KLAIPĖDOS
BALDAI
AKCINĖ BENDROVĖ

For the Stocks committee of the Republic of Lithuania,
Konstitucijos pr. 23
LT-08105 Vilnius

2010-03-10

THE CONFIRMATION BY THE RESPONSIBLE INDIVIDUALS

Following the Lithuania Republic stocks law and also following the periodic and fill-in information arrangements and presentations confirmed by the he Lithuania Republic stock law commitee resoliution, AB „Klaipėdos baldai" director, Ramūnas Marozas, confirm that to my knowledge, there is an attached financial accountability of twelve month period in 2010 of the joint-stock company „Klaipėdos baldai" which is verified by auditors, made accordingly to the international financial accountability standards initiated by the European Union, coincide withthe reality and fairly indicate the company`s wealth, obligations, financial state, profit or detriment.In the annual statement the following true information is presented: business development and review of activities, general status of the company with the description of main risks and uncertainties that are met by the company.

Director Ramūnas Marozas

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LR įmonių rejestre
Rejestro Nr. AB 93-59

KLAIPĖDOS BALDAI AB

INDEPENDENT AUDITOR'S REPORT,

FINANCIAL STATEMENTS AND

ANNUAL REPORT

31 DECEMBER 2010

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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

Independent Auditor's Report

To the shareholders of Klaipėdos baldai AB

Report on the financial statements

We have audited the accompanying financial statements of Klaipėdos baldai AB (the Company) set out on pages 5 – 34 which comprise the balance sheet as of 31 December 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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pwc

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2010 set out on pages 35- 70 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2010.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Lina Martinkevičienė
Auditor's Certificate No.000475

Vilnius, Republic of Lithuania
10 March 2011

(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
by Minutes No. as of 28 April 2011

Statement of comprehensive income

	Notes	Year ended 31 December 2010	2009
Revenue	5	149,479	170,000
Cost of sales	11	(141,707)	(160,483)
Gross profit		7,772	9,517
Distribution costs	11	(3)	(7)
Administrative expenses	11	(2,967)	(3,787)
Other income	6	1,971	2,241
Other expenses	7	(1,137)	(1,021)
Other gains/(losses) - net	8	(469)	(1,022)
Operating profit		**5,167**	**5,921**
Finance costs	9	(667)	(958)
Profit before income tax		**4,500**	**4,963**
Income tax income/(expense)	10	(426)	190
Profit for the year		**4,074**	**5,153**
Attributable to:			
Shareholders of the Company		4,074	5,153
		4,074	**5,153**
Other comprehensive income			
Gain on revaluation of buildings, net of tax	22	-	865
Other comprehensive income, net of tax		-	**865**
Total comprehensive income for the year		**4,074**	**6,018**
Attributable to:			
Shareholders of the Company		4,074	6,018
		4,074	**6,018**
Earnings per share attributable to the owners of the Company during the year (expressed in LTL per share)			
- basic and diluted	12	0.50	0.63

The notes on pages 9 to 34 are an integral part of these financial statements.

The financial statements on pages 5 to 34 were approved by the Director on 10 March 2011.

Ramūnas Marozas
Director

(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
by Minutes No. as of 28 April 2011

Balance sheet

	Notes	As at 31 December 2010	As at 31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	13	32,507	35,688
Investment property	14	4,490	5,096
Intangible assets	15	25	53
Available-for-sale financial assets	16	288	288
Other receivables	17	737	5,003
Other non-current assets		23	23
		38,070	**46,151**
Current assets			
Inventories	18	16,098	14,180
Trade and other receivables	19	43,297	36,565
Cash and cash equivalents	20	77	83
		59,472	**50,828**
Total assets		**97,542**	**96,979**
EQUITY			
Equity attributable to shareholders of the Company			
Ordinary shares	21	8,166	8,166
Reserves	22	20,490	21,575
Retained earnings		43,864	38,705
Total equity		**72,520**	**68,446**
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	23	2,411	2,523
Borrowings	24	15,788	4,643
		18,199	**7,166**
Current liabilities			
Borrowings	24	2,922	15,676
Trade and other payables	25	3,828	4,710
Current income tax liabilities		73	981
		6,823	**21,367**
Total liabilities		**25,022**	**28,533**
Total equity and liabilities		**97,542**	**96,979**

The notes on pages 9 to 34 are an integral part of these financial statements.

(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
by Minutes No. as of 28 April 2011

Statement of changes in equity

	Note	Attributable to shareholders of the Company						
		Share capital	Revaluation reserve	Legal reserve	Reserve for acquisition of own shares	Other reserves	Retained earnings	Total equity
Balance at 1 January 2009		8,166	10,575	817	2,500	7,698	32,672	62,428
Total comprehensive income		-	865	-	-	-	5,153	6,018
Depreciation transfer gross	22	-	(1,100)	-	-	-	1,100	-
Depreciation transfer – tax	22	-	220	-	-	-	(220)	-
Balance as at 31 December 2009		8,166	10,560	817	2,500	7,698	38,705	68,446
Total comprehensive income		-	-	-	-	-	4,074	4,074
Depreciation transfer gross	22	-	(1,277)	-	-	-	1,277	-
Depreciation transfer – tax	22	-	192	-	-	-	(192)	-
Balance as at 31 December 2010		8,166	9,475	817	2,500	7,698	43,864	72,520

The notes on pages 9 to 34 are an integral part of these financial statements.

(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
by Minutes No. as of 28 April 2011

Cash flow statement

	Notes	Year ended 31 December 2010	2009
Cash flows from operating activities			
Cash generated from operations	26	5,991	7,433
Interest paid	9	(667)	(958)
Income tax paid		(1,446)	(734)
Net cash generated from operating activities		3,878	5,741
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(2,772)	(302)
Purchase of intangible assets	15		(14)
Disposal of property, plant and equipment		297	4
Interest received		200	261
Net cash used in investing activities		(2,275)	(51)
Cash flows from financing activities			
Proceeds from borrowings		14,015	-
Repayment of borrowings		(12,174)	(4,655)
Finance lease principal payments		(3,450)	(982)
Net cash used in financing activities		(1,609)	(5,637)
Net increase (decrease) in cash and cash equivalents		(6)	53
Cash and cash equivalents at beginning of year	20	83	30
Cash and cash equivalents at end of year	20	77	83

The notes on pages 9 to 34 are an integral part of these financial statements.

(All tabular amounts are in LTL '000, unless otherwise stated)

Notes to the financial statements

1. General information

Klaipėdos Baldai AB (hereinafter "the Company") was registered as a public company on 3 March 1993. The Company's registration No. is AB 93-59. The Company's registered address is as follows:

Joniškės g. 21, LT-91267 Klaipėda
Republic of Lithuania

Shareholders of the Company as at 31 December 2010 were as follows:

	Number of shares held	Percentage of share capital
SBA Furniture Group UAB	5,908,441	72.35
Swedbank AS (Estonia) clients	359,081	4.40
Skandinaviska Enskilda Banken	273,527	3.35
Association Industry Marketing and Business Centre	262,374	3.21
Other shareholders	1,362,889	16.69
Total	**8,166,312**	**100**

The Company's ordinary registered shares are quoted on the Current List of Vilnius Stock Exchange.

The Company manufactures and sells furniture through SBA Baldu Kompanija UAB. In 2005, the activities of SBA Furniture Group companies were restructured and centralized by transferring the functions of raw material purchase and sale of products to a newly established company SBA Baldų Kompanija UAB. As a result of this restructuring, SBA Baldų Kompanija UAB took over the Company's non-group suppliers and customers. SBA Baldų Kompanija UAB purchases products from the Company and sells them to various clients.

During the year ended 31 December 2010, 97.9 per cent of the Company's total sales were made to its related party SBA Baldų Kompanija UAB (2009: 98.8 per cent).

In 2010, the Company's average number of employees was 530 (2009: 618).

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.1 Basis of preparation (continued)

(a) Relevant new or amended standards and interpretations effective in 2010

There were no amendments to existing standards and interpretations effective in 2010 that would be relevant to the Company’s financial statements.

(b) New and amended standards and interpretations effective in 2010 but not relevant to the Company

IFRIC 12 ‘Service Concession Arrangements’ (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009) The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 does not have any impact on the Company’s financial statements.

IFRIC 15 ‘Agreements for the Construction of Real Estate’ (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The amendment does not have any impact on the Company’s financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 9 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009). The amendments clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment does not have any impact on the Company’s financial statements.

IFRIC 16 ‘Hedges of a Net Investment in a Foreign Operation’ (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009). IFRIC 16 does not have any impact on the Company’s financial statements.

IFRIC 17 ‘Distribution of Non-Cash Assets to Owners’ (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 does not have any impact on the Company’s financial statements.

IFRIC 18 ‘Transfers of Assets from Customers’ (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 does not have any impact on the Company’s financial statements.

2.1 Basis of preparation (continued)

IAS 27 'Consolidated and Separate Financial Statements' (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The revised ISA 27 does not have any impact on the Company's financial statements.

IFRS 3 'Business Combinations' (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised standard does not have any impact on the Company's financial statements.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5. This amendment does not have an impact on the Company's financial statements.

Eligible Hedged Items—Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. This amendment does not have an impact on the Company's financial statements.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard does not have any impact on the Company's financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 'Share-based Payment' (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendments do not have any impact on the Company's financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 'First-time Adoption of IFRS' (effective for annual periods beginning on or after 1 January 2010). The amendments provide an additional exemption for measurement of oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments do not have any impact on the Company's financial statements.

2.1 Basis of preparation (continued)

In April 2009 the EU endorsed the Improvements to IFRSs (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the amendments as adopted by the EU are effective for annual periods starting after 31 December 2009). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations. These amendments are not expected to have significant impact on the Company’s financial statements.

(c) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2011, but the Company has not early adopted them:

IAS 24 ‘Related Party Disclosures’ (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

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

Classification of Rights Issues – Amendment to IAS 32 ‘Financial Instruments: Presentation’ (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have an impact on the Company’s financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The Company does not expect IFRIC 19 to have any material effect on its financial statements.

