UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
ANNUAL AND INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2008

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus g. 122, Utena, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. 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 our report takes precedence over this translation.

CONTENTS

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Translation note

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Independent auditor's report

To the Shareholders of Utenos trikotažas AB

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Utenos trikotažas AB and its subsidiaries ('the Group') and the financial statements of Utenos trikotažas AB ('the Company') set out in pages 6 - 60 which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion - departure from accounting policies

As discussed in Note 16 to the accompanying financial statements, as at 31 December 2008 the Group and the Company were not in compliance with certain debt covenants which permitted the lender to demand immediate repayment of borrowings, including finance lease liabilities, totalling LTL 29,426 thousand and LTL 23,802 thousand respectively (borrowings as at 31 December 2007: LTL 47,378 thousand and LTL 37,230 thousand respectively). In our opinion, the classification of part of the borrowings as non-current is not in line with IAS 1 'Presentation of Financial Statements' which requires the liability to be classified as current at the balance sheet date unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Consequently, non-current borrowings should be reduced and current borrowings should be increased by LTL 24,067 thousand and LTL 20,480 thousand for the Group and the Company respectively as at 31 December 2008 (borrowing as at 31 December 2007: LTL 32,164 thousand and LTL 26,743 thousand respectively).

Basis for Qualified Opinion - scope limitation

Trade and other accounts receivable of the Group as of 31 December 2008 include amounts receivable of LTL 1,229 thousand whereas Trade and other accounts receivable of the Company as of 31 December 2008 include amounts receivable of LTL 12,379 thousand (including Receivables from subsidiaries of LTL 11,865 thousand) for which indications of impairment exists. Management has not evaluated the present value of estimated future cash flows, discounted at the original effective interest rate, to determine an amount of provision which may be required for impairment of these accounts receivable in accordance with IAS 39 'Financial instruments: Recognition and Measurement'. In the absence of information about recoverability of these trade and other accounts receivable, we were unable to satisfy ourselves as to their carrying amounts by other audit procedures.

Property plant and equipment balance of the Group as of 31 December 2008 includes buildings and equipment not used in the Group's activity carried at depreciated cost of LTL 1,585 thousand. Management has not performed a review of these fixed assets in accordance with IAS 36 'Impairment of Assets' to determine their recoverable amount, and hence to assess whether any impairment write down should be applied to the amounts recorded in the balance sheet as at 31 December 2008. In the absence of information to assess the recoverable amounts of these fixed assets, we were unable to satisfy ourselves as to their carrying amounts by other audit procedures.

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion - departure from accounting policies* paragraph, and except for the possible effects of the matters described in the *Basis for Qualified Opinion - scope limitation* paragraphs, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 4b in the financial statements which indicates that the Group and the Company incurred a net loss of LTL 17,075 thousand and LTL 6,235 thousand, respectively, during the year ended 31 December 2008 and, as of that date, the Group's current liabilities exceeded its current assets by LTL 4,117 thousand whereas the Company's current assets exceeded its current liabilities by LTL 6,392 thousand before the provision for impairment of trade and other accounts receivable of LTL 12,379 thousand which may be required as discussed in *Basis for Qualified Opinion - scope limitation paragraph*. These conditions, along with other matters as set forth in Note 4b and matters described in the *Basis for Qualified Opinion - departure from accounting policies* paragraph, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2008 set out on pages 61 – 91 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 2008.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner
Vilnius, Republic of Lithuania
15 April 2009

Jurgita Kirvaitienė
Auditor's Certificate No.000447

Balance sheets

	Notes	Group		Company	
		As of 31 December		As of 31 December	
		2008	2007	2008	2007
ASSETS					
Non-current assets					
Intangible assets	6				
Goodwill		3,387	4,286	-	-
Other intangible assets		1,160	312	1,102	139
Prepayments for intangible assets		-	1,042	-	1,042
Total intangible assets		4,547	5,640	1,102	1,181
Property, plant and equipment	7				
Land and buildings		8,072	9,390	4,470	4,681
Structures		449	572	241	272
Vehicles and other property, plant and equipment		22,611	36,190	18,812	23,816
Construction in progress and prepayments		12	564	1	414
Total property, plant and equipment		31,144	46,716	23,524	29,183
Investment property	8	3,446	5,580	3,446	5,580
Non-current financial assets					
Investments into subsidiaries	9	-	-	12,753	12,753
Trade and other receivables		26	40	-	-
Total non-current financial assets		26	40	12,753	12,753
Deferred income tax asset	24	-	185	-	248
Total non-current assets		**39,163**	**58,161**	**40,825**	**48,945**
Current assets					
Inventories and prepayments					
Inventories	10	10,305	19,350	8,913	15,828
Prepayments		187	336	177	243
Total inventories and prepayments		10,492	19,686	9,090	16,071
Trade and other accounts receivable					
Trade receivables	11	9,187	15,367	7,330	11,756
Receivables from subsidiaries	29	-	-	11,882	10,787
Receivables from other related parties	29	75	3,320	-	2,220
Prepaid income tax		1,087	2,123	1,086	2,092
Other taxes receivable		1,230	2,905	287	747
Other receivables		7	10	-	-
Total accounts receivable	5	11,586	23,725	20,585	27,602
Non-current assets held for resale	12	3,431	-	-	-
Other current assets		111	156	31	77
Cash and cash equivalents	13	1,799	645	117	101
Total current assets		**27,419**	**44,212**	**29,823**	**43,851**
Total assets		**66,582**	**102,373**	**70,648**	**92,796**

Balance sheets (cont'd)

