidiaries did not receive wavers from the lenders before the balance sheet date that they would not demand earlier loan repayment, however any notice on premature loan repayment was not received either. Therefore the loans were classified as current as of 31 December 2008.

25 Finance lease

The assets leased by the Group under finance lease contracts consist of investment properties, machinery and equipment, vehicles and other fixtures, fittings, tools and equipment. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The terms of financial lease are from 34 to 60 months. The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group	
	2008	**2007**
Investment properties	-	12,600
Machinery and equipment	199	254
Other fixtures, fittings, tools and equipment	187	-
Vehicles	138	168
	524	13,022

All financial lease payables at the year end of 2008 and 2007 are denominated in EUR.

As at 31 December 2008 and 2007 the interest rate on the financial lease liabilities in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin varying from 1.2 % to 2 %.

Future minimal lease payments under the above mentioned financial lease contracts as at 31 December 2008 are as follows:

	Group	
	2008	**2007**
Within one year	226	6,211
From one to five years	209	244
Total financial lease obligations	435	6,455
Interest	(27)	(123)
Present value of financial lease obligations	408	6,332
Financial lease obligations are accounted for as:		
- current	206	6,102
- non-current	202	230

26 Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 31.

27 Cash flow hedge

	Group	
	2008	**2007**
Non-current financial liabilities – interest rate swaps (effective hedges)	(219)	-
Current financial liabilities – interest rate swaps (effective hedges)	(89)	-
	(308)	-

As at 31 December 2008 the Group company UAB Naujoji Švara had an interest rate swap agreement in place with a notional amount outstanding of EUR 1,808 thousand (equivalent of LTL 6,241 thousand) whereby the Group receives a variable rate equal to 3-month EURIBOR and pays a fixed rate of 4.78 %. The swap is being used to hedge the exposure to the changes in the variable interest rate of UAB Naujoji Švara loan received from Nordea Bank Finland Plc Lithuania Branch.

The cash flow hedges of the expected loans repayments were assessed to be highly effective and a net unrealised loss of LTL 308 thousand with current tax assets of LTL 46 thousand relating to the hedging instrument is included in the Group equity. The fair value loss of LTL 262 thousand deferred in equity in 2008 is expected to be released to the consolidated income statement in period between February 2009 – August 2011 on a quarterly basis when loans repayments are expected to occur.

28 Other liabilities

Other non-current liabilities

On 1 December 2008 non-public convertible bonds issues of LTL 25,000 thousand and 50,000 thousand were signed. The issues were redeemed by persons, related with shareholders of the Company.

The main characteristics of convertible bonds:
- annual interest rate: 9.9 %;
- redemption day 1 July 2010;
- the bonds can be converted to the Company's shares. One bond with par value of LTL 100 has an option to be converted to ordinary shares at ratio 5.5 (one bond would be converted into 18.18 shares approximately, final result would be rounded by arithmetical rules). More information about non-public convertible bonds issues was provided in the decisions of the General Meeting of shareholders announced by the Company on 14 November 2008.

The liabilities of LTL 75,631 thousand arising from these bonds are shown in other non-current liabilities.

Also, there is shown a liability from the Group's and the Company's continuing involvement into AB Sanitas shares amounting to LTL 24,046 thousand and LTL 20,196 thousand, respectively, as described in Note 3.

In 2007 there the Group has shown non-current payable after business combination.

Other current liabilities

	Group		Company	
	2008	**2007**	**2008**	**2007**
Salaries and social security payable	4,539	5,199	281	144
Dividends payable	4,178	2,929	2,266	1,778
Payable after business combination	2,998	2,720	-	-
Tax payable	1,021	1,006	5	-
Payable to minority shareholders after AB Nenuorama merger	-	117,808	-	117,808
Other amounts payable	2,628	1,028	149	173
	15,364	130,690	2,701	119,903

During 2008 there were repaid debts to major shareholders of LTL 123,252 thousand, which occurred after merger with AB Nenuorama. Due to this, other current liabilities have decreased.

