STUMBRAS AB

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2007

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FINANCIAL STATEMENTS

Translation is correct. Translator of UAB „Runos“ Rasa Eismantienė.

LIETUVOS RESPUBLIKA UAB "RUNOS" KAUNAS

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

Balance sheet

	Note	2007 03 31	2006 03 31	2006 12 31
ASSETS				
Non-current assets				
Property, plant and equipment	7	26 758	23 621	25 149
Intangible assets	8	541	421	563
Deferred income tax assets	9	-	73	-
Available-for-sale financial assets		15	15	15
Non-current receivables and deferred charges	10	33	1 485	42
		27 347	25 615	25 769
Current assets				
Inventories	11	14 929	11 197	13 242
Trade and other receivables and prepayments	12	47 481	66 291	46 553
Prepaid current income tax		-		-
Cash and cash equivalents	13	13 630	8 794	39 157
		76 040	-	98 952
Non-current assets classified as held for sale		168	3	162
		76 208	86 285	99 114
Total assets		103 555	11 900	124 883
EQUITY				
Share capital	14	40 000	39 685	40 000
Reserves	15	1 985	-	4 990
Retained earnings		8 890	27 130	20 692
Total equity		50 875	66 815	65 682
LIABILITIES				
Non-current liabilities				
Borrowings	17	-	21 923	-
Deferred income tax liabilities	9	56	-	56
		56	21 923	56
Current liabilities				
Trade and other payables	16	28 487	19 141	33 749
Borrowings	17	20 769	3 462	21 923
Current income tax liabilities		3 368	-	3 473
Deferred income	18	-	-	-
Provisions for other liabilities and charges	16	-	559	-
		52 624	23 162	59 145
Total liabilities		52 680	45 085	59 201
Total equity and liabilities		103 555	111 900	124 883

The General Director and the Finance Director approved the financial statements on pages 3 to 25 on 20 April 2007.

Česlovas Matulevičius
General Director

Voldemaras Kallo
Finance Director

The notes on pages 7 to 25 are an integral part of these financial statements.

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

Income statement

	Note	Period ended 31 March 2007	2006
Continuing operations:			
Sales	6	29 157	17 453
Cost of sales	19	(15 782)	(9 242)
Gross profit		13 375	8 211
Other gains (losses) -net		11	
Selling and marketing costs	19	(1 841)	(1 590)
Administrative expenses	19	(4 469)	(3 904)
Other income	20	386	234
Other expenses	19	(65)	(180)
Operating profit		7 397	2 771
Finance income	21	50	36
Finance costs	21	(254)	(242)
Profit before income tax		7 193	2 565
Income tax expense	22	-	-
Profit for the year from continuing operations		7 193	2 565
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	23	-	910
Profit for the year		7 193	3 475
Basic and diluted earnings per share for profit from continuing operations attributable to the equity holders of the Company during the period (expressed in LTL per share)		0,18	0,06
Basic and diluted earnings per share for profit/losses from discontinued operations attributable to the equity holders of the Company during the period (expressed in LTL per share)		-	0,02

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Statement of changes in equity

	Note	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2006		39 685	-	23 655	63 340
Profit for the period		-	-	3 475	3 475
Total recognised income for Q1 2006		39 685	-	27 130	66 815
Increase in share capital		-	-	-	-
Transferred to legal reserve		-	-	-	-
Dividend relating to 2005		-	-	-	-
Balance at 31 March 2006		39 685	-	27 130	66 815
Balance at 1 January 2007		40 000	4 990	20 692	65 682
Profit for the period		-	-	7 193	7 193
Total recognised income for Q1 2007		40 000	4 990	27 885	72 875
Decrease in reserves	15		(4 000)	4 000	-
Transferred to legal reserve	15	-	995	(995)	-
Dividend relating to 2006	24	-	-	(22 000)	(22 000)
Balance at 31 March 2007		40 000	1 985	8 890	50 875