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

IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU).

(All tabular amounts are in LTL '000, unless otherwise stated)

2.1 Basis of preparation (continued)

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, to IAS 21, IAS 28, IAS 31, IAS 34 and IFRIC 13.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU). The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.

Severe hyperinflation and removal of fixed dates for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, and guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in a local currency, the litas (LTL), which is the Company's functional and presentation currency.

On 2 February 2002, the litas was pegged against the euro at an exchange rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 Revenue recognition

Revenues from sales of goods are recognised at the moment of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. Sales are shown net of VAT and discounts. Revenues are measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time-proportion basis using the effective interest method. Rental yield on investment property is recognised in equal parts over the lease term.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.5 Employee benefits

Wages, salaries, contributions to the State Social Security Fund paid, annual leave and sick leave payments, bonuses, and other non-monetary benefits are accrued in the year in which the associated services have been rendered by the employees of the Company.

2.6 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares outstanding during the period.

2.7 Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the shareholders.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.8 Income tax

(1) Income tax expenses

Profit is taxable at a rate of 15 per cent (2009: 20 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

Income tax expenses are calculated and accumulated in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and based on management's estimates of income tax in accordance with the Lithuanian regulatory legislation on taxation.

(2) Deferred income tax

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

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

2.9 Property, plant and equipment

The Company's buildings are stated at fair value less accumulated depreciation and impairment loss. Independent valuation of assets is carried out on a regular basis. The last valuation of assets was performed as at 31 December 2009 by an independent property valuation company Centro Kubas UAB. As of 31 December 2010, a confirmation was received from the independent valuers certifying that the value of assets had not changed significantly since the last valuation. Other property, plant and equipment of the Company is stated at acquisition cost less accumulated depreciation and impairment.

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

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

Depreciation of assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

	Years
Buildings	15 - 50
Plant and machinery	5 - 15
Motor vehicles	5 - 7
Other fixtures, fitting, tools and equipment	3 - 5
Other property, plant and equipment	4 - 6

2.9 Property, plant and equipment (continued)

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.14).

2.10 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields and is not occupied by the Company.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value based on its market value. Market value of the Company's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category or estimated based on discounted future cash flows or market value of similar assets. Earned rental income is recorded within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss and presented separately.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period when the expenditure is incurred.

Reclassifications to investment property are performed only when there is an evidenced change in use of assets. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.11 Intangible assets

Intangible assets expected to provide economic benefit to the Company in future periods are valued at acquisition cost less subsequent accumulated amortisation. All of the Company's intangible assets have definite useful lives. Amortisation is calculated on the straight-line method over estimated economic benefit period of 1-4 years.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. related borrowings costs, maintenance etc, are expensed when incurred.

2.12 Impairment of non-financial assets

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

2.13 Leases

A company is the lessee

(a) Finance lease
Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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

A company is the lessor
(c) Operating lease
Property leased out under operating leases are recorded under investment property in the balance sheet (Note 2.10). Payments received under operating leases (net of any incentives given to the lessee) are credited to profit or loss on a straight-line basis over the lease term.

2.14 Financial assets

Classification
The Company classifies its financial assets into the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as ‘trade and other receivables’ in the balance sheet.

(b) Available-for-sale financial assets
Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management have the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Recognition and measurement
(a) Loans and receivables
Amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amounts receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statement of comprehensive income within administrative expenses. Bad debts are written off during the year in which they are identified as irrecoverable.

(b) Available-for-sale financial assets

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments subsequently are carried at fair value. In assessing the fair value, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Changes in fair value of available-for-sale investments are recognised in statement of comprehensive income. Investments, the fair value of which cannot be reliably measured, are carried at acquisition cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are reclassified to profit or loss as gains and losses from investment securities.

2.15 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank.

2.17 Borrowings

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

2.18 Trade and other payables

Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

2.19 Share capital

Ordinary shares are stated at their nominal values.

2.20 Revaluation reserve

Any increase in the value of buildings is accounted for in revaluation reserve, net of any deferred income tax, unless and to the extent it covers any decrease in revaluation of the same assets previously recognised in profit or loss. In such cases it is recognised as income. Any decrease is initially set off against increase in the value of the same assets during the previous valuation, and only the balance outstanding is recognised as expenses in profit or loss.

Revaluation reserve is realised using the assets: when revalued property, plant and equipment is depreciated, revaluation reserve is reduced by the amount, by which asset depreciation expenses increased as a result of revaluation. The amount transferred is net of any related deferred income tax. When revalued property, plant and equipment is written off, a corresponding amount of revaluation reserve arising as a result of revaluation is transferred from the revaluation reserve directly to retained earnings.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's management. There are no written principles for overall risk management in place.

(a) Market risk

(i) Foreign exchange risk

The Company's sales and purchases are made in the Lithuanian litas. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Almost all trade payables and all trade receivables of the Company have short-term maturities and income and expenses denominated in foreign currencies constitute only a small part as compared to income and expenses denominated in the Lithuanian litas. The Company's current and non-current liabilities to credit institutions are denominated in the euros.

(ii) Cash flow interest rate risk

The Company's interest rate risk arises from interest-bearing loans granted to related parties and long-term borrowings. Loans granted and borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. During 2010 and 2009, the loans granted by the Company and its borrowings at variable interest rate were denominated in the Lithuanian litas and euros.

The Company analyses its interest rate exposure on an annual basis. The Company calculates the impact on profit and loss by multiplying year-end balances of interest-bearing loans, borrowings and finance lease payables by the defined interest rate shift according to their interest repricing maturities.

Based on the simulations performed, the impact on pre-tax profit of a 0.5 per cent increase/decrease in interest rates would be a maximum decrease/increase of LTL 7 thousand (2009: LTL 15 thousand for the same 0.5 per cent increase/decrease), respectively mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises from cash balances at banks, loans granted, and trade receivables.

(All tabular amounts are in LTL ‘000, unless otherwise stated)

3.1 Financial risk factors (continued)

i) Concentration risk

The Company’s exposure to credit risk is concentrated to loans granted and trade receivables from its related parties.

The table below shows the credit risk concentration.

	2010	2009
Trade and other receivables from related parties (Note 27)	38,631	35,911
Loans to related parties (current and non-current) (Note 27)	5,003	5,504
Trade receivables from other parties (Note 19)	86	83
Total loans and trade receivables	**43,720**	**41,498**

ii) Maximum exposure of credit risk

The table below summarizes the Company’s credit risk exposures relating to financial assets:

	2010	2009
Cash and cash equivalents	77	83
Trade and other receivables (current and non-current)	44,031	41,568
Total	**44,108**	**41,651**

iii) Credit quality of financial assets

99 per cent of balances of loans and receivables are associated with related parties belonging to the group controlled by Koncernas SBA UAB – ultimate parent company of the Company. No separate evaluation of credit quality of these debtors is performed. At the date of the approval of these financial statements over 67.2 per cent of trade receivables were redeemed.

None of the other financial assets that were neither past due nor impaired was renegotiated in 2010 and in 2009.

(All tabular amounts are in LTL '000, unless otherwise stated)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents necessary to cover the expected expenditures. To maintain sufficient cash and manage liquidity risk, the Company performs short-term cash-flow forecasts.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. Accounts payable and other financial liabilities due within 3 months or less are equal to their carrying balances as the impact of discounting is insignificant.

As at 31 December 2010	**Less than 3 months**	**Between 3and 12 months**	**Between 1 and 5 years**
Loans granted by banks	*860*	*2,553*	*16,511*
Finance lease payables	*12*	*60*	*87*
Financial guarantees	*22,620*		
Trade payables and other financial liabilities	*2,864*	-	-
As at 31 December 2010	***26,356***	***2,613***	***16,598***

As at 31 December 2009	**Less than 3 months**	**Between 3and 12 months**	**Between 1 and 5 years**
Loans granted by banks	*943*	*13,738*	*2,537*
Finance lease payables	*427*	*1,245*	*2,255*
Financial guarantees	*16,694*	-	-
Trade payables and other financial liabilities	*4,389*	-	-
As at 31 December 2009	***22,453***	***14,983***	***4,792***

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Pursuant to the Lithuanian Law on Companies the authorized share capital of a public company must be not less than LTL 150,000 and the shareholders' equity should not be lower than 50 per cent of the company's authorised share capital. As at 31 December 2010 and 31 December 2009, the Company complied with these requirements.

3.3 Fair value estimation

Trade payables and receivables accounted for in the Company's balance sheet should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals to their carrying amount. Interest rate on the loans granted and received by the Company, as well as on finance lease payables, is subject to repricing at least every six months, therefore, it is deemed that their fair value equals their carrying amount. The Company is not able to establish a fair value of available-for-sale financial assets as these investments have not been traded in the active market. Due to that reason available-for-sale investments are stated at cost less estimated impairment.

4. Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts authorized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation

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

Related-party transactions

In the normal course of business the Company enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

Investment property measurement

The Company's investment property is carried at fair value. The fair value of investment property accounted for using the fair value model in accordance with IAS 40 is updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. In 2009 independent valuers performed valuation of investment property of the Company (Note 14). In 2010, the value of investment property was determined based on discounted cash flows or market value of similar assets.

(All tabular amounts are in LTL '000, unless otherwise stated)

4. Critical accounting estimates, and judgements in applying accounting policies (continued)

Valuation of buildings and constructions measured at fair value

The fair values of buildings measured using the revaluation model in accordance with IAS 16 are updated with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In 2009 independent valuers performed valuation of the buildings and constructions of the Company (Note 13). No independent valuation of assets was carried out in 2010.

5. Segment reporting

The Company operates in one business segment, i.e. manufacturing of furniture, as well as one geographical segment – Lithuania, with 97.9 per cent of the Company's total sales made to related party SBA Baldų Kompanija UAB and all assets of Company located in Lithuania.