29 Financial assets and liabilities and risk management

The Group's and the Company's principal financial liabilities comprise loans and overdrafts, bonds, finance leases, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group and the Company have various financial assets such as trade and other receivables, granted loans, securities and cash which arise directly from its operations.

The Group and the Company also enter or may enter into derivative transactions, such as interest rate swaps and forward currency contracts. The purpose of them is to manage the interest rate and currency risks arising from the operations and its sources of finance. The Company has not used any of derivative instruments so far, as management considered that there is no demand for them. As described in Note 27 the Group uses interest rate swap contracts to manage its cash flows.

The Group is being managed the way so its main businesses would be separated from each other. This is to diversify the activity risk and create conditions for selling any business avoiding any risk for the Company.

The Company implemented policy related to non provision of any guarantee or surety for the Group's companies. The Group's companies do not provide any guarantees one against another.

The main risks arising from the financial instruments are cash flow, interest rate risk, liquidity risk, foreign currency risk and credit risk. The risks are identified and disclosed below.

Credit risk

The Group estimates the credit risk separately by the segments. The sole furniture production segment has significant concentration of trading counterparties. The main customer of AB Vilniaus Baldai on 31 December 2008 accounts for approximately 41 % (41 % as at 31 December 2007) of the total Group's trade receivables.

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables, which are not overdue and not impaired, due to constant control of the Group for receivable balances. Also, in 2008 due to worsening of worldwide and Lithuanian economical conditions a decrease in real estate prices was noted. This factor had an impact to some related parties of the Group and Company which had significant investments into real estate. As it is further described in Note 16, this had impact to significant increase in impairment level of loans granted by the Group and the Company.

The Group and the Company trade only with recognised, creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances of subsidiary companies are monitored on a monthly basis. The maximum exposure to credit risk is disclosed in Notes 16 and 18. There are no significant transactions of the Group or the Company that do not occur in the country of the relevant operating unit. In financial sector most receivable amounts are guaranteed by listed securities received from repurchase transactions.

With respect to credit risk arising from other financial assets of the Group and the Company, which comprise financial assets held-for-sale, other receivables and cash and cash equivalents, the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest rate risk

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the non-current debt obligations with floating interest rates. Current environment is not attractive to target fixed interest rates (fixed interest rate is significantly higher than the float, and due to the volatility in the market fixed interest rates are offered for short period of time only). In real estate sector some credits are associated with the projects which last 2–3 years, therefore, the risk related to increase of the interest rate cannot be considered as high. A fixed interest rate is applicable to current obligations related to repurchase agreements (3–6 months duration).

To manage the interest rate risk the Group company UAB Naujoji Švara entered into interest rate swap, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge loan from banks Nordea Finland Plc Lithuania Branch (Note 27). The Group and the Company is ready to enter into other interest rate swap agreements if this allows to further mitigate risk.

29 Financial assets and liabilities and risk management (cont'd)

Interest rate risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity, other than current year profit impact.

	Increase/decrease in basis points	Group	Company
		Effect on profit before tax	
2008			
EUR	+ 100	(3,419)	1,057
LTL	+ 100	(121)	-
EUR	- 200	6,837	2,113
LTL	- 200	242	-
2007			
EUR	+ 100	(3,804)	(600)
LTL	+ 100	(246)	-
EUR	- 200	7,608	1,200
LTL	- 200	492	-

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The liquidity risk of the Group and the Company is controlled on an overall Group. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity management is to meet daily needs for funds. Each business segment is independently planning its internal cash flows. A more intense liquidity management is performed in the financial sector in which the liquidity is monitored on a daily basis. Short-term liquidity for the Group and the Company is controlled through weekly monitoring of the liquidity status and needs of funds according to the Group's business segments.

Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Group and the Company evaluate the possibilities to attract needed funds. On a monthly basis the business segments report to the Company the forecasted cash inflows and outflows for a future one year period which allows planning the Group's financing effectively. The general rule is applied in the Group to finance the Group companies or to take loans from them through the parent company in order to minimise the presence of direct borrowings between the companies of different business segments.