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

Cash flow statement

	Note	Period ended 31 March	
		2007	**2006**
Cash flows from operating activities			
Cash generated from operations	25	8 982	(1 920)
Interest received		50	54
Interest paid		(254)	(242)
Income tax paid		(105)	-
Net cash generated from operating activities		8 673	(2 108)
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(2 621)	(1 227)
Proceeds from sale of property, plant and equipment	25	91	224
Purchases of intangible assets	8	(16)	-
Loans granted to related parties		(30 500)	-
Loan repayments received from related parties		21 000	-
Loan repayments received from employees		-	-
Net cash used in investing activities		(12 046)	(1 003)
Cash flows from financing activities			
Issuance of ordinary shares		-	-
Proceeds from borrowings		-	-
Repayments of borrowings		(1 154)	(769)
Dividends paid to the Company's shareholders		(21 000)	-
Net cash used in financing activities		(22 154)	(769)
Net (decrease)/increase in cash, cash equivalents		(25 527)	(3 880)
Cash and cash equivalents at beginning of period		39 157	12 674
Cash and cash equivalents at end of period	13	13 630	8 794

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Notes to the financial statement

1. General information

Stumbras AB (the Company) was registered as a Public Limited Liability Company under the laws of the Republic of Lithuania on 17 December 1990. Company code: 132082782.The shares of the Company are listed on the Current List of the National Stock Exchange. The shareholders of the Company are:

	31 March 2007	31 March 2006
Mineraliniai vandenys UAB	97.69 per cent	99.41 per cent
Other	2.31 per cent	0.59 per cent

The ultimate parent of the Company is Koncernas MG Baltic incorporated in Lithuania. Mr. Darius Juozas Mockus is the 100% owner of Koncernas MG Baltic.

The Company is incorporated and domiciled in Kaunas. The address of its registered office is as follows:

K. Būgos 7
LT-44355 Kaunas
Republic of Lithuania

The Company is involved in production and trade of strong alcohol drinks.

The number of the Company's employees as at 31 March 2007 amounted to 316 (278 as at 31 March 2006).

As at 31 December 2004 the Company had production plants in the following Lithuanian cities: Kaunas, Antanavas, Balbieriškis and Šilutė. In December 2005 the Company demerged its operations by continuing production of strong alcohol beverages as Stumbras AB in Kaunas and establishing a new company Biofuture AB for the production of non-denatured ethyl alcohol of agricultural origin and denatured ethyl alcohol in Šilutė. The demerger was achieved by means of dividend in specie of the shares in the entity that is disposed of to the Company's existing shareholders. All Company's shares with LTL 4 par value each were exchanged for the same quantity of Biofuture AB shares with LTL 3 par value each. The Company's shareholders also retained the same quantity of Company's shares with LTL 1 par value each.
During the accounting period, the Company's activities were limited to Kaunas city.

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 the last annual report, unless otherwise stated.

2.1 Basis of preparation

These financial statements of Stumbras AB have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

These financial statements have been prepared under the historical cost convention.

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

2.1 Basis of preparation (continued)

(a) Standards, amendments and interpretations adopted in 2006.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Financial Guarantee Contracts are mandatory for the Company's accounting periods beginning on or after 1 January 2006. These amendments are intended to ensure that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet. As the estimated fair value of financial guarantee contracts issued by the Company was not material as at 1 January 2006 and 31 December 2006, adoption of this standard did not have any material impact on the Company's accounts.

(b) Standards, amendments to standards and interpretations effective in 2006 but not relevant.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Company's operations:

- IAS 19 (Amendment) Actuarial Gains and Losses, Group Plans and Disclosures;
- IAS 21 (Amendment) Net Investment in a Foreign Operation;
- IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment) The Fair Value Option;
- IFRS 6 Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment) Exploration for and Evaluation of Mineral Resources;
- IFRIC Interpretation 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;
- IFRIC Interpretation 4 Determining Whether an Arrangement contains a Lease; and
- IFRIC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

(c) Published standards, amendments to standards and interpretations not yet effective in 2006 and not early adopted

- IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). Management is currently assessing the impact of IFRS on the Company's operations;
- IFRS 8 Operating Segments (effective from 1 January 2009). Management has not yet started assessment of the impact of IFRS 8 effect on the Company's operations;
- IFRIC Interpretation 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). The Company will apply IFRIC Interpretation 8 starting from 1 January 2007, but it is not expected to have any impact on the Company's accounts;
- IFRIC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). The Company will apply IFRIC Interpretation 10 starting from 1 January 2007, but it is not expected to have any impact on the Company's accounts;
- IFRIC Interpretation 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC Interpretation 7 is not relevant to the Company's operations;
- IFRIC Interpretation 9 Re-assessment of Embedded Derivatives. Management believes that this Interpretation is not relevant to the Company's operations;
- IFRIC Interpretation 11 IFRS 2 – Group and Treasury Share Transactions. Management does not expect this Interpretation to be relevant to the Company;
- IFRIC Interpretation 12 Service Concession Arrangements. Management does not expect this Interpretation to be relevant to the Company.