	Notes	Group As of 31 December		Company As of 31 December	
		2008	2007	2008	2007
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	14	19,834	19,834	19,834	19,834
Reserves					
Foreign currency translation reserve		1,965	(54)	-	-
Other reserves	15	1,983	1,983	1,983	1,983
Total reserves		3,948	1,929	1,983	1,983
Retained earnings (deficit)		(20,656)	(3,766)	(2,266)	3,969
		3,126	**17,997**	**19,551**	**25,786**
Minority interest		**667**	**852**	**-**	**-**
Total equity		**3,793**	**18,849**	**19,551**	**25,786**
LIABILITIES					
Non-current liabilities					
Borrowings	16	31,253	38,543	27,666	33,102
Total non-current liabilities		**31,253**	**38,543**	**27,666**	**33,102**
Current liabilities					
Borrowings	16	9,561	20,057	4,641	12,738
Trade and other payables					
Trade payables		13,441	15,093	11,218	12,950
Payables to subsidiaries	29	-	-	1,327	547
Payables to other related parties	29	2,150	569	1,943	486
Income tax payable		160	8	-	-
Other taxes payable		426	388	219	213
Accrued charges and other current liabilities	17	5,798	8,866	4,083	6,974
Total trade and other payables		21,975	24,924	18,790	21,170
Total current liabilities		**31,536**	**44,981**	**23,431**	**33,908**
Total liabilities		**62,789**	**83,524**	**51,097**	**67,010**
Total equity and liabilities		**66,582**	**102,373**	**70,648**	**92,796**

The notes on pages 13 to 60 form an integral part of these financial statements.

These financial statements were approved by General Manager and Chief Accountant on 15 April 2009.

General Manager	Nerijus Vilunas	
Chief Accountant	Reda Kučinskienė	

Income statements

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2008	2007	2008	2007
Revenue	5,18	110,745	137,541	94,040	114,751
Cost of sales	19	(102,326)	(121,488)	(86,798)	(102,102)
Gross profit		**8,419**	**16,053**	**7,242**	**12,649**
Selling expenses	20	(3,401)	(3,695)	(2,712)	(2,833)
General and administrative expenses	20	(13,099)	(15,013)	(8,571)	(9,844)
Other income (expenses), net	21	3,084	595	1,249	585
Operating profit (loss)		**(4,997)**	**(2,060)**	**(2,792)**	**557**
Finance cost, net	22	(11,726)	(5,715)	(3,195)	(2,289)
Loss before income tax		**(16,723)**	**(7,775)**	**(5,987)**	**(1,732)**
Income tax expense	24	(352)	(248)	(248)	49
Loss for the year		**(17,075)**	**(8,023)**	**(6,235)**	**(1,683)**
Attributable to:					
Equity holders of the Company	25	(16,890)	(7,791)		
Minority interest		(185)	(232)		
		(17,075)	**(8,023)**		
Basic and diluted loss per share for loss attributable to the equity holders of the Company (in LTL)	25	(0.85)	(0.39)		

The notes on pages 13 to 60 form an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Equity attributable to the equity holders of the Company						
		Share capital	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance as of 1 January 2007		**19,834**	**(203)**	**1,983**	**11,959**	**33,573**	**1,084**	**34,657**
Currency translation differences – recognised directly in equity		-	149	-	-	149	-	149
Net loss for the year		-	-	-	(7,791)	(7,791)	(232)	(8,023)
Total recognised income and expenses for 2007		-	149	-	(7,791)	(7,642)	(232)	(7,874)
Dividends paid	15, 26	-	-	-	(7,934)	(7,934)	-	(7,934)
Balance as of 31 December 2007/ 1 January 2008		**19,834**	**(54)**	**1,983**	**(3,766)**	**17,997**	**852**	**18,849**
Currency translation differences – recognised directly in equity		-	2,019	-	-	2,019	-	2,019
Net loss for the year		-	-	-	(16,890)	(16,890)	(185)	(17,075)
Total recognised income and expenses for 2008		-	2,019	-	(16,890)	(14,871)	(185)	(15,056)
Balance as of 31 December 2008		**19,834**	**1,965**	**1,983**	**(20,656)**	**3,126**	**667**	**3,793**

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Other reserves	Retained earnings	Total
Balance as of 1 January 2007		**19,834**	**1,983**	**13,586**	**35,403**
Dividends paid	15, 26	-	-	(7,934)	(7,934)
Net loss for the year – **total recognised income and expenses for 2007**		-	-	(1,683)	(1,683)
Balance as of 31 December 2007/ 1 January 2008		**19,834**	**1,983**	**3,969**	**25,786**
Net loss for the year – **total recognised income and expenses for 2008**		-	-	(6,235)	(6,235)
Balance as of 31 December 2008		**19,834**	**1,983**	**(2,266)**	**19,551**

The notes on pages 13 to 60 form an integral part of these financial statements.

Cash flow statements

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2008	2007	2008	2007
Cash flows from operating activities					
Net loss for the year		(17,075)	(8,023)	(6,235)	(1,683)
Adjustments for non-cash items:					
Depreciation and amortisation	6,7,8	8,662	9,172	6,123	6,316
Reversal of impairment of property, plant and equipment and investment property	20	-	(128)	-	(128)
Gain on disposal of property, plant and equipment and investment property	21	(2,174)	(61)	(717)	(85)
Write-off of property, plant and equipment		-	82	-	-
Impairment and write-off of inventories	20	864	1,258	98	557
Impairment and write-off of accounts receivable	20	915	48	601	20
Interest income	22	(18)	(79)	(208)	(216)
Interest expenses	22	3,407	3,308	2,537	2,260
Foreign currency differences		6,886	2,038	-	-
Income tax expense	24	352	248	248	(49)
Changes in working capital:					
Decrease (increase) in inventories		8,181	1,069	6,817	(3,935)
Decrease in trade receivables		5,265	1,763	3,825	439
Increase in receivables from subsidiaries		-	-	(1,095)	(1,000)
Decrease in other receivables and other current assets		5,215	4,491	3,948	3,372
(Decrease) increase in trade and other accounts payable		(71)	(5,281)	(245)	342
Decrease in taxes payable and other current liabilities		(3,202)	(640)	(3,058)	(568)
Cash generated from operations		17,207	9,265	12,639	5,642
Income tax paid		(165)	(973)	(150)	(858)
Net cash flows from operating activities		**17,042**	**8,292**	**12,489**	**4,784**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(474)	(4,326)	(192)	(2,552)
Acquisition of intangible assets		(4)	(387)	-	(375)
Proceeds from sale of non-current assets		4,675	74	2,831	297
Acquisition of subsidiaries, net of cash acquired (in the Group)		-	(2,011)	-	(2,011)
Loans granted		-	-	-	(2,348)
Interest received		18	80	208	216
Net cash flows generated from (used in) investing activities		**4,215**	**(6,570)**	**2,847**	**(6,773)**