29 Financial assets and liabilities and risk management (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2008 and 2007 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	-	243,943	137,293	218,056	65,590	664,882
Finance lease obligations	-	56	170	209	-	435
Trade and other payables	-	28,354	257	-	-	28,611
Derivative financial instruments and hedge agreements	-	6	83	219	-	308
Other liabilities	4,178	3,864	1,810	24,046	-	33,898
Balance as at 31 December 2008	**4,178**	**276,223**	**139,613**	**242,530**	**65,590**	**728,134**
Interest bearing loans	-	158,273	184,800	223,377	90,472	656,922
Finance lease obligations	-	5,647	564	244	-	6,455
Trade and other payables	1,267	22,438	2,466	-	-	26,171
Other liabilities	2,929	98,392	29,018	1,408	-	131,747
Balance as at 31 December 2007	**4,196**	**284,750**	**216,848**	**225,029**	**90,472**	**821,295**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2008 and 2007 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	-	108,908	35,384	181,513	-	325,805
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	1,833	-	-	-	1,833
Other current liabilities	2,266	121	28	20,196	-	22,611
Balance as at 31 December 2008	**2,266**	**110,862**	**35,412**	**201,709**	**-**	**350,249**
Interest bearing loans	7,236	94,801	51,489	70,636	17,063	241,225
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	22	868	-	-	890
Other current liabilities	1,778	97,649	25,987	-	-	125,414
Balance as at 31 December 2007	**9,014**	**192,472**	**78,344**	**70,636**	**17,063**	**367,529**

As described in Note 2.2 some of the Group's companies did not comply with loans covenants and accordingly such loans were classified as current in balance sheet of the Group and the Company as of 31 December 2008. However, the banks have not demanded for early repayment of these loans. Accordingly, in tables above the non-compliant loans were presented according to their actual maturity terms agreed in agreements. In case loans, where non-compliance with covenants was noted are shown as payable on demand, the on demand caption of the Group and the Company would increase and "1 to 5 years" caption would decrease by LTL 160,777 thousand and LTL 85,000 thousand respectively.

The numbers presented in the tables above are based on the appropriate agreements' conditions being valid as at 31 December 2008 and 2007. The Group's liquidity ratio ((total current assets plus assets of disposal group classified as held-for-sale) / total current liabilities plus liabilities of disposal group directly associated with the assets classified as held-for-sale) as at 31 December 2008 was approximately 0.37 (0.62 as at 31 December 2007), the quick ratio ((total current assets – inventories) / total current liabilities) – 0.26 (0.30 as at 31 December 2007). The Company's liquidity ratio as at 31 December 2008 was approximately 0.44 (0.45 as at 31 December 2007). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes active actions to improve the situation. The management of the Company has prepared a plan of the Group's and the Company's operations for 2009, where less aggressive investment targets are forecasted and there are plans to dispose of some of the assets. Some investments have been already sold during the year 2009 until the date of the authorisation for issue of these financial statements, e.g. AB Sanitas shares, signed agreement for disposal of investments into Finasta group (Note 32). The Group will continue selling residential real estate in 2009 – cash proceeds will be allocated to reduction of remaining liabilities.

29 Financial assets and liabilities and risk management (cont'd)

Liquidity risk (cont'd)

As described in Note 32, in January 2009 the Company received an amount of LTL 78 million for part of AB Sanitas shares sold. During the first quarter 2009 the Group and the Company reduced their liabilities by LTL 73 million and LTL 78 million, respectively.

In addition, the Group's and the Company's management expects disposing of other non-current assets of the Group and the Company during the year 2009 if reasonable price is proposed, as the Group and the Company always have the assets (the investments, the real estate objects) which are ready and available-for-sale. Proceeds from such sales would be used for settlement of the Group's and the Company's liabilities. However, there are no firm decisions taken yet other than those as disclosed in these financial statements.

Also, the Group's and the Company's management works closely together with the banks in order to reschedule settlements of the Group's and the Company's liabilities based on expected cash flows and believes that agreement with banks will be reached regarding rescheduling of loans' repayment terms. As discussed in Note 32 subsequent to the year-end the Company and AB DnB NORD Bankas have signed an amendment to loan agreement according to which loan repayment terms were rescheduled and some changes implemented in covenants area.