Analysis of sales revenue by category	**2010**	**2009**
Sales of goods	149,404	169,813
Revenue from services	75	187
	149,479	170,000

6. Other income

	2010	**2009**
Sales of thermoelectricity	770	878
Rental income	772	806
Interest income	200	274
Income from holiday houses	140	153
Dividend income	35	100
Other	54	30
	1,971	2,241

7. Other expenses

	2010	**2009**
Expenses of holiday houses	(730)	(598)
Other rental expenses	(340)	(340)
Direct operating expenses arising from investment property	(50)	(56)
Other	(17)	(27)
	(1,137)	(1,021)

8. Other gains (losses) net

	2010	**2009**
Loss on investment property revaluation (Note 14)	(606)	(1,023)
Gain on disposal of property, plant and equipment	137	1
Other		-
	(469)	(1,022)

9. Finance costs

	2010	**2009**
Interest expenses	(667)	(958)
	(667)	(958)

(All tabular amounts are in LTL '000, unless otherwise stated)

10. Income tax (income)/expense

	2010	2009
Current tax	538	1 592
Deferred tax (Note 23)	(112)	(1,782)
	426	(190)

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

	2010	2009
Profit before tax	4,500	4,963
Income tax calculated at a rate of 15 per cent	675	
(2009: 20 per cent)		993
Income not subject to tax	(5)	(20)
Expenses not deductible for tax purposes	148	89
Reduced income tax as a result of charity	(6)	(4)
Previous year adjustments	(40)	(407)
Impact of change in tax rate	(29)	(841)
Reduced income tax under investment project	(317)	
Income tax	426	(190)

11. Expenses by nature

Cost of goods sold

	2010	2009
Raw materials	110,957	126,650
Remuneration and social security	18,482	21,142
Depreciation	4,690	5,302
Utilities	3,319	2,917
Repairs	584	662
Other	3,675	3,810
	141,707	160,483

Distribution costs

	2010	2009
Advertising	3	7
	3	7

Administrative expenses

	2010	2009
Remuneration and social security	542	522
Communication and IT maintenance expenses	309	329
Taxes other than income tax	181	213
Depreciation and amortization	297	270
Consulting, training, accounting services	407	426
Association fees and representation expenses	39	49
Security services	207	211
Inventories write-offs and PP&E impairment	2	695
Materials and maintenance expenses	52	77
Business trips	9	16
Insurance	122	122
Other	800	857
	2,967	3,787
Total cost of sales, distribution costs and administrative expenses	144,677	164,277

12. Earnings per share

Earnings per share are calculated as follows:

	2010	2009
Profit attributable to equity holders of the Company	4,074	5,153
Weighted average number of shares in issue (thousands)	8,166	8,166
Basic earnings per share (LTL)	0.50	0.63

(All tabular amounts are in LTL ‘000, unless otherwise stated)

The Company has no dilutive instruments, therefore the diluted earnings per share are the same as basic earnings per share.

13. Property plant and equipment

	Buildings	Plant and machinery	Vehicles	Total
At 1 January 2009				
Cost or revalued amount	35,724	47,210	1,380	84,314
Accumulated depreciation and impairment	(12,466)	(31,542)	(986)	(44,994)
Net book amount	23,258	15,668	394	39,320
Year ended 31 December 2009				
Opening net book amount	23,258	15,668	394	39,320
Additions	-	300	76	376
Revaluation	892	-	-	892
Reclassification from investment property (Note 14)	1,310	-	-	1,310
Disposals	-	(2)	-	(2)
Depreciation	(1,991)	(4,123)	(94)	(6,208)
Closing net book amount	23,469	11,843	376	35,688
At 31 December 2009				
Cost or revalued amount	37,926	47,508	1,456	86,890
Accumulated depreciation And impairment	(14,457)	(35,665)	(1,080)	(51,202)
Net book amount	23,469	11,843	376	35,688
Year ended 31 December 2010				
Opening net book amount	23,469	11,843	376	35,688
Additions		2,772		2,772
Disposals		(160)		(160)
Depreciation	(2,104)	(3,583)	(106)	(5,793)
Closing net book amount	21,365	10,872	270	32,507
At 31 December 2010				
Cost or revalued amount	37,926	50,120	1,456	89,502
Accumulated depreciation And impairment	(16,561)	(39,248)	(1,186)	(56,995)
Net book amount	21,365	10,872	270	32,507

The Company’s buildings are stated at fair value less accumulated depreciation and impairment loss. The last revaluation of buildings was performed as at 31 December 2009. The revaluation was based on the reports of independent valuers, who hold an authorized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. Valuation was carried out on the basis of market value. During the reporting year, no revaluation was carried out for the Company’s buildings because changes in real estate market values were insignificant in Klaipėda region. The Company received a confirmation from independent valuers certifying that the value of assets had not changed significantly since the last valuation.

The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve in shareholders equity (Note 22). The impairment of buildings for which revaluation reserve was not accrued in previous periods was debited to the administration expenses in profit or loss (Note 11).

At 31 December 2010 the carrying amount of buildings would be 9,892 LTL thousand, provided the buildings were carried at historical cost (2009: LTL 10,580 thousand).

(All tabular amounts are in LTL '000, unless otherwise stated)

13. Property plant and equipment (continued)

Property, plant and equipment acquired by the Company under finance lease contracts as at 31 December comprised as follows::

	2010	2009
Cost – authorized finance lease amount		
– Plant and machinery and vehicles	359	14,552
Accumulated depreciation		
– Plant and machinery and vehicles	(123)	(7,988)
Net book value	236	6,564

To secure the repayment of borrowings from banks, the Company has pledged its property, plant and equipment with the net book value of LTL 20,914 thousand as at 31 December 2010 (2009: LTL 24,306 thousand).

Depreciation expenses of property, plant and equipment are accounted for in administrative expenses, and in cost of sales in the statement of comprehensive income, as well as in work in progress and finished products in the balance sheet.

14. Investment property

	2010	2009
Investment property at fair value as at 1 January	5,096	7,429
Transfer to owner occupied premises (Note 13)		(1,310)
Losses on fair value change (Note 8)	(606)	(1,023)
Investment property at fair value as at 31 December	4,490	5,096

Investment property is measured at fair value based on market value. The fair value of investment property is reviewed at each reporting date, and any changes in it are recognized as profit or loss in the statement of comprehensive income.

The valuation of assets was performed as at 31 December 2009 by an independent property valuation company Centro Kubas UAB.

As at 31 December 2010, the Company reviewed the fair value of its investment property based on active market price of similar assets and by using discounted cash flow method. Decrease in the value of buildings was recognised in the statement of comprehensive income (Note 8).

As at 31 December 2010 all of the Company's investment property was pledged to secure the repayment of borrowings from banks by the Company and other entities.

For amounts related to investment property and recognised in the statement of comprehensive income see 'rental income' (Note 6) and 'direct operating expenses arising from investment property' (Note 7).

As at 31 December 2010 the Company had restrictions to perform investments into non-current assets, the shares of other companies, bonds or any other securities, as well as to acquire all or part of capital of other business entity in case the amount of such investments over the year exceeded 30 per cent of annual EBITDA level estimated for the last 12 months and reviewed on a quarterly basis without a prior approval by AB SEB bank, as well as to disassemble, lease, write off, sell and/or otherwise transfer to third parties the Company's property, plant and equipment and/or financial assets with the total carrying amount over the year exceeding LTL 1,000,000.00 (one million litas) or which has effect on the cash flows from operating activities. The Company is obliged to receive a prior consent from AB SEB bank in case it wants to pledge immovable property and other non-current assets, as well as any other assets in order to secure proper fulfillment of obligations by the Company or other entities.

(All tabular amounts are in LTL '000, unless otherwise stated)

15. Intangible assets

	Intangible assets not yet available for use	Computer software and other intangible assets	Total
At 1 January 2009			
Cost	13	1,395	1,408
Accumulated amortisation	-	(1,328)	(1,328)
Net book amount	13	67	80
Year ended 31 December 2009			
Opening net book amount	13	67	80
Additions	-	14	14
Reclassification	(13)	13	-
Amortisation	-	(41)	(41)
Closing net book amount	-	53	53
At 31 December 2009			
Cost	-	1,360	1,360
Accumulated amortisation	-	(1,307)	(1,307)
Net book amount	-	53	53
Year ended 31 December 2010			
Opening net book amount		53	53
Amortisation		(28)	(28)
Closing net book amount		25	53
At 31 December 2010			
Cost		1,360	1,360
Accumulated amortisation		(1,335)	(1,335)
Net book amount		25	25

Amortisation expenses of intangible assets are accounted for in cost of sales and administrative expenses.

16 Available-for-sale financial assets

	2010	2009
Available - for sales financial assets as at 31 December	288	288
	288	288

Available-for-sale financial assets comprise investments in unquoted equity instruments and are carried at cost less impairment charges. There were no acquisitions/ disposals of available-for-sale financial assets in 2010 and 2009.

17 Other receivables

	2010	2009
Non-current part of loans granted to related parties (Note 27)	733	5,003
Prepayments for property, plant and equipment	4	-
	737	5,003

Interest rate on loans granted to related parties is based on corresponding borrowing rates available in the market, therefore, the carrying amount of loans to related parties is equal to the fair value.

Current portion of non-current receivables is disclosed in Note 19.

(All tabular amounts are in LTL '000, unless otherwise stated)

18 Inventories

	2010	2009
Raw materials	4,757	5,445
Work in progress	610	443
Finished products and goods for resale	10,802	8,361
Write-down to net realisable value	(71)	(69)
	16,098	14,180

The cost of written-off inventories in 2010 amounted to LTL 2 thousand (2009: LTL 21 thousand).

As at 31 December 2010, the Company had pledged its inventories amounting to LTL 10,000 thousand (31 December 2009: LTL 12,000 thousand) to secure the repayment of its borrowings.

19 Trade and other receivables

	2010	2009
Receivables from related parties including current portion of long-term debts (Note 27)	42,901	36,412
Trade receivables	86	83
Other amounts receivable and prepayments	310	70
	43,297	36,565

Trade receivables that are past due are not considered impaired as these receivables are from related parties. As of 31 December 2010, trade receivables of LTL 2,526 thousand (2009: LTL 1,291 thousand) were past due but not impaired. The ageing of these trade receivables is as follows:

	2009	2009
Up to 30 days	734	209
31 to 60 days	504	130
61 to 180 days	352	375
Over 181 days	936	577
	2,526	1,291

As at 31 December 2010, the provision for trade receivables amounted to LTL 5 thousand and it was formed as at 31 December 2009. No new provisions for trade receivables were established during the reporting year.