Cash flow statements (cont'd)

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2008	2007	2008	2007
Cash flows from financing activities					
Cash flows related to the Company's shareholders					
Dividends paid		-	(7,934)	-	(7,934)
		-	(7,934)	-	(7,934)
Cash flows related to other sources of financing					
Proceeds from borrowings		4,160	20,691	1,479	21,116
Repayment of borrowings		(20,846)	(12,052)	(14,262)	(9,705)
Interest paid		(3,407)	(3,308)	(2,537)	(2,260)
		(20,093)	5,331	(15,320)	9,151
Net cash flows (used in) generated from financing activities		**(20,093)**	**(2,603)**	**(15,320)**	**1,217**
Net increase (decrease) in cash and cash equivalents		**1,164**	**(881)**	**16**	**(772)**
Cash and cash equivalents at the beginning of the year	13	**645**	**1,526**	**101**	**873**
Foreign exchange effect on the balance of cash and cash equivalents		**(10)**	**-**	**-**	**-**
Cash and cash equivalents at the end of the year	13	**1,799**	**645**	**117**	**101**

The notes on pages 13 to 60 form an integral part of these financial statements.

Notes to the financial statements

1. General information

Utenos Trikotažas AB (hereinafter "the Company") is a joint-stock company registered in the Republic of Lithuania on 6 December 1994. The address of its registered office is as follows:

Basanavičiaus g. 122,
Utena,
Lithuania

The Company is engaged in production of knitted articles.

The shares of Utenos Trikotažas AB are listed on the Official List of the National Stock Exchange.

As of 31 December 2008 and 2007 the shareholders of the Company were as follows:

	2008		2007	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	10,140	51.12	9,445	47.62
Investment Fund *Amber Trust*	2,700	13.61	2,700	13.61
East Capital Asset	2,109	10.63	2,109	10.63
Employees of the Company	325	1.64	325	1.64
Other shareholders	4,560	23.00	5,255	26.50
	19,834	100.00	19,834	100.00

In 2008, the average number of employees of the Company was 826 (2007: 944).

The consolidated group (hereinafter "the Group") consists of the Company and the following subsidiaries:

	Registered address	Group's share (%) as of 31 December 2008	2007	Profile of activities
Šatrija AB	Vilniaus g. 5, Raseiniai	89.78	89.78	Sewing of clothes
Gotija UAB	Laisvės pr. 33, Kaunas	90.50	90.50	Retail trade
OAO MTF Mrija	Motroso g. 13, Mukačiov, Ukraine	98.95	98.95	Production of knitted articles

In 2008, the average number of employees of the Group was 1,605 (2007: 1,916).

The shareholders of the Company have the statutory right to amend the financial statements subsequent to the issue date.

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 years presented.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 judgment in the process of applying the Company's and the Group'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.

(a) Amendments to existing standards and interpretations effective in 2008 but not relevant

The following amendments to existing standards and interpretations to published standards as adopted by EU are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's and the Group's operations:

- Amendment to IAS 39, "Financial instruments: Recognition and measurement", and IFRS 7 "Financial instruments: Disclosures on Reclassification of financial assets". This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. This amendment does not have an impact on the Company's and the Group's financial statements.

- IFRIC 11, "IFRS 2 – Group and treasury share transactions". Interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's and the Group's financial statements.

- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's and the Group's financial statements, as the Company and the Group do not hold any defined benefit plans.

- IFRIC 12, 'Service Concession Arrangements', contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 did not have any impact on the Group's and the Company's financial statements because they are not subject to any service concession arrangements.

2.1 Basis of preparation (continued)

(b) Standards and amendments to existing standards that are not yet effective, endorsed by EU and have not been early adopted by the Company and the Group

The following standards and amendments to existing standards have been published and are mandatory for the Company's and the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company and the Group will apply IFRS 8 (Amendment) from 1 January 2009.

- IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company and the Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IAS 23 (Revised), Borrowing Costs, including amendment published by IASB in May 2008 as part of annual improvement project (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company and the Group will apply IAS 23 from 1 January 2009, however, currently this standard is not applicable to the Company and the Group as there are no qualifying assets.

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Company and the Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is not expected to have any impact on the Company's and the Group's financial statements.

2.1 Basis of preparation (continued)

- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any impact on the Company's and the Group's financial statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company and the Group will apply IFRS 2 (Amendment) from 1 January 2009, but is not expected to have any impact on the Company's and the Group's financial statements.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's and the Group's operations, because they do not operate any loyalty programmes.

- On the 23 January 2009, the EU endorsed the Improvements to IFRSs standard published in May 2008 which amends 20 existing standards, basis of conclusions and guidance. These improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. Most of these changes are effective for periods beginning or after 1 January 2009. These amendments are not expected to have significant impact on the Company's and the Group's financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2.2 Consolidation (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

Subsidiaries in the Company's stand-alone financial statements are accounted for at cost – that is the income from the investment is recognized only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

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 are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

The litas has been pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1.

2.4 Foreign currency translation (continued)

(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 the income statement.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment (Note 2.8) and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(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 using the straight-line method over their estimated useful lives (3 to 5 years).

2.5 Intangible assets (continued)

Costs that are directly associated with the development of identifiable and unique software products controlled by the Company and the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (2 to 5 years).

2.6 Property, plant and equipment

Property, plant and equipment is carried at historical cost, less subsequent accumulated depreciation.

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 – 80 years
Structures	4 – 25 years
Motor vehicles	4 – 7 years
Other property, plant and equipment	2 – 20 years

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 2.8). Impairment of property, plant and equipment as well as reversals of impairment during the year are included into general and administrative expenses caption in the income statement.

Borrowing costs are expensed when incurred.