Taking into account the above facts the management of the Group and the Company concludes that the Group's and the Company's liquidity situation is and will be adequately managed.

Foreign exchange risk

As a result of operations in Lithuania, Latvia and Ukraine, the Group's balance sheet can be affected by movements in the reporting currencies' exchange rates. The Group's and the Company's policy is related to matching of money inflows from the most probable potential sales with purchases by each foreign currency. The Group and the Company do not apply any financial means allowing to hedge foreign currency risks, because these risks can be considered as insignificant.

The foreign currency risk at the Group and the Company is not large, taking into consideration that most monetary assets and obligations are indicated by each separate company's functional currency or euro. In Lithuania and in Latvia the Euro is pegged to Litas and Lat accordingly, therefore, there are no fluctuations between these currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2008			
LVL/LTL	+1 %	3	(4)
UAH/LTL	+10 %	(15)	(15)
SEK/LTL	+10 %	(94)	-
USD/LTL	+10 %	7	-
LVL/LTL	-1 %	(3)	4
UAH/LTL	-10 %	15	15
SEK/LTL	-10 %	94	-
USD/LTL	-10 %	(7)	-
2007			
LVL/LTL	+1 %	14	10
UAH/LTL	+10 %	(85)	(86)
SEK/LTL	+10 %	(128)	-
RUB/EUR	+10 %	(140)	-
LVL/LTL	-1 %	(14)	(10)
UAH/LTL	-10 %	85	86
SEK/LTL	-10 %	128	-
RUB/EUR	-10 %	140	-

29 Financial assets and liabilities and risk management (cont'd)

Fair value of financial instruments

The Group's and the Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amount of the financial assets and financial liabilities of the Group and the Company as at 31 December 2008 and 2007 approximated their book value.

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and current borrowings approximates to their fair value.
(b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates to their carrying amounts.

For securities, where market value does not represent fair value the Group uses a valuation model, which is mainly dependent on the following factors: forecasted income, income growth rate, perpetuity growth, discount rate. As of 31 December 2008 the Group applied the following assumptions in determining fair value of available-for sale security: cash flow forecasted for 5 years, income growth rates applied in forecast 0–10 %, perpetuity rate – 2 %, discount rate – 12.6 %.

Capital management

The primary objective of the capital management is to ensure that the Group and the Company maintain a strong credit health and healthy capital ratios in order to support its business and maximise shareholder value. The Company‘s management supervises the companies so that they would be in accordance with requirements applied to the capital, specified in the appropriate legal acts and credit agreements, as well as provide the Group's management with necessary information.

The Group‘s and the Company‘s capital comprise share capital, share premium, reserves and retained earnings.
The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2008 and 2007.

The Company is obliged to upkeep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. Latvian laws require that companies‘ authorised capital not to be negative. Due to significant changes in investment property prices and turmoil in financial markets as of 31 December 2008 the following subsidiaries did not comply with the above mentioned requirements: UAB Invalda Nekilnojamojo Turto Valdymas, UAB Inreal, UAB Invalda Construction Management, UAB PVP Nida, UAB Nerijos Būstas, UAB Saulės Investicija, UAB Riešės Investicija, UAB SAGO, UAB BNN, SIA Inreal, AB FMĮ Finasta, UAB Finasta Rizikos Valdymas, UAB Finansų Spektro Investicija and UAB Kelio Ženklai. If subsidiaries, based on results of the current year, violate requirements required by laws, according to the order and terms provided for in laws the Company shall apply the appropriate means so that the aforementioned requirements to capital would be met. It is expected that after the issuance of annual financial statements appropriate measures will be taken in order to increase share capitals of the above mentioned companies by loan capitalisation means.

The Group's joint venture SIA DOMMO GRUPA as of 31 December 2008 has also not complied with capital adequacy ratio and in the independent auditor's report on 2008 consolidated financial statements of joint venture SIA DOMMO GRUPA auditors besides other issues included emphasis of matter paragraph regarding the going concern matter of this joint venture.