IFRIC Interpretations 10, 11, 12 and IFRS 8 have not yet been endorsed by the EU.

2.2 Information about segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

From 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates valid at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Land is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of assets.

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 are recognized as costs in the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

- Buildings	15-20 years
- Plant and machinery	5-10 years
- Vehicles	6-10 years
- Other property, plant and equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually at each year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.6)

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount of the asset disposed. The transaction result is included in the income statement.

2.5 Intangible assets

(a) Patents and licences

Patents and licences are recognised at cost. They have an estimated finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives (3 years).

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2.5 Intangible assets (continued)

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance 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, except for goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets in 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 and whether the investment is quoted in an active market. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or otherwise determinable payments that are not quoted in an active market and with no intention of trading. 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 and are included in non-current receivables and deferred charges in the balance sheet. Loans and receivables are included as trade and other receivables and prepayments in the balance sheet (see Note 2.9).

(b) Available-for-sale financial assets

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

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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

2.7 Financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in the income statement. Impairment testing of trade receivables is described in Note 2.9.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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2.9 Trade receivables

Trade receivables are recognised initially at fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method. Amortised cost is the amount at which the receivable was recognised at initial recognition minus principal repayments, plus accrued interest, and minus any write-down for impairment. A provision for impairment of trade 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "administrative expenses".

2.10 Non-current assets classified as held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount or fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. The Company measures non-current assets classified as held for sale at the lower of the carrying amount or fair value less costs to sell.

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

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

2.13 Borrowings

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

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

2.15 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.

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2.16 Employee benefits

(a) Social security contributions

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

2.16 Employee benefits (continued)

(b) Termination benefits

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

2.17 Provisions

Provisions for legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, excise tax, rebates and discounts. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when an entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

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2.19 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made or received under operating leases are charged/credited to the income statement on a straight-line basis over the entire period of the lease.

2.20 Dividend distribution

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

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Non-monetary government grants are recognised at their nominal amount.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate 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.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. However, foreign exchange risk is not considered to be significant as only a few purchase and sales agreements are carried out in US dollars.

(ii) Price risk

The Company is not exposed to commodity price risk or equity securities price risk.

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure on a continuous basis that wholesale sales of products are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

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3.1 Financial risk factors (continued)

(d) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Loans provided to related parties expose the Company to fair value interest rate risk. The Company's cash flow and fair value interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

3.2 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less impairment provision of trade receivables and the nominal value of accounts payable is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Tax audits
The tax authorities have carried out a full-scope tax audit at the Company until September 2003. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Depreciation of property, plant and equipment
Management estimates the depreciation period for buildings at the time they are acquired or constructed and reviews on annual basis for appropriateness. Useful lives of assets are based on historical experiences with similar assets as well as anticipation of future events which may impact this period, such as changes in technology, Company's business or location.

4.2 Critical judgements in applying the Company's accounting policies

Accounting for the discontinued operations

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In December 2005 the Company separated its operations by continuing production of strong alcohol beverages as Stumbras AB in Kaunas and establishing a new company Biofuture AB for the production of non-denatured ethyl alcohol of agricultural origin and denatured ethyl alcohol in Šilutė. The demerger was achieved by means of dividend in specie of the shares in the entity that is disposed of to the Company's existing shareholders. No gains or losses have been recognised on the disposal because it is a transaction with the Company's shareholders. After the demerger results of production plants in Antanavas, Balbieriškis and Šilutė were presented as discontinued operations based on the assumption that a demerger may be treated in the same way as abandonment for presentation purposes under IFRS 5. Dividend in specie is charged to equity and shown in the financial statements at the amount of net assets attributable to the demerged subsidiary at the date of the demerger.