Neither the Company, nor other SBA group companies have external credit rating.

The carrying amounts of the Company's trade and other receivables are denominated in the Lithuanian litas.

20 Cash and cash equivalents

	2010	2009
Cash at bank	74	79
Cash in hand	3	4
	77	83

21. Share capital

As at 31 December 2010, the share capital comprised 8,166,312 ordinary registered shares with par value of LTL 1 each. All the shares are fully paid. There were no changes in share capital during the year.

(All tabular amounts are in LTL ‘000, unless otherwise stated)

22. Reserves

	2010	2009
– revaluation reserve	9,475	10,560
– legal reserve	817	817
– reserve for acquisition of own shares	2,500	2,500
– other reserves	7,698	7,698
	20,490	21,575

Revaluation reserve
As at 31 December 2010, revaluation reserve amounted to LTL 9,475 thousand (2009: LTL 10,560 thousand). This reserve was recognised following the revaluation of buildings.

No revaluation of buildings was carried out after 2010.

In 2010, as a result of depreciation of revalued assets, revaluation reserve was decreased by the amount of LTL 1,277 thousand (2009: LTL 1,100 thousand), whereas the retained result for the year then ended was increased by the same amount accordingly. The revaluation reserve was increased by the amount of LTL 192 thousand of deferred income tax in relation to depreciation of revalued assets. The above mentioned amounts were presented in the statement of comprehensive income (2009: LTL 220 thousand).

Legal reserve
A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfer of 5 per cent of net profit of the reporting period is compulsory until the reserve reaches 10 per cent of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses. A part of legal reserve in excess of 10 per cent of the authorized share capital may be redistributed when appropriation of profit for the following financial year is performed.

Reserve for acquisition of own shares
This reserve is established following the decision made during the annual general meeting of shareholders in relation to distribution of profit available for appropriation. This reserve may be used only for the acquisition of the Company’s shares. During 2010 and 2009 the Company did not use this reserve.

Other reserves
Other reserves are established following the decision made during the annual general meeting of shareholders in relation to distribution of profit available for appropriation. This reserve may be used only for the purposes approved by annual general meeting of shareholders.

23. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using currently enacted tax rate .

When calculating deferred income tax in 2010 a tax rate of 15 per cent was applied (2009: 15 per cent).

The movement in deferred income tax account was as follows :

	2010	2009
At beginning of year	(2,523)	(3,580)
Charged to other comprehensive income (Note 22)		(725)
Credit/ (charge) to income tax expenses (Note 10)	112	1,782
At end of year	(2,411)	(2,523)

	2010	2009
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	-	-
– Deferred tax asset to be recovered within 12 months	148	187

(All tabular amounts are in LTL '000, unless otherwise stated)

	148	187
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	(2,368)	(2,545)
– Deferred tax liability to be recovered within 12 months	(191)	(165)
	(2,559)	(2,710)
	(2,411)	(2,523)

The movement in the Company's deferred tax assets and liabilities (prior to and after offsetting the balances) during the period was as follows

	2008	Credited (debited) to income tax expenses	Charged to other comprehensive income	2009	Credited (debited) to income tax expenses	Charged to other comprehensive income	2010
Deferred tax assets							
– Inventories	11	(1)	-	10		-	10
– Accrued charges	251	(74)	-	177	(39)	-	138
	262	(75)	-	187	(39)	-	148
Deferred tax liabilities							
– Differences in depreciation rates applied	(787)	491	-	(296)	(82)	-	(378)
– Revaluation of property, plant and equipment	(2,162)	1,023	(725)	(1,864)	191	-	(1,672)
– Revaluation of investment property	(442)	120	-	(322)	79	-	(,243)
– Investment relief	(451)	223	-	(228)	(38)	-	(,266)
	(3,842)	1,857	(725)	(2,710)	151	-	(2,559)
Deferred tax liabilities, net	(3,580)	1,782	(725)	(2,523)	112	-	(2,411)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

24. Borrowings

	2010	2009
Short-term borrowings		
Short-term loans received from banks	-	12,852
Current portion of long-term loans received from banks	2 854	1,342
Finance lease liabilities	68	1,482
	2,922	15,676
Long-term borrowings		
Long-term loans received from banks	15,702	2,521
Finance lease liabilities	86	2,122
	15,788	4,643
Total borrowings	18,710	20,319

In 2010 m. the Company and AB SEB bank signed amendment to credit contract, based on which the bank granted EUR 5,581 thousand credit to refinance the loans granted by other banks and equipment acquired under finance lease, as well as to finance the newly acquired equipment.

Bank borrowings are secured by the property plant and equipment (Note 13), investment property (Note 14), inventories (Note 18), current cash balances and future receipts to the accounts of AB SEB bank (Note 20).

(All tabular amounts are in LTL '000, unless otherwise stated)

The fulfillment of finance lease liabilities is substantially secured since the title to assets acquired under finance lease automatically reverts to the lessor in the event of default.

In accordance with credit contracts with AB SEB bank, during the term of the contract the Company is obliged to comply with the following financial indicators estimated with reference to consolidated financial statements of SBA Furniture Group UAB: net financial debt and EBITDA ratio not exceeding 3; credit coverage ratio not lower than 1.2; debt to total assets not exceeding 75 per cent. As at 31 December 2010, the Company complied with those debt covenants

All Company's borrowings are denominated in the euros and the litas.

The weighted average interest rates (%) were as follows as at 31 December:

	2010	2009
Long-term bank loans	3.13	2.56
Short-term bank loans	4.22	4.40
Finance lease liabilities	3.41	2.88

Interest rate of borrowings is variable and based on market interest rate, therefore carrying amount of borrowings approximates to its fair value.

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2010	2009
Within 12 months or less	18,710	20,319
	18,710	20,319

Maturity terms of long-term borrowings (excluding finance lease liabilities):

	2010	2009
Between 1 and 5 years	15,702	2,521
After 5 years		
	15,702	2,521

The Company had no credit facilities contracted but undrawn as at 31 December 2010.

Finance lease liabilities – minimum lease payments:

	2010	2009
Not later than 1 year	72	1,671
After 1 year but not later than 5 years	87	2,255
	159	3,926
Future finance charges on finance lease	(5)	(322)
Present value of finance lease liabilities	154	3,604

Present value of finance lease liabilities:

Not later than 1 year	68	1482
After 1 year but not later than 5 years	86	2,122
	154	3,604

25. Trade and other payables

	2010	2009
Trade payables	859	798
Payables to related parties (Note 27)	635	653
Taxes	154	769
Remuneration and social security payable	1,142	1,187
Vacation reserve and bonuses	918	1,178
Other amounts payable and accrued charges	120	125
	3,828	4,710

(All tabular amounts are in LTL '000, unless otherwise stated)

26. Cash flows from operating activities

Reconciliation of net profit with cash flows from operating activities:

	Notes	Year ended 31 December 2010	2009
Net profit		4,074	5,153
Adjustments for:			
Income tax expenses	10	426	(190)
Depreciation	13	5,793	6,208
Amortisation	15	28	41
(Gain)/loss on fair value change, net	8	606	1,721
Loss (gain) on disposal of property, plant and equipment and write-off	8	(137)	(1)
Write-down of inventories		2	13
Interest expenses	9	667	958
Interest income	6	(200)	(274)
Change in working capital:			
– amounts receivable and prepayments		(2,466)	(7,839)
– inventories		(1,920)	2,546
– amounts payable		(882)	(903)
Cash generated from operations		5,991	7,433

Non-monetary transactions
The principal non-monetary transactions represent depreciation of property, plant and equipment, depreciation of revaluation of buildings and constructions and fair value change of investment property.

27. Related-party transactions

Related party	***Description of relationship***
A. Martinkevičius	Ultimate controlling party
Koncernas SBA UAB	Ultimate parent company
SBA Furniture Group UAB	Parent company
SBA group companies	Koncernas SBA UAB subsidiaries
Company's management	Directors and their family members

Sales of goods and services	**2010**	**2009**
- Subsidiaries of ultimate parent company:		
SBA Baldų Kompanija UAB	146,330	168,250
Visagino Linija UAB	73	283
Šilutės Baldai AB	1,643	215
Germanika UAB	1,000	628
Kauno Baldai UAB	58	12
Baldstata UAB	2	17
	149,106	169,405

(All tabular amounts are in LTL '000, unless otherwise stated)

Interest received		
- Subsidiaries of ultimate parent company:		
SBA Baldų Kompanija UAB	146	158
Klaipėdos Baldų Prekyba UAB	53	110
	199	268

Purchases of goods and services		
- Ultimate parent company:		
Koncernas SBA UAB	189	192
- Subsidiaries of ultimate parent company:		
SBA Baldų Kompanija UAB	113,368	123,402
Visagino Linija UAB	50	469
Baldstata UAB	371	462
Association Industry Marketing and Business Centre	12	17
Šilutės Baldai AB	123	143
Šatrija AB	14	13
Klaipėdos Baldų Prekyba UAB	1	2
Kauno Baldai UAB	25	81
Germanika UAB	134	97
Pastatų Idėjų Investicijos UAB	2	4
	114,100	124,690
	114,289	124,882

Related-party transactions mostly comprise sales and purchases of furniture and materials.