29 Financial assets and liabilities and risk management (cont'd)

Capital management (cont'd)

The Company's subsidiaries AB FMĮ Finasta and UAB Invalda Turto Valdymas (former UAB Finasta Investicijų Valdymas), are managing their capital and all relevant risks in accordance with the normative acts and resolutions of the Securities Commission of the Republic of Lithuania. AB Bankas Finasta has to comply with requirements set by the Bank of Lithuania and other legislation applicable to commercial banks that operate in the Republic of Lithuania. Internally there was approved a common risk level – to which extent the minimal capital adequacy requirement would not be violated and there would not be a real threat of its violation. AB FMĮ Finasta and UAB Invalda Turto Valdymas ensure that the capital adequacy ratio calculated according to Securities Commission's requirements would be at least 1.1. AB Bankas Finasta capital adequacy ratio should be higher than 8 % of risk-weighted assets. The capital adequacy ratios in these subsidiaries were:

	2008	**2007**
AB FMĮ Finasta	1.47	4.94
UAB Invalda Turto Valdymas (former UAB Finasta Investicijų Valdymas)	2.23	9.40
AB Bankas Finasta (established in 2008)	33.92	-

Besides, some Group subsidiaries have obligations arising out of credit agreements concluded with banks, including capital. For the purpose of ensuring of bank credits it is required that the ratio of equity plus subordinated borrowings divided by total assets would be not less than specified in the appropriate agreements. Some banks, when calculating this ratio do not include in equity the revaluation reserve. Depending on risks related to projects and activities under development the ratio amount required by banks is 0.14–0.4. The Company, when subordinating credits, seeks to ensure that this ratio would be obeyed by the appropriate subsidiaries.

30 Commitments and contingencies

Operating lease commitments – Group as a lessee

The Group and the Company concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

The majority of the Group's operating lease expenses include investment properties lease after the sale of investment property in 2007 (Note 12). The Group's company AB Invaldos Nekilnojamojo Turto Fondas concluded the operating lease back agreement with an Irish private investor for the sold Group investment properties. Lease payments and the sale price of the investment properties are accounted for at fair value, therefore the profit of this transaction was recognised immediately at the transaction date. Operating lease back term – 10 years, but the agreement might be unilaterally terminated by the parties. AB Invaldos Nekilnojamojo Turto Fondas paid a one time deposit in the amount of LTL 2,848 thousand corresponding to the 6 months amount of the lease fee which will be set-off against the last part of lease fee at the termination of the lease. In 2008 and 2007, the lease expenses for investment properties lease of the Group amounted to LTL 5,888 thousand and LTL 1,899 thousand, respectively. In 2008, other asset lease expenses of the Group and the Company amounted to LTL 3,024 thousand and LTL 408 thousand, respectively (LTL 2,013 thousand and LTL 317 thousand, respectively, in 2007).

30 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessee (cont'd)

Future lease payments according to the signed operating lease contracts are as follows:

		Group		Company	
		2008	2007	2008	2007
Within one year					
	- investment properties lease	5,735	5,705	-	-
	- other lease	4,298	1,359	381	293
		10,033	7,064	381	293
From one to five years					
	- investment properties lease	23,210	23,125	-	-
	- other lease	11,775	1,528	545	712
		34,985	24,653	545	712
After five years					
	- investment properties lease	21,340	27,160	-	-
	- other lease	6,352	-	-	-
		27,692	27,160	-	-
		72,710	**58,877**	**926**	**1,005**
Denominated in:					
- EUR		54,350	56,038	268	-
- LTL		18,306	2,588	658	1,005
- Other currencies		54	251	-	-

Operating lease commitments – Group as a lessor

The Group companies AB Invaldos Nekilnojamojo Turto Fondas, UAB Naujoji Švara, UAB IBC Logistika, UAB Saistas, UAB Ineturas, and UAB Dizaino Institutas have entered into commercial property leases of the Group's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 1 and 11 years.