In 2006, until final registration and enforcement of necessary documentation allowing the newly established company Biofuture AB to operate non-denatured and denatured ethyl alcohol production and sales, these activities were performed by Stumbras AB. The results of these operations were disclosed at discontinued operations.

5. Comparatives

Where necessary, comparative figures in respect of the period ended have been reclassified to reflect the presentation adjustments during the accounting year. The effect of these reclassifications is described as follows:

LTL'000	Q1 2006
Interest	
Decrease in	
Other income	36
Increase in	
Finance income	36

6. Segment information

(a) Primary reporting format – business segments

The Company is operating in one business segment i.e. production and sales of alcohol drinks, another reportable segment – production and sales of ethanol is related to the discontinued operations.

(b) Secondary reporting format – geographical segments

The home-country of the Company is Lithuania.

Sales	**Q1 2007**	**Q1 2006**
Lithuania	26 565	15 904
Other countries	2 592	1 549
Total	29 157	17 453

Sales are allocated based on the country in which the customers are located.

All Company's assets are located in Lithuania and all capital expenditure related to Lithuania.

Analysis of sales by category	**Q1 2007**	**Q1 2006**
Sales of goods	29 008	17 186
Revenue from resale of goods	60	183
Revenue from services	89	84
	29 157	17 453

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7. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
At 1 January 2006						
Cost	11 644	28 362	1 781	5 757	108	47 652
Accumulated depreciation	(2 927)	(17 345)	(1 268)	(2 604)	-	(24 144)
Net book amount	8 717	11 017	513	3 153	108	23 508
At 31 March 2006						
Opening net book amount	8 717	11 017	513	3 153	108	23 508
Additions	-	42	-	25	1 160	1 227
Disposals	-	-	-	(173)	(52)	(225)
Reclassifications	-	-	-	-	-	-
Reclassifications to non-current assets classified as held for sale	3	61	1	(57)	-	8
Depreciation	(52)	(724)	(32)	(89)	-	(897)
Closing net book amount	8 668	10 396	482	2 859	1 216	23 621
At 31 March 2006						
Cost	12 659	28 404	1 781	5 548	1 216	49 608
Accumulated depreciation	(3 991)	(18 008)	(1 299)	(2 689)	-	(25 987)
Net book amount	8 668	10 396	482	2 859	1 216	23 621
At 1 January 2007						
Cost	12 835	32 027	1 713	4 990	1 242	52 807
Accumulated depreciation and impairment	(4 140)	(19 327)	(1 322)	(2 869)	-	(27 658)
Net book amount	8 695	12 700	391	2 121	1 242	25 149
At 31 March 2007						
Opening net book amount	8 695	12 700	391	2 121	1 242	25 149
Additions	-	193	-	213	2 215	2 621
Disposals	-	-	-	(64)	-	(64)
Reclassifications	34	358	4	25	(421)	-
Reclassifications to non-current assets classified as held for sale	-	(6)	-	-	-	(6)
Depreciation	(51)	(760)	(32)	(99)	-	(942)
Closing net book amount	8 678	12 485	363	2 196	3 036	26 758
At 31 March 2007						
Cost	12 869	32 542	1 717	5 151	3 036	55 315
Accumulated depreciation and impairment	(4 191)	(20 057)	(1 354)	(2 955)	-	(28 557)
Net book amount	8 678	12 485	363	2 196	3 036	26 758

Depreciation and amortisation expense has been allocated as follows:

	Q1 2007	Q1 2006
Cost of goods sold	696	634
Sale and marketing expenses	13	-
Administration expenses	271	301
	980	935

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7. Property, plant and equipment (continued)

As at 31 March 2007 property, plant and equipment for the net book value LTL 16 341 thousand (LTL 17 384 thousand as at 31 March 2006) and land rent rights for the value of LTL 4 thousand were provided as collateral for bank borrowings (Note 16).

No borrowing costs were capitalised during Q1 2006 and Q1 2006.

Lease rentals amounting to LTL 3 thousand (LTL 4 thousand in Q1 2006) relating to the lease of property, plant and equipment are included in the income statement.