Amounts receivable within one year	**2010**	**2009**
- Subsidiaries of ultimate parent company:		
SBA Baldų Kompanija UAB		
trade receivables	35,635	33,969
loans	3,562	-
other receivables	13	610
	39,210	34,579
Klaipėdos Baldų Prekyba UAB		
trade receivables		475
loans	708	501
other receivables	,	-
	708	976
Šilutės Baldai AB	1,576	38
Kauno Baldai AB	3	-
Germanika UAB	1,404	819
	42,901	36,412

Amounts receivable after one year		
- Subsidiaries of ultimate parent company:		
Loan to Klaipėdos Baldų Prekyba UAB	733	1,441
Loan to SBA Baldų Kompanija UAB		3,562
	733	5,003

Interest of 3.7 per cent was charged on loans granted to the related parties in 2010 (2009: 4.63 per cent). Maturity term of the loan provided to Klaipėdos Baldų Prekyba UAB is 31 December 2011 for the amount of LTL 708 thousand and 31 December 2012 for the amount of LTL 733 thousand, and maturity of the loan provided to SBA Baldų Kompanija UAB is 18 March 2011.

(All tabular amounts are in LTL ‘000, unless otherwise stated)

Amounts payable within one year		
- Ultimate parent company:		
Koncernas SBA UAB	90	19
- Subsidiaries of ultimate parent company:		
Association Industry Marketing and Business Centre	251	287
Baldstata UAB	57	45
Kauno Baldai AB	-	37
Visagino Linija UAB	237	265
	635	653

Key management compensation		
Salaries	269	252
Termination benefits	-	15
Bonuses	80	80
Total salaries and other short-term employee benefits	349	347

The Company‘s key management includes Director and Technical Manager.

28. Contingent liabilities and commitments

Guarantees issued

The Company has a guarantee agreement with AB Swedbank, AB DnB NORD bank and AS UniCredit Bank, based on which it guarantees for the amount of all its assets the fulfilment of credit obligations to the above-mentioned banks by Visagino Linija UAB. As at 31 December 2010, such obligations amounted to LTL 22,620 thousand.

The Company had pledged its real estate to AB SEB bank in order to secure the repayment of loans and proper fulfilment of other obligations to the bank by SBA Baldų Kompanija UAB, Šilutės Baldai AB, Kauno Baldai AB.

PUBLIC COMPANY

Klaipėdos Baldai AB

ANNUAL REPORT FOR 2010

1. Reporting period covered by the Annual Report

The Annual Report of Klaipėdos Baldai AB covers the year 2010.

2. Basic information about the Issuer

Name of the Issuer	AB KLAIPĖDOS BALDAI
Authorised share capital	LTL 8,166,312
Official seat	Joniškės g. 21; 91267 Klaipėda, Republic of Lithuania
Telephone	(46) 31 39 35 (46) 31 39 60
Facsimile	(46) 31 39 51
E-mail	**info@kbaldai.lt**
Legal organisational form	public company
Date and place of incorporation	3 March 1993, Klaipėda City Council
Registration certificate No.	AB 93-59
Code of Legal Entities' Register	140656052

3. Nature of the Issuer's operations

The Issuer's core line of business is manufacturing of furniture.

4. Information about the agreements with intermediaries of securities' public turnover

On 30 November 2006, Klaipėdos Baldai AB signed the agreement No. S-Gend-231 with SEB Vilniaus Bankas AB (Gedimino g. 12, LT-01103 Vilnius, tel. (5)268 2687, fax (5)262 6043) on securities account management and service provision.

5. Information about trade in the Issuer's securities in the regulated markets

On 9 August 1994, securities of Klaipėdos Baldai AB were entered on the lists of the Vilnius Stock Exchange. Currently, 8,166,312 ordinary registered shares with a nominal value of LTL 1 and a total nominal value of LTL 8,166,312 of Klaipėdos Baldai AB are listed on the Additional List of the Vilnius Stock Exchange.

6. Structure of the Issuer's authorised share capital

The authorised share capital of the Company registered at the Ministry of Economy of the Republic of Lithuania amounts to LTL 8,166,312. The table below presents the structure of the Company's authorised share capital according to types of shares.

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value	Percentage in the authorised share capital (%)
Ordinary registered shares	8,166,312	1	8,166,312	100.00
Total	**8,166,312**	**-**	**8,166,312**	**100.00**

All shares of KLAIPĖDOS BALDAI AB are fully paid. There have been no changes in the authorised share capital over the last period

An ordinary registered share grants to its owner (shareholder) the following property rights:

1. To receive a portion of the Company's profit (dividend);
2. To receive a portion of the assets of the Company in liquidation;

3. To receive shares free of charge when the authorised capital is increased from the Company's funds, save exceptions stipulated in the Law on Companies of the Republic of Lithuania;
4. To acquire shares or convertible bonds issued by the Company by the right of pre-emption, except when the general shareholders meeting decides to recall the right of pre-emption for all the shareholders in accordance with the procedure prescribed by the Law on Companies of the Republic of Lithuania;
5. To lend money to the Company in any manner prescribed by the laws; however, when borrowing money from its shareholders, the Company has no right to mortgage its property to the shareholders. When the Company borrows money from its shareholder, interest rate may not exceed the average interest rate of commercial banks located in the lender's place of residence or business, that is effective at the time of concluding a loan agreement. In such a case the Company and shareholders are forbidden to agree upon higher interest rates;
6. To transfer all shares or part thereof to other persons;
7. To demand that other shareholders would compulsorily sell their shares to them, or to demand that other shareholders would compulsorily buy shares from them in cases and in the order prescribed by the Law on the Securities Market;
8. Other property rights established by the laws.

An ordinary registered share grants to its owner (shareholder) the following personal non-property rights:

1. To attend general shareholders meetings;
2. To vote at general shareholders meetings under the rights granted by the shares. One ordinary registered share grants one vote;
3. To receive information about the Company to the extent prescribed by the laws;
4. Other non-property rights established by the laws.

7. Shareholders

As at 31 December 2010, the total number of shareholders of KLAIPĖDOS BALDAI AB was 856.

The table below lists the major shareholders of the Company.

Full name of the shareholder (company name, type, official seat, code of the Legal Entities' Register)	Number of ordinary registered shares owned by the shareholder (units)	Percentage of the authorised share capital (%)	Percentage of votes conferred by shares owned (%)
SBA furniture Group UAB, 300103836 Laisvės pr. 3 ,Vilnius	5908441	72.35	72.35
Swedbank AS Clients, 10060701 Liivalaia 8,Tallinn	359081	4,40	4,40
Association Pramonės ir Marketingo Biznio Centras, 134292039 K.Donelaičio g. 62, Kaunas	262 374	3,21	3,21
Skandinaviska Enskilda Banken AB Finnish Clients, 5020329081 Sergels Torg 2, 10640 Stockholm, Sweden	273527	3,35	3,35
Other shareholders	1362889	16.69	16.69
Total	8 166 312	100	100

There are no shareholders holding special control rights.

There are no restrictions imposed on voting rights.

There are no mutual agreements between shareholders of which the Issuer is aware and due to which restrictions on transfer of securities and/or voting rights may be imposed.

Klaipėdos Baldai AB had no own shares.

8. Amendment procedure of the Issuer's Articles of Association

The Articles of Association of Klaipėdos Baldai AB grant an exclusive right to the General Shareholder Meeting of Klaipėdos Baldai AB to amend the Company's Articles of Association except for the cases established by the Law on Companies of the Republic of Lithuania. A decision on the amendment of the Articles of Association is adopted by a 2/3 majority of votes of shareholders present at the General Shareholder Meeting.

9. Issuer's bodies

There were no loans, guarantees or sureties granted to the members of the management bodies of the Company during a reporting period. The gross average amounts of payroll, bonuses and other payments made from profit to the members of the management bodies of the Company are presented in the table below:

	Payroll , LTL	Bonuses, LTL (paid during 2010)	Other payments from profit, LTL
Members of management bodies	-	-	-
Head of administration (Director of the Company)	232008	-	-

Transactions with related parties are disclosed in the financial statements for 2010.

There are no agreements between the Company and members of its management bodies or its employees on compensations that would be paid if they resigned or were dismissed without valid reason or because of change in the control of the Company.

The Articles of Association of Klaipėdos Baldai AB stipulate that the Company shall have the following management bodies: the General Shareholders Meeting, the Supervisory Board, the Board and the Company's Director.

Decisions of the General Shareholders Meeting adopted on the issues assigned within its powers by the Company's Articles of Association shall be mandatory to shareholders, the Supervisory Board, the Board, the Director and other employees of the Company.

Persons who were shareholders of the Company at the end of the record date of the General Shareholder Meeting have the right to attend the General Shareholder Meeting. The record date of the Company Meeting shall be the fifth working day before the General Shareholder Meeting or the fifth working day before the repeat General Shareholder Meeting. A person attending the General Shareholder Meeting and entitled to vote shall produce a document which is a proof of his personal identity. A person who is not a shareholder shall in addition produce a document certifying his right to vote at the General Shareholder Meeting.

The Supervisory Board, a collegial supervisory body, shall be elected by the General Shareholder Meeting according to the procedure laid down in the Law on Companies of the Republic of Lithuania. The Supervisory Board shall be composed of 3 (three) members. The Supervisory Board shall be elected for the period of 4 (four) years. The Chairman of the Supervisory Board shall be elected from the members of the Supervisory Board. The General Shareholder Meeting may remove from office the entire Supervisory Board or its individual members before the expiry of the term of the Supervisory Board's office. Where individual members of the Supervisory Board are elected, the term of office for which they are elected shall be only until the expiry of the term of office of the current Supervisory Board.

The Supervisory Board shall elect members of the Board and remove them from office; shall supervise the activities of the Board and the Company Director; shall submit its comments and proposals to the General Meeting on the operating strategy of the Company, annual financial statements, draft of profit appropriation and the annual report of the Company as well as the activities of the Board and the Company Manager; shall submit its proposals to the Board and the Company Manager to revoke their decisions which are not in conformity with the laws and other legal acts, the Articles of Association of the Company or the decisions of the General Shareholder Meeting; shall address other issues assigned within its powers by the decisions of the General Shareholder Meeting regarding the supervision of the activities of the Company and its management bodies. The Supervisory Board shall not be entitled to assign or delegate its functions prescribed by the Law on Companies of the Republic of Lithuania to other bodies of the Company.