Construction in progress is transferred to appropriate groups of property, plant and equipment when it is completed and available for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

2.7 Investment property

Property held for long-term rental yields or capital appreciation or both and which is not occupied by the Company and the Group is classified as investment property. Investment property comprises freehold land and buildings.

Investment property is stated at historical cost, less accumulated depreciation. 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Buildings are depreciated over their expected useful life of 40 to 70 years using the straight–line method to write off the cost of each asset to its residual value. Depreciation of investment property is included into other income (expenses) caption in the income statement.

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.8). Impairment of investment property as well as reversals for the year are included into general and administrative expenses in the Company's and Group's income statement.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit from operations.

Transfers to, or from, investment property are made when and only when, there is an evidence of a change in use.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. 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). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.9 Financial assets

(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 amounts receivable' in the balance sheet (Note 2.11).

Loans and receivables are carried at amortised cost using the effective interest method. The Company and the Group assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other amounts receivables is described in Note 2.11.

(b) Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by 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 indirect 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 costs of completion and selling expenses.

2.11 Trade and other amounts receivable

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 or the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the amounts receivable have 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When an amount receivable is uncollectible, it is written off against the allowance account for amounts receivable. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

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

2.13 Share capital

(a) Ordinary shares

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

(b) Treasury shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is recognised in the income statement on the sale, issuance, or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

2.14 Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries. Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding assets, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

(b) Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. These reserves can be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. Legal reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5 per cent of net result are required until the reserve reaches 10 per cent of share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

(c) Reserve for acquisition of treasury shares

This reserve is maintained as long as the Company and the Group is involved in acquisition/disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the nominal value of treasury shares acquired.

2.15 Trade and other payables

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

2.16 Borrowings

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

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

2.17 Income tax

(a) Current income tax

The Group companies are taxed individually irrespective of the overall results of the Group.

Income tax expense reported in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and the Republic of Ukraine.

Profit for 2008 is taxable at a rate of 15 per cent (2007: 15 per cent) set in accordance with Lithuanian regulatory legislation on taxation. According to the adopted Lithuanian Provisional Law on Social Tax, social tax at the rate of 3 per cent for 2007 was additionally paid on taxable income earned during 2007.According to the newly adopted amendments to the Lithuanian Law on Corporate Income Tax, corporate income tax at the rate of 20 per cent is in force as of 1 January 2009. Corporate income tax rate in Ukraine is 25 per cent.

Starting from 1 January 2008 taxable losses, except for losses related to transfer of securities and/ or financial instruments may be brought forward for an unlimited period. The losses from disposal of securities and / or derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature.

(b) 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor 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.

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

2.18 Leases

(a) Finance lease - where the Company or the Group is the lessee

Leases of property, plant and equipment where the Company or the Group 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 present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of 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 - where the Company or the Group is the lessee or the lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Payments received under operating leases (net of any incentives given to the lessee) are credited to the income statement on a straight-line basis over the period of the lease. Properties (land and buildings) leased out under operating leases are included in investment property in the balance sheet (Note 2.7).

2.19 Employee benefits

(a) Social security contributions

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

(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 or the Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

2.19 Employee benefits (continued)

(c) Bonus plans

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

2.20 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company or the Group 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 expected expenditures 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.

2.21 Revenue recognition

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

(a) Sales of goods

Revenue from sales of goods is recognised only when substantially all risks and benefits arising from ownership of goods are transferred to the customer and amount of revenue can be estimated reliably.

(b) Sewing services

Revenue from sewing services is recognised when the service has been completed.

(c) Interest income

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

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Revenue recognition (continued)

(e) Rental income

Payments received under operating leases (net of any incentives given to the lessee) are credited to the income statement on a straight-line basis over the period of the lease (Note 2.18).

2.22 Dividend distribution

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

2.23 Earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing net profit (losses) attributed to the equity holders of the Company from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Group and held as treasury shares.

2.24 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

3. Financial risk management

3.1 Financial risk factors

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

Risk management is carried out by the Group's Board and management. Overall risk management principles have not been prepared in writing.

3.1 Financial risk factors (continued)

Financial instruments by category

Accounting policies of financial instruments were applied to the following items:

	Group				Company			
	31 December 2008		31 December 2007		31 December 2008		31 December 2007	
	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total
On-balance sheet items of assets								
Non-current trade and other receivables	26	26	40	40	-	-	-	-
Trade receivables	9,187	9,187	15,367	15,367	7,330	7,330	11,756	11,756
Amounts receivable from subsidiaries					11,882	11,882	10,787	10,787
Amounts receivable from other related parties	75	75	3,320	3,320	-	-	2,220	2,220
Other receivables	7	7	10	10	-	-	-	-
Cash and cash equivalents	1,799	1,799	645	645	117	117	101	101
	11,094	11,094	19,382	19,382	19,329	19,329	24,864	24,864

	Group				Company			
	31 December 2008		31 December 2007		31 December 2008		31 December 2007	
	Other financial liabilities	Total	Other financial liabilities	Total	Other financial liabilities	Total	Other financial liabilities	Total
On-balance sheet items of liabilities								
Borrowings	40,814	40,814	58,600	58,600	32,307	32,307	45,840	45,840
Trade payables	13,441	13,441	15,093	15,093	11,218	11,218	12,950	12,950
Amounts payable to subsidiaries	-	-	-	-	1,327	1,327	547	547
Amounts payable to other related parties	2,150	2,150	569	569	1,943	1,943	486	486
Accrued charges and other current liabilities	5,798	5,798	8,866	8,866	4,082	4,082	6,974	6,974
	62,203	62,203	83,128	83,128	50,877	50,877	66,797	66,797

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group and the Company operates internationally and carries out a significant part of it's transactions in euros. Foreign exchange risk for the Group's and the Company's activity is reduced by matching sales transactions and accounts receivable dominated in euros to purchase transactions, accounts payable and borrowings denominated in euro.

The Group analyses foreign exchange rate exposure regularly. The Group calculates its possible the impact on profit and loss by revaluating balances of accounts receivable, accounts payable, borrowings using foreign exchange rate changed by reasonable possible shift.