8. Intangible assets

	Patents, licences	Software	Total
At 1 January 2006			
Cost	572	316	888
Accumulated amortisation	(245)	(184)	(429)
Net book amount	327	132	459
At 31 March 2006			
Opening net book amount	327	132	459
Additions	-	-	-
Disposals	-	-	-
Amortisation charge	(34)	(4)	(38)
Closing net book amount	293	128	421
At 31 March 2006			
Cost	572	316	888
Accumulated amortisation	(245)	(184)	(429)
Net book amount	327	132	459
At 1 January 2007			
Cost	622	515	1 137
Accumulated amortisation	(372)	(202)	(574)
Net book amount	250	313	563
At 31 March 2007			
Opening net book amount	250	313	563
Additions	16	-	16
Disposals	-	-	-
Amortisation charge	(34)	(4)	(38)
Closing net book amount	232	309	541
At 31 March 2007			
Cost	634	514	1 148
Accumulated amortisation	(402)	(205)	(607)
Net book amount	232	309	541

The Company does not have internally generated intangible assets.

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9. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income tax assets and liabilities are calculated at the end of the calendar year.

10. Non-current receivables and deferred charges

	Q1 2007	Q1 2006
Non-current receivables	-	1 455
Deferred charges	33	30
	33	1 485

The fair values of non-current receivables and deferred charges approximate their carrying values.

As at 31 March 2006 non-current receivables include receivable from Hestika UAB for the building sold by the Company in 2005. Interest rate on the above amount receivable for the first two years is set at 4 per cent and for the remaining period at 6 per cent. This receivable was repaid in 2006.

11. Inventories

	Q1 2007	Q1 2006
Raw materials	10 042	6 551
Work in progress	499	392
Finished goods	4 388	4 254
	14 929	11 197

As at 31 March 2007, inventories of LTL 20 000 thousand (the same amount as at 31 March 2006) are provided as collateral to secure the borrowings (Note 17).

The cost of inventories recognised as expense amounted to LTL 11 thousand (LTL 637 thousand in Q1 2006).

12. Trade and other receivables, prepayments

	Q1 2007	Q1 2006
Trade receivables	24 335	13 232
Less provision for impairment of receivables	(1 248)	(1 208)
Trade receivables - net	23 087	14 440
Receivables from related parties (Note 27)	13 234	16 266
Loans to related parties (Note 27)	9 000	33 399
Prepayments	1 623	1 197
Prepaid and recoverable taxes	27	880
Loan to other parties	500	100
Other receivables	10	9
	47 481	66 291

The fair values of trade, other receivables and prepayments approximate their carrying values.
Loans to related parties include a loan provided to Minvista UAB, interest is paid for the loan provided.

13. Cash and cash equivalents

	Q1 2007	Q1 2006
Cash at bank	13 630	8 780
Cash at hand	-	14

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13 630	8 794

13. Cash and cash equivalents (continued)

Cash at bank and future inflows to bank accounts amounting to LTL 60 000 thousand (LTL 60 000 thousand as at 31 March 2006) is provided as collateral for banks' borrowings (see Note 17).

14. Share capital

As at 31 March 2007, the Company's authorised share capital comprised 40 000 000 ordinary registered shares with a par value of LTL 1 per share (39 685 354 shares with a par value of LTL 1 as at 31 March 2006). All shares issued are fully paid. During 2006 the Company's share capital was increased by LTL 315 thousand by issuing 314 646 ordinary registered shares with a par value of LTL 1 per share holding the employee status, i.e. these shares were sold to the Company's employees and can only be transferred to other employees of the Company within the following 12-month period.

15. Reserves

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of 5 per cent of net profit for the reporting period calculated in accordance with the regulatory legislation on accounting of the Republic of Lithuania are required until the reserve reaches 10 per cent of the Company's authorised capital. The legal reserve shall not be used for the payment of dividends and it may be used to cover future losses only. As at 31 December 2006 the legal reserve amounted to LTL 990 thousand. The annual General Shareholders' Meeting, which took place on 30 March 2007 adopted a resolution to transfer LTL 995 thousand to the legal reserve from the appropriated profit.

At the shareholders' decision, the reserve of LTL 4 000 thousand for the acquisition of own shares was cancelled.