The Board is a collegial management body of the Company composed of 3 (three) members. The Board shall be elected by the Supervisory Board for the period of 4 (four) years. The Supervisory Board may remove from office the entire Board or its individual members before the expiry of their term. Where individual members of the Board are elected, the term of office for which they are elected shall be only until the expiry of the term of office of the current Board. The Chairman of the Board shall be elected from the members of the Board.

The Board shall elect and remove from office the Company Manager, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for him and impose penalties.

Director shall be the Manager of the Company. The Manager of the Company is a single-person management body of the Company that organises the Company's activities. Powers and responsibility of the members of the Company's administration shall be defined by the order of the Director.

There are no significant agreements between the Company and the third parties that would come into force; change or cease as a result of change in the control of the Company.

9. Members of the collegial bodies, the Company Manager

SUPERVISORY BOARD (31 December 2010)

No.	Position	Name, surname	Participation in the Issuer's authorised share capital (shares) %	Percentage of votes %	Qualification
1.	Chairman	Egidijus Valentinavičius	-	-	Higher education in the field of economy (economics and management) Vice President of Business Management (Private Limited Liability Company (UAB) Concern "SBA")
2.	Member	Dalia Maleckienė	-	-	Higher education in the field of engineering (production management) Head of Business Planning (Private Limited Liability Company (UAB) Concern "SBA")
3.	Member	Virgilijus Rančys	-	-	Higher education in the field of economy (financeand credit) Head of Treasury (Private Limited Liability Company (UAB) Concern "SBA")

BOARD (31 December 2010)

No.	Position	Name, surname	Beginning of the term of office	End of the term of office	Participation in the Issuer's authorised share capital (shares) %	Percentage of votes %
1.	Chairman	Ričerdas Kiaurakis	25/04/2008	25/04/2012	-	-
2.	Member	Rasa Žvirblienė	13/02/2009	25/04/2012	-	-
3.	Member	Eimuntas Jankauskas	13/02/2009	25/04/2012	-	-

HEAD OF ADMINISTRATION (31 December 2010)

Position	Name, surname	Position held from	Participation in the Issuer's authorised share capital (shares) %	Percentage of votes %
Director	Ramūnas Marozas	01/04/2008	-	-

With effect from 2 October 2006, the bookkeeping of the Company is performed by SBA Baldų Kompanija UAB according to the agreement on the provision of bookkeeping services signed with this company.

11. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and contingencies

After World War II a factory producing matches and thatches for export was reopened in Klaipėda. In 1954, the factory was reorganised to the company of furniture production and the company first started its activities in that year. In 1956, mass production of furniture was started.

In 1975, the manufacturing consolidation "Klaipėda" was established. In 1980, the integrated quality management system was introduced at the manufacturing consolidation "Klaipėda" and the export of production to the countries of the Western Europe was started.

In 1990, after the reorganisation of the manufacturing consolidation "Klaipeda", the state furniture company was established with the separation of Rietavas furniture factory. In 1991, the first phase of privatisation of the Company was started.

The Company was privatised by way of public subscription of shares and was registered as a public company with Klaipėda City Council with the authorised share capital amounting to LTL 742,392 on 3 March 1993.

It was resolved at the General Meeting of Shareholder held on 5 March 1996 to increase the authorised share capital 10 times by making transfers from the revaluation reserve of property, plant and equipment and apply to the Lithuanian Securities Commission regarding the registration of additional issue of securities. Consequently, the additional issue of 7,423,920 ordinary registered shares increased the authorised share capital of the Company up to LTL 8,166,312.

The quality management system under the international standard ISO 9001 was introduced and certified at the Company in 1997 and re-certified in 2000. After the review audit performed in 1998 and 1999 experts concluded that the Company's quality management system complies with ISO 9001 requirements and operetes effectivelly. In 1999, the Company was awarded with the National Quality Prize.

In 1999, the Environment Protection Management System (ISO 14001) was introduced and certified at the Company.

From 2000 the recertification audit on the Environment Protection Management System under the requirements of ISO 14001:1998 standards is being carried out.

In 2002, the Quality Management System was recertified under requirements of the new standards LST EN ISO 9001:2001. The main feature of the new standards is the process-based quality management system designed to increase client satisfaction and his appreciation of the Company's products acquired.

In 2007, Klaipėdos Baldai AB and SBA Baldų Kompanija were recertified under the standards ISO 14001:1998 and LST EN ISO 9001:2001.

Aiming to maintain and strengthen the position occupied in the local market, fully satisfy needs of customers and fulfil their expectations, the Company's specialists experiment and design new products. The latest products of the Company reflect a modern way of life and global fashion trends.

Currently, the Company offers 52 different pieces furniture for residential purposes.

Most of such furniture is produced using chipboard. All new products were highly appreciated by customers.

The production process at the Company is being organised and managed according to the requirements of ISO 9001 and 14001 standards. The core line of business of the Company is the serial furniture production using chipboard of various thickness coated with natural veneer, synthetic decorative film or laminate. The Company uses only certified products and raw materials.

The major production objectives for 2010 include ensurance of quality of products and increase in production efficiency. A full utilisation of facilities, optimal arrangement of technological processes, a more accurate investments into new facilities should help to achieve these objectives.

Having the aim of maintaining the occupied position in the furniture markets and increase this market share, the Company will continue specialisation in production of residential furniture for the local and mainly for foreign markets.

In 2010, the Company produced pieces of furniture of 4 categories: shelves for residential premises, chest-of-drawers, tv tables and other furniture. Thirty different products of these categories are produced in a month. The Company does not plan to significantly expand the product range.

When performing its business activities the Company is exposed to a variety of risks.

Financial risk management is carried out by the Board. More information about financial-risk management can be found in Note 3.1 of the Company's Explanatory Letter.

Credit risk is mostly affected by the financial position of SBA Baldų Kompanija UAB, since most of the Company's revenue is generated from SBA Baldų Kompanija UAB. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents necessary to cover the expected expenditures. The Company makes short-term cash flow forecasts. The Company has signed contracts with the banks to ensure the availability of funding upon necessity.

Market risk: the Company's core products are realised by SBA Baldų Kompanija UAB. Marketing and sale functions are carried out by SBA Baldų Kompanija UAB.

Risk of change in inventory (raw materials) price arises due to constantly growing prices of raw materials. Raw materials are purchased via SBA Baldų Kompanija UAB, thereby enabling to expect more favourable prices from the suppliers of raw materials through consolidation of purchases of several companies.

Product quality risk: Since 1997, the Company has Quality Management System, which has been effectively operating in compliance with the requirements of a new standard LST EN ISO 9001:2001. This is affirmed through annual audits by the experts of TUV CERT. The problems faced are analysed and solved on a regular basis, the operations are subject to continuous improvements by selecting a better Quality Management Development stage – Overall Quality Management.

Environmental risk: Environment protection management system was introduced at Klaipėdos Baldai AB in 1999 in accordance with ISO 14001 standard requirements. For modernization of manufacturing process, only up-to-date, patented and more environmentally friendly technology is acquired. Environment protection management system requires continuous and systematic monitoring of effectiveness of the system, assessment and forecasting of outcomes. For that purpose monitoring is carried out to observe changes over certain time (energy costs to furniture production ratio, energy resources costs per 1,000 m2 of manufactured products and etc.). Moreover, internal and external audits are carried out for the existing system.

Staff risk: In 2010, a lower number of employees was made redundant. This was mostly caused by effective staff motivation policy and good adaptability of newly hired employees to the requirements and objectives of the Company. The Company is focused on improving its labour productivity and simultaneously increasing the level of remuneration.

The Company's Board is responsible for the development and verification of the sequence and directions of the Company's internal-control actions, while the Company's Director is responsible for the implementation thereof. The following sequence of internal-control actions is established in the Company:

1. Determination of standards (control standards define effectiveness indicators);
2. Comparison of actual data with planned data;
3. Decision-making.

Internal-control directions vary depending on changes inside the Company and in the external environment.

In 2009 Company established internal Audit Committee. Audit Committee consist from three members. One member of Audit Committee are independent.

12. Analysis of financial and non-financial performance

The Company's key performance indicators are as follows:

Indicator	**2009**	**2010**
Sales revenue, LTL million	170,0	149.5
Profit before tax, LTL million	4,963	4500
Labour productivity per employee, m^2	505,8	530.6
Assets, LTL million	96,9	98.0
Debt ratio, %	29,4	26.1

In 2010, sales of Klaipėdos Baldai AB decreased by 12,1 percent, profit before tax decreased by 9,1 percent as compared 2009. In 2010, labour productivity per employee increased by 4,9 per cent compared to 2009. In 2010, the Company's financial situation improved as indicated by a lower debt ratio .

Investments

In 2010, the amount allocated for investments equalled to LTL 2.8 million. The major part of this amount was allocated for the acquisition of equipment – LTL 2,6 million .

Staff

According to the data of 31 December 2010, the average recorded number of employees was 530: 495 among them were workers that constitute 93.4 per cent of all employees and 35 were managers and specialists that constitute 6.60 percent of all employees. In 2010, the Company employed 53 employees who had acquired a higher education, 45 – non-higher professional education, 128 – vocational education, 86 – special secondary education, 164 – secondary education and 54 – unfinished secondary education.

In 2010, the Company incurred LTL 19296 Lt of staff training expenses.

The table below presents the average number of employees and the average remuneration.

	2010
Average number of employees, persons	530
Average monthly remuneration of the employee, LTL	2465
Average monthly remuneration of managers and specialist, LTL	4963
Average monthly remuneration of the worker, LTL	2294

In 2010, there were no major changes in the number of employees. The number of employees changed slightly due to changes in production volumes during the year.

The Company's collective agreement does not stipulate special rights and obligations of the Issuer's employees or a group of employees.

A more detailed information on the Company's operational and financial performance for 2010 is provided in the financial statements.

13. *Information on the Company's branches and representative offices*

The Company has no branches or representative offices.

14. Information on the Company's research and development activities

In 2010, the Company was not engaged in research and development activities.

15. Significant and latest events in the Issuer's activity

All significant events that occurred in 2010 have been communicated to the Vilnius Stock Exchange and the Securities Commission as required by the Rules on Periodic Disclosure of Information about the Issuers' Activities and their Securities. All information about the Company's material events is available at http://www.nasdaqomxbaltic.com.