Future rentals receivable under non-cancellable and cancellable operating leases as at 31 December are as follows:

		2008	2007
Within one year			
	- non-cancellable	6,787	2,981
	- cancellable	4,832	7,402
		11,619	10,383
From one to five years			
	- non-cancellable	4,386	4,495
	- cancellable	6,488	8,659
		10,874	13,154
After five years			
	- non-cancellable	296	687
	- cancellable	1,469	4,028
		1,765	4,715
		24,258	**28,252**

30 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessor (cont'd)

Future rentals receivable under non-cancellable and cancellable operating subleases as at 31 December are as follows:

		2008	2007
Within one year			
	- non-cancellable	3,526	4,445
	- cancellable	1,870	1,524
		5,396	5,969
From one to five years			
	- non-cancellable	8,897	11,045
	- cancellable	6,247	3,659
		15,144	14,704
After five years			
	- non-cancellable	1,646	3,535
	- cancellable	2,779	2,544
		4,425	6,079
		24,965	**26,752**

For the cancellable lease and sublease agreements, tenants must notify the administrator 3–6 months in advance if they wish to cancel the rent agreement and have to pay 3–12 months rent fee penalty for the cancellation accordingly. According to non-cancellable lease and sublease agreements tenants must pay the penalty equal to rentals receivable during the whole remaining lease period.

Part of leases and subleases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Acquisition of AB Agrowill Group shares

On 21 July 2008 the shareholders of associated company AB Agrowill Group took a decision to increase the share capital from LTL 26,143 thousand to LTL 30,778 thousand by issuing 4,635,045 ordinary shares with a par value of LTL 1 each for the price of LTL 5.80 per share with a total issue price of LTL 26,883 thousand. The shareholders cancelled the priority right to acquire the newly issued shares for all shareholders and approved that 3,090,030 to be acquired by UAB ŽIA Valda and 1,545,015 shares by UAB Finasta Rizikos Valdymas. UAB Finasta Rizikos Valdymas signed shares subscription agreement on 19 September 2008 and on 22 September 2008 fully paid for the shares an amount of LTL 8,961 thousand.

The shares acquired by UAB Finasta Rizikos Valdymas were intended to be distributed to the minority shareholders. In order for minority shareholders to trade in the newly acquired shares right after the acquisition, UAB Finasta Rizikos Valdymas borrowed 1,545,015 shares of AB Agrowill Group from its parent company AB Invalda. The shares have to be returned to AB Invalda until 31 August 2009 from the shares received after the registration of increased share capital of AB Agrowill Group. UAB Finasta Rizikos Valdymas sold 905,861 shares to minority shareholders during the public offering.

In December 2008 UAB ŽIA Valda refused to pay for the subscribed part of the shares and cancelled shares subscription agreement. On 16 December 2008 the management board of AB Agrowill Group decided to increase the share capital only by the shares subscribed and acquired by UAB Finasta Rizikos Valdymas. UAB Finasta Rizikos Valdymas argued this decision and suited a claim to the court with an argument that UAB Finasta Rizikos Valdymas and minority shareholders acquired shares of AB Agrowill Group knowing that the major part of increased share capital will be acquired by the major shareholder and that significant amount of funds necessary to finance operations and expansion will be received by AB Agrowill Group.

The management of the Group estimates that the decision to increase the share capital of AB Agrowill Group will be rejected and UAB Finasta Rizikos Valdymas will receive the paid in amount back. Due to this reason accounts receivable from AB Agrowill Group is accounted for as of 31 December 2008 in the Group's financial statements at the amortised amount less impairment loss recognised. If the claim is satisfied and funds received from AB Agrowill Group the minority shareholders may apply to UAB Finasta Rizikos Valdymas for repurchase of the shares acquired. Due to limited possibility of this outcome no adjustments have been made to these financial statements regarding this uncertainty.

31 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The related parties of the Group in 2008 and 2007 were associates, joint ventures and the Company's shareholders (Note 1) and key management personnel.