The official Ukrainian gryvnia (UAH) to EUR exchange rate of the National Bank of Ukraine was devalued by more than 50 per cent from September to December 2008 and Ukrainian subsidiary suffered a foreign exchange loss amounting to LTL 6,808 thousand during the year ended 31 December 2008. Due to increased volatility in currency markets in Ukraine reasonable possible shift in foreign exchange rate was increased to 45 per cent as at 31 December 2008 (2007: 5 per cent). UAH strengthening/weakening by 45 per cent against EUR (with all other variables remaining stable) as at 31 December 2008 would increase/reduce the Group's net loss by LTL 8,929 thousand (2007: LTL 1,038 thousand) due to borrowings and accounts payable of its Ukrainian operations denominated in euros.

(ii) Price risk

The Company and the Group are not exposed to price risk of financial instruments since they do not possess any material financial instruments that could be sensitive to such risk.

3.1 Financial risk factors (continued)

(iii) Cash flow and fair value interest rate risk

The Group and the Company are exposed to interest rate risk primarily in connection with interest-bearing loans granted to subsidiaries and related parties and long-term borrowings.

Loans granted with fixed interest rates expose the Company and the Group to fair value interest rate risk. Loans granted by the Company and by the Group in 2008 with fixed interest rates were denominated in LTL and EUR (2007: LTL and EUR).

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. Borrowings with variable interest rates of the Company and the Group in 2008 were denominated in EUR (2007: LTL, EUR and UAH).

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

Based on the simulations performed, the impact on the Company's and the Group's loss of a 0.5 per cent increase/decrease in interest rates would be a maximum increase/decrease of LTL 39 thousand (2007: LTL 31 thousand) and LTL 43 thousand (2007: LTL 37 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

(b) Credit risk

Credit risk arises from cash balances at bank, loans granted and trade receivables, including receivables from related parties.

i) Concentration risk

The Company's and the Group's exposure to credit risk is concentrated to loans granted and trade receivables, including receivables from subsidiaries and other related parties.

The table below shows the credit risk concentration.

	Group		**Company**	
	2008	**2007**	**2008**	**2007**
Trade receivables from related parties (Note 29)	75	2,220	8,429	9,554
Loans granted to related parties (Note 29)	-	1,100	3,453	3,453
Trade receivables from other parties (Note 11)	9,187	15,367	7,330	11,756
Total loans and trade receivables	9,262	18,687	19,212	24,763

3.1 Financial risk factors (continued)

ii) Maximum exposure to credit risk

The table below summarises all credit risk exposures relating to on-balance sheet items of the Group and of the Company. Maximum exposure to credit risk before collateral held or other credit enhancements:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Cash and cash equivalents at bank	1,760	572	86	47
Loans and trade receivables	9,262	18,687	19,212	24,763
Other amounts receivable and taxes receivable	1,237	2,915	287	747
Non-current amounts receivable	26	40	-	-
Total	12,285	22,214	19,585	25,557

iii) Credit quality of financial assets

The Group chooses the banks and financial institutions with a Fitch rating not lower than D.

The credit quality of trade customers is assessed in view of their financial position, history of co-operation with them and other facts. Credit insurance company defines individual credit limits based on the assessment of risk of each trade customer. The application of credit limits is continuously monitored by the Group's and the Company's management.

The table below summarises the credit limits established for, and year-end balances of amounts receivable from seven major trade customers.

Group (excluding Company's customers)	31 December 2008		31 December 2007	
	Credit limit	**Amount receivable**	**Credit limit**	**Amount receivable**
Customer A1	1,000	505	900	1,057
Customer A2	100	-	1,000	481
Customer A3	400	153	2,000	262
Customer A4	400	30	600	395
Customer A5	150	13	150	403
Customer A6	150	178	200	144
Customer A7	50	-	250	100

Company	31 December 2008		31 December 2007	
	Credit limit	**Amount receivable**	**Credit limit**	**Amount receivable**
Customer B1	4,005	685	4,005	1,546
Customer B2	5,524	974	5,524	555
Customer B3	2,003	218	2,003	1,526
Customer B4	1,036	314	1,036	265
Customer B5	1,036	248	2,417	219
Customer B6	690	730	1,036	-
Customer B7	345	1,670	501	1,556

3.1 Financial risk factors (continued)

As at 31 December 2008 and 2007, the credit limits established for certain customers of the Group and the Company were exceeded, however, in the opinion of the Group's and the Company's management, this fact did not result in significant credit exposure for the Group or the Company because the credit limits were exceeded for those customers who dully fulfilled their obligations in the past.

Moreover, most of the Group's and the Company's amounts receivable are covered with insurance. The Company's trade receivables amounting to LTL 6,390 thousand as at 31 December 2008 (31 December 2007: LTL 10,071 thousand) are insured against insolvency of debtors with insurance companies for the recoverable amount of LTL 11,132 thousand (31 December 2007: LTL 12,132 thousand). The Group's trade receivables amounting to LTL 8,304 thousand as at 31 December 2008 (31 December 2007: LTL 13,687 thousand) are insured against insolvency of debtors with insurance companies for the recoverable amount of LTL 26,623 thousand (31 December 2007: LTL 47,132 thousand).

The credit quality of financial assets that are neither past due nor impaired can be assessed considering independent credit ratings (if any) or historical data on their performance.

(i) Trade receivables – trade customers with no independent rating

	Group		Company	
	2008	2007	2008	2007
New trade customers (up to 12 months)	186	6,097	143	5,578
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	8,447	12,590	6,576	14,913
Current trade customers (more than 12 months) who do not duly fulfilled their obligations in the past	629	-	8,210	-
Total accounts receivable:	9,262	18,687	14,929	20,491

Total accounts receivable include trade receivables, receivable from other related parties and receivables from subsidiaries excluding loan granted and prepayment to the subsidiary amounting to LTL 3,453 thousand and LTL 830 thousand, respectively, as at 31 December 2008 (2007: LTL 3,453 thousand and LTL 819 thousand, respectively).

(ii) Cash and cash equivalents, excluding cash on hand

	Group		Company	
	2008	2007	2008	2007
A and above *	1,519	538	67	24
No rating	241	34	19	23
Total:	1,760	572	86	47

* Independent ratings established by Fitch agency.