16. Trade and other payables

	Q1 2007	Q1 2006
Trade payables	9 319	6 631
Amounts due to related parties (see Note 27)	295	340
Advances received	29	432
Payroll related liabilities	2 241	1 608
Taxes payable (other than income tax)	15 577	9 254
Liabilities related to the reorganisation	-	856
Provisions	-	559
Dividends	1 022	16
Other current liabilities	4	4
	28 487	19 700

17. Borrowings

	Q1 2007	Q1 2006
Non-current		
Bank borrowings	-	21 923
	-	21 923
Current		
Bank borrowings	20 769	3 462
Total borrowings	20 769	25 385

The whole amount of bank borrowings relates to a syndicated loan from two banks at a floating interest rate EUR LIBOR 3-mo plus a margin of 1.3 per cent. This loan is to be repaid by 1 October 2007.

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Bank borrowings are secured by the property, plant and equipment (Note 7), inventories (Note 11) and cash at banks including future inflows into accounts (Note 13).

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

17. Borrowings (continued)

The maturity of non-current borrowings is as follows:

	Q1 2007	Q1 2006
Between 1 and 2 years	-	21 923
Between 2 and 5 years	-	-
Over 5 years	-	-
	-	21 923

The actual interest rate at the balance sheet date was 4.955 per cent (3.76 per cent as at 31 March 2006).

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	Q1 2007	Q1 2006
EUR	20 769	25 385
	20 769	25 385

As at 31 March 2007, the Company had a guarantee provided by SEB Vilniaus Bankas AB for the amount of LTL 500 thousand maturing on 31 December 2007. The Company pays annual interest of 1.1 per cent on the guarantee amount. The maximum amount of guarantees that could be issued by the bank is LTL 500 thousand.

18. Deferred income

Deferred income is related to the government grants provided to the Company for the purchases of corn used in the production of bioethanol and starch.
As at 31 March 2006, government grants recognised in the income statement amounted to LTL 737 thousand and the rest amount of LTL 856 thousand was transferred to Biofuture AB. There is no deferred income as at 31 March 2007.

19. Expenses by nature

	Q1 2007	Q1 2006
Classified as cost of sales		
Tare and packaging materials	7 086	4 264
Raw materials	6 613	3 340
Salaries and social insurance	908	638
Depreciation and amortisation	696	582
Energy	250	168
Auxiliary materials	136	74
Other	93	176
	15 782	9 242

	Q1 2007	Q1 2006
Classified as selling and marketing costs		
Marketing, advertising	857	949
Logistics	563	263
Tare and packaging materials	78	104
Depreciation and amortisation	13	-
Other	330	274
	1 841	1 590

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19. Expenses by nature (continued)

	Q1 2007	Q1 2006
Classified as administrative expenses		
Salaries and social insurance	2 632	1 729
Consultations, audit	280	304
Depreciation and amortisation	271	284
Written-off assets	12	751
Waste management	420	221
Events	49	47
Repairs and maintenance	109	84
Utilities	111	124
Rent expenses	128	91
Industrial safety and hygiene	88	63
Fuel	60	73
IT expenses	52	57
Business trips	51	35
Communications	22	21
Road tax		
Other taxes	24	23
Charity	-	-
Insurance	22	24
Licences and fees	39	30
Bank charges	10	9
Provisions for liabilities and charges	-	
Bad debts	(3)	(134)
Penalties	-	8
Other expenses	92	60
	4 469	3 904

	Q1 2007	Q1 2006
Classified as other expenses		
Cost of sold inventories	63	180
Loss on disposal of property, plant and equipment	-	-
Other	2	-
	65	180

20. Other income

	Q1 2007	Q1 2006
Interest income	148	18
Sold inventories	236	214
Profit on disposal of property, plant and equipment	-	-
Other	2	2
	386	234

21. Finance income and finance costs

Finance income comprises interest for cash at banks. Finance costs comprise interest expenses on bank borrowings.

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22. Income tax expense

Profit is taxed at the income tax rate of 15 per cent (15 per cent in 2006) according to the tax laws of the Republic of Lithuania. According to the newly adopted Provisional Law on Social Tax of the Republic of Lithuania, social tax at the rate of 4 per cent for 2006 and at a rate of 3 per cent for 2007 should be paid on taxable income earned during 2006 and 2007 respectively.
Income tax expense is calculated at the end of the year.

23. Discontinued operations

In December 2005 the Company split its operations and assets and liabilities into those related to production of strong alcohol drinks and production of non-denatured ethyl alcohol and bioethanol. Production of strong alcohol drinks remained at Stumbras AB. Production of non-denatured ethyl alcohol and bioethanol, considered as discontinued operations, together with all related assets and liabilities was transferred to a newly established company Biofuture AB.