26.02.2010

The preliminary unaudited results and 12 months interim information of 2009

Unaudited results of AB Klaipedos baldai of 2009:
Overall 2009 sales reached 170 000 thousand Lt (49235 thousand EUR) or 8,2 percent less than in 2008. The reason of decreased sales are situation in markets.
Pre-tax profit of 2009 was 4963 thousand LTL (1437 thousand EUR), or 11.6 percent more than in 2008, then it was 4447 thousand Lt (1288 thousand EUR). Profit was determined by the production processes effectiveness and optimization of costs.

26.03.2010

Concerning general shareholder meeting

Convocation of an ordinary general meeting of SC Klaipedos baldai shareholders

By the initiative and decision of the Company Board, an ordinary general meeting of SC Klaipedos baldai (registered at Joniskes str. 21, Klaipeda, company number 140656052) shareholders is being convoked at Joniskes str. 21, Klaipeda on 28 April 2010 at 11 am. Shareholders' registration starts at 10 am.

Only the persons who were shareholders of the company at the end of the general shareholders' meeting accounting day shall have the right to attend and vote at the general shareholders' meeting. The meeting accounting day is 21 April 2010.

Property rights shall be held by the persons who were SC Klaipedos baldai shareholders at the end of the tenth working day after the general shareholders' meeting having adopted the respective decision. The rights accounting day is 12 May 2010.

The agenda of the ordinary general shareholders' meeting:

1. The Supervisory Council record and offer of the year 2009 financial accountability, profit distribution project and annual report.
2. Auditor report of year 2009 financial accountability.
3. Financial accountability statement for 2009.
4. Profit distribution project statement for 2009.
5. The election of annual auditor for 2010 and the establishment of the rate for the report.

The general shareholders' meeting is convened on the initiative and by the resolution of the Board of the Company.

The Company shall not provide the possibility to attend and vote in the general shareholders' meeting through electronic communication channels.

Each shareholder holding shares that grant at least 1/20 of all votes shall have the right of proposing to supplement the agenda of the general shareholders' meeting. Draft decisions on the proposed issues shall be submitted together with the proposal or, if the decisions are not needed to be approved, explanations on each proposed issue of the general shareholders' meeting shall be presented. Proposal to supplement the agenda must be presented in writing sending it by a registered mail at the above-specified head-office address of the Company. The agenda shall be supplemented if the proposal will be received not later than 14 days before the general shareholders' meeting.

Each shareholder holding shares that grant at least 1/20 of all votes shall have the right of proposing draft resolutions on the issues already included or to be included in the agenda of the general shareholders' meeting, to nominate additional candidates for members of the Company's managerial body, the audit company. The proposed draft decisions must be presented in writing sending them by a registered mail at the above-specified head-office address of the Company

The shareholders shall also be entitled to propose draft resolutions on the general shareholders' meeting agenda issues in writing during the meeting.

The shareholders shall have the right to present questions related to the general shareholders' meeting agenda issues to the Company in advance in writing, by stating the shareholder's personal ID number in the letter and sending by a registered mail. The Company undertakes to respond if the questions are received not later 3 working days before the general shareholders' meeting.

A shareholder or a person authorised by him attending the general shareholders' meeting and entitled to vote shall submit an identity document.

Each shareholder shall also have the right to authorise another person (natural or legal), in the manner prescribed by law, to attend and vote at the general shareholders' meeting on his behalf. At the meeting the authorised person shall enjoy the same rights as the shareholder represented by him would have unless the authorized person's rights are limited by the power of attorney or by the laws. The authorised person must produce a power of attorney certified in the manner prescribed by law. A power of attorney issued in a foreign state must be translated into Lithuanian and legalised in the manner prescribed by law.

A shareholder or a person authorised by him shall have the right to vote in writing in advance by filling in the general ballot paper. On shareholder's request, the Company shall, not later than 10 days before the meeting, send the general ballot paper by registered mail free of charge. The filled in general ballot paper and the document confirming the voting right (if any) must be submitted to the Company in writing not later than on the last working day before the general shareholders' meeting sending it by registered mail at the above-specified head-office address of the Company.

The documents related to the convening and the agenda of general shareholders' meeting, draft decisions on each agenda item, documents that must be submitted to the meeting, the form of the general ballot paper and other information related to the implementation of the shareholder rights will be available for the shareholders during working hours at AB Klaipedos baldai head-office in Joniskes str. 21, Klaipeda and partly on the Company's website http://www.klaipedos-baldai.lt.

02.04.2010

RESOLUTION PROJECTS FOR GENERAL STOCKHOLDER'S MEETING HELD ON 2010 APRIL 28th

The board meeting of SC "Klaipėdos baldai" has prepared resolution projects for stockholders meeting and vote:

1. The supervisory council reviews and proposals concerning the financial accountability of SC "Klaipėdos baldai" for 2009, profit distribution project and company report for 2009 by the board meeting.
Resolution: approve the supervisory council auditor .

2. The auditor report concerning the financial accountability of SC „Klaipėdos baldai" for 2009.
Resolution: approve the report auditor.

3. Financial accountability consolidation for 2009.
Resolution: approve the financial accountability for 2009.

4. Profit distribution project for 2009.
Resolution: approve the profit distribution project as it follows:

PROFIT DISTRIBUTION PROJECT

Article	Amount thousand/Lt	Amount thousand/EUR
Retained earnings (loss) in the end of last fiscal year	32 672	9 462
Net profit (loss)	5 153	1 492
Distributable result-profit (loss) in the end of fiscal year	37 825	10 955
The contribution of stockholders for the loss refund	-	-
Transfer from the reserve	880	255
Distributable earnings	38 705	11 210
The distribution of profit:		
reserves set by law	-	-
other reserves	-	-
dividends	-	-
other	-	-
Retained earnings in the end of fiscal year	38 705	11 210

5. The election of the auditor for 2010, the establishment of the rate for the report.

Four recolutions drafts are approval for vote:

a) Decided to select JSC "PriceWaterHouseCoopers" as the auditor company for 2010 and determine 47 000 Lt excl. VAT as wage.

b) Decided to select JSC "KPMG Baltics" as the auditor company for 2010 and determine 45 000 Lt excl. VAT as wage.

c) Decided to select JSC " Deloitte Lietuva" as the auditor company for 2010 and determine 50 000 Lt excl. VAT as wage.

c) Decided to select JSC " ERNST & YOUNG BALTIC " as the auditor company for 2010 and determine 44 886 Lt (13 000 euro) excl. VAT as wage.

The auditor company will be the one that receives more votes.

28.04.2010

Resolutions made by the General Shareholders Meeting

THE GENERAL SHAREHOLDER‘S MEETING OF AB „KLAIPĖDOS BALDAI“ HELD ON 28.04.2010 HAS PASSED FOLLOWING RESOLUTIONS:

1. To approve the Supervisory Council's reports and proposals regarding the Company's annual financial accountability statements, profit distribution project and the Company's annual report for the year 2009.

2. To approve the Auditor‘s Report on the Company‘s annual financial

accountability statements for the year 2009.

3. To approve the financial accountability statements for the year 2009.

4. To approve the appropriation of profit for the year 2009.

PROFIT DISTRIBUTION

Articles	Amount thousand/Lt	Amount thousand/EUR
Retained earnings (loss) in the end of last fiscal year	32672	9462
Net profit (loss)	5153	1492
Distributable result-profit (loss) in the end of fiscal year	37825	10955
The contribution of stockholders for the loss refund	-	-
Transfer from the reserve	880	255
Distributable earnings	38705	11210
The distribution of profit:		
reserves set by law	-	-
other reserves	-	-
dividends	-	-
other	-	-
Retained earnings in the end of fiscal year	38705	11210

5. Decided to select JSC "PriceWaterHouseCoopers" as the auditor company for 2010 and determine 40 000 Lt excl. VAT as wage.

28.04.2010

On annual information

Klaipedos baldai, AB annual information for 2009 approved by the Ordinary General Shareholders Meeting is presented

28.05.2010

Preliminary unaudited results for 3 months of 2010 and forecasting performance for 2010

Unaudited results of AB Klaipedos baldai for 3 months of 2010:

Overall sales during January - March 2010 reached LTL 35778 thousand (EUR 10362 thousand), in the corresponding period of 2009 were 48635 LTL thousand (EUR 14086 thousand).

Earnings before taxes were LTL 1207 thousand (EUR 350 thousand) during January - March 2010. In the corresponding period of 2009 earnings before taxes were LTL 1078 thousand (EUR 312 thousand).

Gross profit margin for January - March 2010 reached 5.5% and exceeded forecast for 2010 by 1.0 pp. This result was achieved by improvement of the efficiency in the production and cost optimization. Management expects to achieve planned annual turnover and financial results, therefore annual forecasts are not adjusted 1st quarter ended March 31, 2010.

27.08.2010

Preliminary unaudited results for 6 months of 2010 and forecasting performance for 2010

Unaudited results of AB Klaipedos baldai for 6 months of 2010:

Overall sales during January - June 2010 reached LTL 69 835 thousand (EUR 20 226 thousand), in the corresponding period of 2009 were 90 902 LTL thousand EUR 26 327 thousand.
Earnings before taxes were LTL 2112 thousand (EUR 612 thousand) during January - June 2010. In the corresponding period of 2009 earnings before taxes were LTL 1851 thousand (EUR 536 thousand).
Gross profit margin for January - June 2010 reached 5.1% and exceeded forecast for 2010 by 0.6 pp. Management expects to achieve planned annual turnover and financial results, therefore annual forecasts are not adjusted 1st hulf-year ended June 30, 2010.