3.1 Financial risk factors (continued)

Trade receivables that are past due are not treated as impaired since the Group's and the Company's management expects to recover these receivables.

The ageing analysis of these accounts receivable is given in the table below:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Not past due	6,983	12,725	5,492	8,867
Past due not impaired				
Past due up to 30 days	1,380	3,099	1,107	2,805
Past due 31-60 days	171	843	281	1,008
Past due 61-180 days	119	1,283	609	2,233
Past due 181 days	609	737	7,440	5,578
Total past due not impaired	2,279	5,962	9,437	11,624
Impaired and provided for				
Past due up to 30 days	20	-	20	-
Past due 31-60 days	47	-	47	-
Past due 61-180 days	37	-	31	-
Past due 181 days	284	-	277	-
Impairment allowance for trade receivables	(388)	-	(375)	-
Total accounts receivable	9,262	18,687	14,929	20,491

Total accounts receivable include trade receivables, receivable from other related parties and receivables from subsidiaries excluding loan granted and prepayment to the subsidiary amounting to LTL 3,453 thousand and LTL 830 thousand respectively as at 31 December 2008 (2007: LTL 3,453 thousand and LTL 819 thousand respectively).

Trade and other amounts receivable are denominated in the following currencies:

	Group		Company	
	2008	**2007**	**2008**	**2007**
LTL	2,344	7,807	2,163	6,104
EUR	8,329	14,344	18,422	21,498
GBP	22	-	-	-
UAH	891	1,574	-	-
	11,586	23,725	20,585	27,602

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

Group

31 December 2008	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Borrowings from banks	3,439	1,662	3,996	-
Finance lease liabilities	710	5,513	28,503	-
Trade payables and other financial liabilities	21,389	-	-	-
	25,538	7,175	32,499	-

31 December 2007	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Borrowings from banks	10,642	10,357	34,640	-
Finance lease liabilities	529	1,325	6,688	370
Trade payables and other financial liabilities	24,528	-	-	-
	35,699	11,682	41,328	370

Company

31 December 2008	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Finance lease liabilities	704	5,499	28,503	-
Trade payables and other financial liabilities	18,571	-	-	-
	19,275	5,499	28,503	-

31 December 2007	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Borrowings from banks	5,069	8,521	28,340	-
Finance lease liabilities	523	1,306	6,668	370
Trade payables and other financial liabilities	20,957	-	-	-
	26,549	9,827	35,008	370

Finance lease liabilities are repayable in full by 28 February 2010.

3.2 Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and 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 Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company defines its capital as cash and cash equivalents, equity and debt. As at 31 December the Group's and the Company's capital structure was as follows:

	Group		Company	
	2008	2007	2008	2007
Total borrowings	40,814	58,600	32,307	45,840
Less: cash and cash equivalents	(1,799)	(645)	(117)	(101)
Net debt	39,015	57,955	32,190	45,739
Total Equity	3,793	18,849	19,551	25,786
Total capital	42,808	76,804	51,741	71,525

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100 thousand (LTL 10 thousand for a private company) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2008 and 31 December 2007, the Company and its subsidiaries registered in Lithuania complied with these requirements.

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2008 and 31 December 2007. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies on the moment of the company's registration. As at 31 December 2008 and 31 December 2007, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital.

3.3 Fair value estimation

Trade payables and receivables accounted for in the Group's and the Company's balance sheet should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals their carrying amount.

Interest rate on the loans received by the Group and 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.

4. Critical accounting estimates and judgments

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

The Company and the Group make 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 recognised 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:

(a) Recent volatility in global and Lithuanian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Group's and the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability of the Group's and the Company's business in the current circumstances.

Debtors of the Group and the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

4. Critical accounting estimates and judgments (continued)

(b) Going concern assumptions

During the reporting year, the Group and the Company incurred a loss of LTL 17,075 thousand and LTL 6,235 thousand, respectively. In addition, at the end of the reporting financial year, the Group's current liabilities exceeded current assets by LTL 4,117 thousand.

The Company and its subsidiary OAO MTF Mrija did not comply with certain covenants stipulated in loan and lease agreements signed with the bank and the lease company (Note 16), and OAO MTF Mrija shareholders' equity did not meet the minimal statutory equity level defined in the Ukrainian laws (Note 3.2).

Nevertheless, the Group's and the Company's financial statements have been prepared on a going concern principle, based on assumption that the Group and the Company will continue their operation in the near future. The reasonableness of this assumption depends on whether sufficient financial resources will be available to the Group or the Company to cover their current liabilities.

In the opinion of the Group's management, the Group and the Company will maintain sufficient cash flows due to actions taken during the reporting year and actions planned for the next financial year:

- positive operating cash flows and EBITDA due to implemented rigorous cost controls and effective management of working capital,
- expansion of sales of ecological products and products under own brand,
- negotiations for the revision of the borrowings and finance lease agreements to postpone their contractual maturity to 2010 and later periods,
- active marketing of property not used in the main activity.

(c) Estimates of recoverable amounts of goodwill and investments in subsidiaries

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy described in Note 2.8. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates.

4. Critical accounting estimates and judgments (continued)

Investment in the subsidiary Satrija AB and related goodwill

Based on current industry situation and past experience the Group's management expects a decrease in revenue of Satrija AB by 30 per cent in 2009 and increase by 10 - 15 per cent starting from 2010, maintaining a gross profit not less than 7 per cent and reduction of selling, general and administrative expenses by 50 per cent in 2009. The pre-tax discount rate applied to cash flow projections is 15 per cent and cash flows beyond 3-year period are extrapolated using a 5 per cent growth rate that reflects the best estimate of the management based on current industry situation.

Increase of estimated pre-tax discount rate applied to the discounted cash-flows by 1 per cent (i.e. from 15 per cent to 16 per cent) would not have any impact on the assessment of impairment of goodwill allocated to Satrija AB as of 31 December 2008, however, it would result in an impairment loss of investment in subsidiary amounting to LTL 491 thousand as of 31 December 2008.