In 2006, until final registration and enforcement of necessary documentation allowing the newly established company Biofuture AB to operate non-denatured and denatured ethyl alcohol production and sales, these activities were performed by Stumbras AB. Income and expenses related to these activities were disclosed as the result of discontinued operations.

The result of discontinued operations presented in the Income statement is as follows:

	Q1 2007	Q1 2006
Revenue	-	14 912
Expenses	-	(14 002)
Profit/(loss) before tax of discontinued operations	-	(910)
Income tax	-	-
Profit/(loss) after tax of discontinued operations	-	(910)

24. Dividends per share

At the annual General Shareholders' Meeting on 30 March 2007, a dividend in respect of 2006 of LTL 0.55 per share amounting to a total dividend of LTL 22 000 thousand was declared.

25. Cash generated from operations

	Q1 2007	Q1 2006
Net profit for the period	7 193	3 475
Adjustments for:		
- income tax (Note 23)	-	-
– depreciation (Note 7)	941	897
– amortisation (Note 8)	39	38
– (profit) on disposal of property, plant and equipment	(27)	-
– interest income (Note 21)	(198)	(54)
– interest expense (Note 22)	254	242
Changes in working capital:		
- non-current receivables and deferred charges	9	-
– inventories and assets held for sale	(1 687)	13 346
– trade and other receivables and prepayments	8 720	(1 787)
– trade and other payables, deferred income and provisions	(6 262)	(18 077)
Cash generated from operations	8 982	(1 920)

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25. Cash generated from operations (continued)

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Q1 2007	Q1 2006
Net book amount (Note 7 and Note 8)	64	224
Profit on disposal of non-current assets	27	-
Proceeds from sale of non-current assets	91	224

Non-cash transactions
No major non-cash transactions took place during Q1 2007 and Q1 2006.

26. Contingent and off-balance sheet liabilities

Guarantees provided

The Company has guarantee contracts with Bayerische Hypo-und Vereinsbank AG according to which the bank has provided a guarantee to the company Stumbras Poland Sp.z.o.o for the amount of PLN 2 948 thousand (LTL 2 650 thousand) maturing on 15 June 2007 and for the amount PLN 6 051 thousand (LTL 5 332 thousand) maturing on 15 June 2007. In addition, the Company issued a bill of exchange for the amount of LTL 10 000 thousand, maturing on 31 July 2007, to the above bank, which is a collateral for the guarantee provided.

The Company also has a guarantee contract with SEB Vilniaus bankas AB on the basis of which the bank provided a guarantee of LTL 5 000 thousand to Biofuture AB maturing on 2 April 2008 expiring not later than on 2 April 2009. The Company has also provided the following guarantees to SEB Vilniaus bankas AB for the loans and credit limits provided to Biofuture AB: for the amount of LTL 5 000 thousand maturing on 15 July 2010 and for the amount of LTL 3 000 thousand maturing on 15 July 2007.

The Company's management believes that Biofuture AB and Stumbras Poland Sp.z.o.o will properly fulfil their obligations to the banks and other creditors.

27. Related-party transactions

Mineraliniai vandenys AB is the majority shareholder of the Company owning 97.69 per cent of the Company's shares. The remaining shares are widely held.

Other companies treated as related parties are subsidiaries of Koncernas MG Baltic UAB.

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold on the basis of the price list in force with non-related parties.

The following transactions were carried out with related parties within the accounting period:

	Q1 2007	Q1 2006
(a) Sales of goods and services	24 978	8 600
(b) Cost of sales	-	-
(c) Selling and marketing costs	362	626
(d) Administrative expenses	157	1 133

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(e) Other income	148	92
(f) Other expenses	11	-

27. Related-party transactions (continued)

	Q1 2007	Q1 2006
(g) Purchases of property, plant and equipment	209	-
(i) Year-end balances arising from sales/purchases of goods/services		
Receivables from related parties (Note 12):	12 918	13 433
Amounts due to related parties (Note 18)	295	340
(j) Loans to related parties (provided to Minvista UAB)		
Loans to related parties	9 000	33 399
Accrued interest	316	2 833

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