Transactions of the Group with related parties in 2008 and balances as at 31 December 2008 were as follows:

2008 Group	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	2,736	1,794	50,134	14,940
Real estate income	1,337	154	114	22
Financial segment	2,088	-	129	-
Roads and bridges construction segment	646	35	-	-
Raw materials purchased by AB Vilniaus Baldai from UAB Girių Bizonas	-	15,437	-	-
Other	381	2	763	-
	7,188	21,422	51,140	14,962
Management	259	5,682	1,747	1,904
Liabilities to shareholders	-	8,145	4,159	4,959

The maturity of loans granted is from 2009 till 2010, effective interest rate 6.5–13.28 %, for borrowings received maturity is 2011, effective interest rate 8–10 %. The major part (80 %) of receivables from related parties represents loans granted to SIA DOMMO GRUPA, UAB Laikinosios Sostinės Projektai, AB Sanitas and AB Agrowill Group. The major part (50 %) of payables to related parties represents loans received from UAB MBGK group companies.

Transactions of the Group with related parties in 2007 and balances as at 31 December 2007 were as follows:

2007 Group	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	2,006	104	33,813	15,315
Rent and utilities	710	686	-	-
Other real estate income	910	-	118	-
Apartments construction by UAB Laikinosios Sostinės Projektai	1,662		168	-
Roads and bridges construction segment	326	1,546	59	369
Raw materials purchased by AB Vilniaus Baldai from UAB Girių Bizonas	-	14,706	-	2,002
Other	70	22	144	-
	5,684	17,064	34,302	17,686
Liabilities to shareholders	225	106	3,002	117,880

The maturity of loans granted is from 2008 till 2016, effective interest rate 6–12.29 %, for borrowings received maturity is 2008, effective interest rate 6.9–8.5 %.

31 Related party transactions (cont'd)

The Company's related parties are the Group subsidiaries, associates, joint ventures and shareholders (Note 1).

Transactions of the Company with related parties in 2008 and balances as at 31 December 2008 were as follows:

2008 Company	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	12,792	6,722	171,146	70,785
Real estate income	-	351	-	22
Financial segment	-	36	3	104
Payables for share capital in subsidiaries in Ukraine and Latvia	-	-	-	872
Other	-	52	620	2
	12,792	7,161	171,769	71,785
Management	-	5,624	-	1,642
Liabilities to shareholders	-	5,444	-	-

The maturity of loans granted is from 2009 till 2010, effective interest rate 6.5–13.28 %, for borrowings received maturity is 2011, effective interest rate 8–10 %. The major part (70 %) of receivables from related parties represents loans granted to AB Vilniaus Baldai, UAB Naujoji Švara, UAB IBC Logistika, UAB Finansų Spektro Investicija, UAB Nerijos Būstas, SIA DOMMO GRUPA and others. The major part (55 %) of payables to related parties represents loans received from AB Vilniaus Baldai, UAB Finasta Rizikos Valdymas .

Transactions of the Company with related parties in 2007 and balances as at 31 December 2007 were as follows:

2007 Company	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	6,789	3,409	125,191	60,462
Rent and utilities	-	315	-	-
Fees for securities	-	23	-	-
Payables for share capital in subsidiaries in Ukraine	-	-	-	863
Shares transactions	378	17,968	-	-
Other	5	172	86	12
	7,172	21,887	125,277	61,337
Liabilities to shareholders	-	-	-	117,880

The maturity of loans granted is from 2008 till 2016, effective interest rate 6–12.29 %, for borrowings received the maturity is 2008–2013, effective interest rate 5.5–8.0 %.

AB Nenuorama has acquired the shares of the Company from its shareholders before the merger with the Company. The refinancing rate accruing liabilities denominated in EUR for these shares were transferred to the Company after the merger. Settlement was during the first half of 2008.

The Company has acquired from its subsidiaries the shares of AB Sanitas and AB Vilniaus Baldai.