Decrease in growth rate used for extrapolation of cash flows beyond 3-year period by 5 per cent (i.e. from 5 per cent to nil, with all other assumptions remaining stable) would result in an impairment losses of goodwill allocated to Satrija AB and investment in subsidiary of LTL 204 thousand and LTL 1,379 thousand, respectively, as of 31 December 2008.

Investment in the subsidiary OAO MTF Mrija and related goodwill

Based on current industry situation and past experience the Group's management expects a decrease in revenue of *OAO MTF Mrija* by 33 per cent in 2009 and increase by 10 – 20 per cent starting from 2010, maintaining a gross profit not less than 13 per cent and reduction of selling, general and administrative expenses by 50 per cent in 2009. The discount rate applied to cash flow projections is 20 per cent and cash flows beyond 3-year period are extrapolated using a 5 per cent growth rate that reflects the best estimate of the management based on current industry situation.

Increase of estimated pre-tax discount rate applied to the discounted cash-flows by 1 per cent (i.e. from 20 per cent to 21 per cent) would not have any impact on the assessments of impairment of goodwill and investment in this subsidiary as of 31 December 2008.

Decrease in growth rate used for extrapolation of cash flows beyond 3-year period by 5 per cent (i.e. from 5 per cent to nil, with all other assumptions remaining stable) would not have any impact on the assessments of impairment of goodwill and investment in subsidiary as of 31 December 2008.

(d) Related-party transactions

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

4. Critical accounting estimates and judgments (continued)

(e) Fair value of non-current assets held for sale less cost to sell

Due to a limited number of transactions related to disposals of used machinery and equipment in the market, determination of fair value less cost to sell of machinery and equipment held for sale requires judgement. The basis for this judgement was expected optional selling prices established in the agreement with an agent engaged in marketing of this machinery and equipment on behalf of the Group and related service fees.

(f) Estimates of useful lives of property, plant and equipment

The Company and the Group have machinery with useful lives estimated based on the expected product lifecycles. However, economic useful lives may differ from the currently estimated ones due to technical innovations and competitors' actions.

Furthermore, the Company and the Group have buildings with useful lives exceeding 50 years (Notes 2.6 and 2.7). Management of the Company believe that based on the past experience and present condition of the buildings such longer useful lives are justifiable.

(g) Income taxes

Tax authorities have a right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Ukrainian subsidiary - 3 year period after the current year) and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances that might result in a potential material liability in this respect to the Company and to the Group.

5. Segment information

Primary reporting format – business segments

The Company's principal activities are production of knitted articles.

The Group also produces other clothes, provides sewing services and is engaged in retail and wholesale trade in its own production. However, considering a reduced volume of sewing services provided to external customers of the Group, as well as significantly reduced revenue from retail and wholesale trade, management consider that the only reportable segment of the Group is the production of knitted articles and other clothes.

Secondary reporting format – geographical segments

Grouping into different geographical segments is based on the Group's internal management accounting information system. Management believe that these geographical segments have certain common characteristics.

2008	**Western Europe**	**Lithuania and the Baltic States**	**Other regions**	**Elimination**	**Total**
Revenue					
External sales of the Group	95,396	14,984	365	-	110,745
Internal sales of the Group	-	11,252	899	(12,151)	-
	95,396	26,236	1,264	(12,151)	110,745
Assets (trade and other accounts receivable)	11,893	2,344	9,231	(11,882)	11,586

2007	**Western Europe**	**Lithuania and the Baltic States**	**Other regions**	**Elimination**	**Total**
Revenue					
External sales of the Group	117,682	19,756	103	-	137,541
Internal sales of the Group	-	15,423	2,211	(17,634)	-
	117,682	35,179	2,314	(17,634)	137,541
Assets (trade and other accounts receivable)	13,830	8,372	12,310	(10,787)	23,725

5. Segment information (continued)

Management believe that allocation of assets other than accounts receivable to these geographical segments would be impractical.

The Group's assets (except for the assets of subsidiary OAO MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was LTL 5 million as of 31 December 2008 (LTL 13.6 million as of 31 December 2007) and non-current assets held for resale amounted to LTL 3,431 thousand as of 31 December 2008 (nil as of 31 December 2007). Capital expenditure relating to property, plant and equipment in Ukraine amounted to LTL 257 thousand in 2008 (2007: LTL 2,011 thousand, including LTL 320 thousand intercompany purchases of property, plant and equipment within the Group).

Intersegment transactions include transfers among geographical segments. Such transactions are accounted for at cost plus certain margin. These transactions are eliminated on consolidation.

The Group's and the Company's revenue per customer exceeding 10 per cent of total sales in 2008 and 2007 was as follows:

Customer	Geographical segment	Group		Company	
		Percentage of total sales (%)		Percentage of total sales (%)	
		2008	2007	2008	2007
Customer B1	Western Europe	14.4	11.4	17.0	13.7
Customer B7	Western Europe	11.3	7.4	13.3	8.9
Customer B3	Western Europe	9.4	9.3	11.1	11.2
Customer B2	Western Europe	9.3	8.6	10.9	10.3

6. Intangible assets

	Group				Company
	Goodwill, related to OAO MTF Mrija	Goodwill, related to UAB Justima	Other intangible assets	Total	Other Intangible assets
Cost:					
Balance as of 1 January 2007	1,130	1,522	2,517	5,169	1,928
Additions	2,012	-	61	2,073	49
Disposals and write-offs	-	-	(55)	(55)	(55)
Foreign currency translation differences	(249)	-	(27)	(276)	-
Balance as of 31 December 2007	2,893	1,522	2,496	6,911	1,922
Additions	-	-	177	177	172
Reclassifications from prepayments for intangible assets	-	-	1,042	1,042	1,042
Foreign currency translation differences	(899)	-	(73)	(972)	-
Balance as of 31 December 2008	1,994	1,522	3,642	7,158	3,136
Amortisation and impairment:					
Balance as of 1 January 2007	-	129	2,066	2,195	1,773
Charge for the year	-	-	180	180	65
Disposals and write-offs	-	-	(55)	(55)	(55)
Foreign currency translation differences	-	-	(7)	(7)	-
Balance as of 31 December 2007	-	129	2,184	2,313	1,783
Charge for the year	-	-	348	348	251
Foreign currency translation differences	-	-	(50)	(50)	-
Balance as of 31 December 2008	-	129	2,482	2,611	2,034
Net book value as of 31 December 2006	**1,130**	**1,393**	**451**	**2,974**	**155**
Net book value as of 31 December 2007	**2,893**	**1,393**	**312**	**4,598**	**139**
Net book value as of 31 December 2008	**1,994**	**1,393**	**1,160**	**4,547**	**1,102**

The Company and the Group have no internally generated intangible assets. Amortisation expenses of intangible assets are included within general and administrative expenses in the income statement.