12.11.2010

Preliminary unaudited results for 9 months of 2010 and forecasting performance for 2010

Preliminary unaudited results for 9 months of 2010 and forecasting performance for 2010

Unaudited results of AB Klaipedos baldai for 9 months of 2010:

Overall sales during January - September 2010 reached LTL 114586 thousand EUR 33186 thousand), in the corresponding period of 2009 were 130077 LTL thousand (EUR 37673 thousand).
Earnings before taxes were LTL 3420 thousand (EUR 991 thousand) during January - September 2010. In the corresponding period of 2009 earnings before taxes were LTL 2995 thousand (EUR 867 thousand.
Gross profit margin for January - September 2010 reached 4.76% and exceeded forecast for 2010 by 0.26 pp. Company's management expects to achieve annual targets and does not adjust planned annual forecast

Significant events subsequent to the end of the financial year

There was no significant events subsequent to the end of the financial year

16. Issuer's business plans and perspectives for 2011

-The main objectives for 2011 remain unchanged: improvement of efficiency of operations, development of production in line with environmental requirements.
-Improvement of product quality to meet the strictest demands of customers;
-Promotion of production of ecological products using certified ecological wood, the most advanced technologies meeting the low pollution standard and modern equipment;
-Implementation and improvement of quality and environmental management systems ISO 9001,ISO 14001, FSC-STD-40-004.

17. Information about the compliance with the Governance Code

Klaipėdos Baldai AB confirms its further substantial compliance with the recommendational Governance Code approved on August 2006 at the Vilnius Stock Exchange for the listed companies.
In 2009 Company established internal Audit Committee. Audit Committee consist from three members. One member of Audit Committee are independent.

KLAIPĖDOS BALDAI AB
Director — Ramūnas Marozas

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market of Klaipėdos baldai AB

The public company *Klaipėdos baldai AB* following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	Published in the company's periodic reports and is available on the Stock Exchange and the committee of the securities websites.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	YES	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	YES	The Company's bodies are as follows: a general shareholders' meeting, a supervisory board (a collegial supervisory body), a management board (a collegial management body), and the chief executive officer.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	YES	The functions of a collegial supervisory body and a collegial management body are set in the company's rules and regulations following the requirements of law on Private companies of the Lithuanian Republic.

2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	NOT APPLICA BLE	Both a supervisory board and a management board are formed in the company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	YES	Unenforceable provisions are commented in separate clauses on principles III and IV
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	YES	A company's management comprises 3 members while a supervisory board also consists of 3 members. The chief executive officer is not a member of the company's management board or its supervisory board.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	YES	In accordance with the company's rules, the term of office of supervisory board members lasts 4 years. According to the company's rules and regulations and valid legislation, it is not forbidden to re-elect these members for other terms.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	YES	Chairman of the supervisory board has never been the company's chief executive officer.

[1] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board **(e.g. formation of the committees)**, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

[2] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	**YES**	Following the requirements of law on Private companies of the Lithuanian Republic, a collegial supervisory body is formed on disclosing the information to the shareholders about the candidates for the company's collegial supervisory body.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	**YES**	The information about the candidates for the company's collegial supervisory body was provided to the shareholders together with the announcement of a general shareholders' meeting and the agenda of the general shareholders' meeting when the supervisory board was being elected.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	**NO**	This recommendation is realized on disclosing the shareholders the information about the candidates for the company's collegial supervisory body. The information about the qualification of the members of the collegial supervisory body is provided in the Annual report of the company.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	**YES**	The members of the collegial supervisory body do the active work in different fields in other companies, which ensures the adequacy of the competence in their current duties. The information about the qualification of the members of the collegial supervisory body is provided in the Annual report of the company.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	NO	The members of the collegial supervisory body do the active work in different fields in other companies, which ensures the adequacy of the competence in their current duties.

[3] Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	NO	The independence of the members of the collegial supervisory body was not considered by the company by now.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control	NO	The independence of the members of the collegial supervisory body was not considered by the company by now.

[4] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[5] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	NO	The independence of the members of the collegial supervisory body was not considered by the company by now.

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	NO	The independence of the members of the collegial supervisory body was not considered by the company by now.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	The independence of the members of the collegial supervisory body was not considered by the company by now.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	NOT APPLICA BLE	The members of the collegial supervisory body were not remunerated from the company's funds in 2010.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	**YES**	The supervisory board elected by the company provides the general shareholders' meeting with reviews and offers regarding the company's annual financial statements, proposed profit appropriation, and the company's annual report.

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.
[7] See Footnote 3.
[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	**YES**	According to the data owned by the company, all members of the collegial body act in good faith in the interests of the company, follow the company's interests and not those of their own or third parties so that they could keep their independent view on making decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	**YES**	Company's members of the collegial body perform their duties properly: take an active part in the collegial body meetings and, as a collegial member, devotes sufficient time to perform his duties.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	**YES**	Following the Law on Private Companies of the Lithuanian Republic, the collegial body's method of cooperation with the shareholders is set in the company's rules and regulations.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	**YES**	There were none of such transactions in 2010.

[9] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	**YES**	
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	**NO**	None of the committees were formed in the company by now. Following the company's rules and valid legislation, the indicated issues are considered by the company's supervisory board, management board and the chief executive officer.

[10] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

[11]The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	**YES**	The company’s supervisory board, management board and the chief executive officer are considering the indicated issues.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	**YES**	
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	**YES**	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	**YES**	

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	NOT APPLICA BLE	The company's supervisory board, management board and the chief executive officer are considering the indicated issues.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;	NOT APPLICA BLE	The company's supervisory board, management board and the chief executive officer are considering the indicated issues.

• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether	**YES**	

participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	**NO**	
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	**YES**	This recommendation is realized by the chairmen of the supervisory and management boards.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	**NO**	Meetings of the company's management board are convened at least once in a quarter, and the company's supervisory board should meet at least once a year. The meetings of the management and supervisory boards can be convened more frequently, if needed.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	**YES**	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	**YES**	
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to	**YES**	Company's authorized share capital consisting of ordinary shares grant the same rights to all company's shareholders.

[12] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

all their holder		
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	**YES**	None of company's new shares were issued during 2010. Information about the rights attached to the shares of the new issue is provided in company's rules the Annual report of the company.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	**NO**	Company follows the requirements of law on Private companies of the Lithuanian Republic
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	**YES**	
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	**NO**	This information is not disclosed on the company's website. The company does not disclose information in English as by now the company's shareholders did not show their interest in receiving the information in English. While preparing the documents referred to the shareholders' general meeting, the company follows its own rules and the rules of law on Private companies of the Lithuanian Republic. The documentation prepared for the annual shareholders meeting, including decisions of the shareholders meeting are disclosed through the Vilnius Stock exchange information system. Upon request documentation is provided to the shareholders by an e-mail.

[13] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	**YES**	Company's shareholders can realize/materialize their right to take part in general shareholders' meeting both in person and in absentia in case a person has a valid/proper/suitable warrant/authorization or an agreement on voting right transfer/disposal in the manner prescribed by legislation. The company also has to provide conditions for the shareholders so that they could vote by completing the general vote ballot as it is required by the law on Private companies of the Lithuanian Republic.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	NOT APPLICABLE	By now there was no need to realize this recommendation in the company.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	**YES**	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	**YES**	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	**YES**	

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	**YES**	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	**NO**	At present the company prepares neither remuneration policy reports nor makes public statements of them. The company's remuneration policy, i.e. payments to employees, specialists and managers is set in remuneration rules, which are constituent part of the collective agreement. The remuneration policy and its alterations are also provided in business plans prepared by the company as well as reports, which are approved by the company's board. Following the law on Private companies of the Lithuanian Republic, this information is available for both company's employees and its shareholders.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year	NO	See commentary No. 8.1
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on **performance** criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes	**NO**	See commentary No. 8.1

for directors; • Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	**NO**	See commentary No. 8.1
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or	**NO**	See commentary No. 8.1

payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial **report** of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	YES	
8.7.Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	YES	
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	YES	
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NOT APPLICABLE	
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	YES	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	NO	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NO	See commentary No. 8.1
8.13. Shares should not vest for at least three years after their award.	NOT APPLICABLE	
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	NOT APPLICABLE	

8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	NOT APPLICABLE	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	NOT APPLICABLE	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	NO	See commentary No. 8.1
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	NO	See commentary No. 8.1
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	*NO*	See commentary No. 8.1
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	*NO*	
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	*NOT APPLICABLE*	

8.22. Provisions of Articles **8.19** and **8.20** should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	*NOT APPLICABLE*	
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article **8.19**, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	*NOT APPLICABLE*	

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	Company prepares collective agreements between an employer and a company's trade-union. The employees' interests are presented in a proper way; the company's employees take an active part in preparation of a collective agreement as well as control of its performance. The interests of other interest holders (creditors, suppliers, customers) are assured by applying the carrying obligations agreed by the company as well as following valid requirements of legislation
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. **10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.** 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	**YES**	Information on the company listed in these recommendations is disclosed in these sources: Annual report of the company; Financial statements of the company; reports on acquisition/disposal of shares; reports on significant events and disclosing the information through information exchange system of Vilnius stock exchange. The company's financial statements and annual report are submitted to the Registry of Legal Entities and the information is available to the public, except for the information provided in item 10.3, which says about professional experience, qualification and potential interest conflicts of the company's members of the supervisory and management boards. Besides, this information is not provided in full.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	**YES**	The company provides information with the help of information disclosure system used by the Vilnius Stock Exchange. It is done in 2 languages, i.e. Lithuanian and English, simultaneously, if possible. The Stock Exchange places the information on their website and in the trading system assuring simultaneous disclosure of the information to all. The company does not disclose information, which can influence the price of the securities issued by the company, in the commentaries, interviews or other as long as such information is published via the Stock Exchange information system.

10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	**YES**	Notices about material events should be announced by the company via the Stock Exchange information system.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	**NO**	The indicated information is available on the websites of the Stock Exchange and the committee of securities of the Lithuanian Republic.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	**YES**	The firm follows law requirements on an annual audit of the company's financial statements and report, which is conducted by an independent firm of auditors. Interim audit on the company's financial statements is not conducted.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	**YES**	The company's supervisory board proposes a candidate firm of auditors to the general shareholders' meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	**NOT APPLICA BLE**	During 2010 the firm of auditors did not render non-auditing services to the company and did not receive any payment from the company.