Terms and conditions of transactions with related parties

All transactions with related parties are arm's length transactions. Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash. In 2008 the Company has recognised allowance for loans granted to joint ventures and subsidiaries, amounting to LTL 12,319 thousand and LTL 15,250 thousand, respectively. In 2007 the Company has not made any allowance for doubtful debts relating to amounts owed by related parties. Doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

31 Related party transactions (cont'd)

Remuneration for the management and other payments

The management remuneration contains only short-term employees' benefits. In 2008 the Group's management remuneration amounted to LTL 5,791 thousand (LTL 5,263 thousand in 2007).The Company's management remuneration amounted to LTL 832 thousand in 2008 (LTL 583 thousand in 2007). Loans granted to the Group's management amounted to LTL 542 thousand in 2008 (LTL 9,706 thousand in 2007). The loans were current, bearing 9–9.5 % interest. Loans outstanding amounted to LTL 1,883 thousand as at 31 December 2008 (LTL 5,284 thousand as at 31 December 2007). In 2008 and 2007 other payments to the Group management amounted to LTL 160 thousand and LTL 33 thousand, respectively.

In year 2008 dividends amounting to LTL 4,922 thousand were paid out to the Group's and the Company's management (LTL 2,588 in 2007). In 2008 and 2007, the management of the Group and the Company did not receive any other loans, guarantees; no other payments or property transfers were made or accrued, except as stated above.

32 Subsequent events

Sale of Sanitas shares

On 12 January 2009 the Company completed a transaction whereby it sold part of its shares of AB Sanitas. The Company had announced earlier that on 24 October 2008 the Company signed legal documentation regarding the sale of 6,314,502 shares, i.e. 20.3 % of the share capital, of AB Sanitas for a total price of EUR 30,000 thousand to Baltic Pharma Limited, an investment vehicle for funds managed by City Venture Capital International (CVCI).

The transaction was implemented in two stages:
(a) 1,555,296 Sanitas shares, 5 % of share capital, were transferred for LTL 25.5 million on 28 October 2008.
(b) Upon fulfilment of all necessary conditions precedent on 12 January 2009 the balance of 4,759,206 shares (15.3 %) were transferred for LTL 78 million.

Preliminary, the Company's profit from the second part of the deal is LTL 11 million, the Group's – LTL 15 million. The received money was allocated for settlement of the Company's liabilities.

As per terms of the agreement with Baltic Pharma Limited, the price paid for the shares and the number of shares transferred may be adjusted upon a future sale of the shares by Baltic Pharma Limited, depending on the price received by the latter from such sale.

Following this transaction, the Company owns 25 % of AB Sanitas votes and intends to retain this interest over the medium term.

Convertible bonds

On 22 January 2009 the Securities Commission of the Republic of Lithuania approved LTL 30,000 thousand nominal value convertible bonds Prospectus. On 18 February 2009 the subscription of the Company's convertible bonds with maturity of 498 days and annual interest rate of 9.9 % has ended. In respect that the total nominal value of the subscribed bonds is less than LTL 700 thousand and referring to the convertible bonds prospectus approved on 22 January 2009, this issue is considered unsubscribed and is annulled.

Sale of financial sector

On 31 March 2009 the Management Board of the Company approved entering into the contract with the AB Bankas SNORAS regarding the sale of 100 % shares of AB Finasta Bankas, AB FMĮ Finasta, asset management companies UAB Invalda Turto Valdymas and IPAS Invalda Asset Management Latvia, as well as AB Finasta Įmoniu Finansai. The amount of the deal is confidential, until its full settlement. The deal will be completed when all permissions are received. The Group will transfer LTL 94,812 thousand assets and LTL 62,409 thousand liabilities directly associated with the sold assets.

Amendment to loan agreement

On 23 April 2009 the Company and AB DnB Nord Bankas signed an amendment to the loan agreement, according to which the repayment of the part of the Company's loans in the amount of LTL 85 million owed to AB DnB Nord Bankas till 1 July 2010 was confirmed and loan covenants were amended. The covenant that the loan granted to the Company should not exceed pledged to AB DnB Nord Bankas real estate market value plus 50% of pledged AB Sanitas, AB Vilniaus Baldai, AB Agrowill Group total market value will be mandatory starting from 30 September 2009.

Contribution to AB bankas Finasta

On 13 January 2009 the Group decided to form LTL 4 million reserve capital of AB bankas Finasta in the form of cash contribution in order to restore its equity to comply with minimum equity requirement set by the Lithuanian legislation.