As of 31 December 2008, the acquisition cost of intangible assets of the Group and the Company that were fully amortised but still in use amounted to LTL 1,839 thousand and LTL 1,710 thousand, respectively (LTL 1,791 thousand and LTL 1,710 thousand, respectively as of 31 December 2007).

6. Intangible assets (continued)

Goodwill

On 26 July 2004 the subsidiary AB Šatrija, controlled by the Company, purchased 100 per cent of the shares of UAB Justima and took control over this company which was later merged into AB Šatrija. According to the terms of the share purchase agreement, AB Šatrija paid LTL 1,565 thousand for those shares. The fair value of the net asset acquired amounted to LTL 43 thousand at the time of acquisition; therefore, the amount of LTL 1,522 thousand was accounted for in the financial statements as goodwill.

This goodwill was allocated to AB Šatrija as a cash-generating unit for impairment testing purposes. The recoverable amount of the cash-generating unit was determined based on the value in use calculation using cash flow projections based on financial budgets approved by senior management for a three-year period.

On 30 July 2005 the Company purchased 67 per cent of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,998 thousand for 8,740,734 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 1,229 thousand on this transaction. Subsequent to this acquisition, the Company acquired additional 24.85 per cent of shares of its subsidiary OAO MTF Mrija from minority shareholders as a result of issue of new shares. The total price paid for the newly issued shares was LTL 2,569 thousand, LTL 736 thousand whereof was paid for minority interest on acquisition of net assets of LTL 1,159 thousand (fair value). The excess of the acquirer's share in net assets amounting to LTL 423 thousand, which occurred on acquisition of minority interest, was accounted within other income in the Group's income statement for the year ended 31 December 2005. On 7 August 2007, the Company acquired further 7.096 per cent of shares of OAO MTF Mrija. The Company paid LTL 2,011 thousand for 36,406,770 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 2,012 thousand on this transaction.

This goodwill was allocated to the Ukrainian operations as a cash generating unit for impairment testing purposes. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period.

7. Property, plant and equipment

Group

	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2007	15,403	1,160	89,600	4,272	110,435
Additions	1	170	3,651	504	4,326
Disposals and write-offs	-	-	(1,254)	-	(1,254)
Transfers from/to	882	-	3,255	(4,137)	-
Reclassifications from investment property (Note 8)	49	-	-	-	49
Foreign currency translation differences	(489)	(72)	(1,502)	(75)	(2,138)
Balance as of 31 December 2007	15,846	1,258	93,750	564	111,418
Additions	102	-	356	20	478
Disposals and write-offs	(355)	-	(3,612)	-	(3,967)
Transfers from/to	45	-	432	(477)	-
Reclassifications to non current assets held for sale (Note 12)	-	-	(4,524)	-	(4,524)
Reclassifications to investment property (Note 8)	(215)	-	-	-	(215)
Foreign currency translation differences	(1,405)	(207)	(4,508)	(95)	(6,215)
Balance as of 31 December 2008	14,018	1,051	81,894	12	96,975
Accumulated depreciation:					
Balance as of 1 January 2007	6,320	684	50,472	-	57,476
Charge for the year	221	51	8,576	-	8,848
Disposals and write-offs	-	-	(1,159)	-	(1,159)
Reclassifications from investment property (Note 8)	24	-	-	-	24
Foreign currency translation differences	(139)	(49)	(329)	-	(517)
Balance as of 31 December 2007	6,426	686	57,560	-	64,672
Charge for the year	204	52	7,914	-	8,170
Disposals and write-offs	(229)	-	(3,349)	-	(3,578)
Reclassifications to non current assets held for sale (Note 12)	-	-	(1,093)	-	(1,093)
Reclassifications to investment property (Note 8)	(94)	-	-	-	(94)
Foreign currency translation differences	(391)	(136)	(1,749)	-	(2,276)
Balance as of 31 December 2008	5,916	602	59,283	-	65,801
Impairment:					
Balance as of 1 January 2007	60	-	-	-	60
Reversal of impairment	(30)	-	-	-	(30)
Balance as of 31 December 2007	30	-	-	-	30
Balance as of 31 December 2008	30	-	-	-	30
Net book value as of 31 December 2006	**9,023**	**476**	**39,128**	**4,272**	**52,899**
Net book value as of 31 December 2007	**9,390**	**572**	**36,190**	**564**	**46,716**
Net book value as of 31 December 2008	**8,072**	**449**	**22,611**	**12**	**31,144**

7. Property, plant and equipment (continued)

Company	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2007	7,435	571	64,000	2,474	74,480
Additions	1	-	2,137	414	2,552
Disposals and write-offs	-	-	(1,822)	-	(1,822)
Transfers from/to	100	-	2,374	(2,474)	-
Reclassifications from investment property (Note 8)	49	-	-	-	49
Balance as of 31 December 2007	7,585	571	66,689	414	75,259
Additions	-	-	170	20	190
Disposals and write-offs	-	-	(377)	-	(377)
Transfers from/to	-	-	433	(433)	-
Reclassifications to investment property (Note 8)	(215)	-	-	-	(215)
Balance as of 31 December 2008	7,370	571	66,915	1	74,857
Accumulated depreciation:					
Balance as of 1 January 2007	2,758	268	38,500	-	41,526
Charge for the year	92	31	5,984	-	6,107
Disposals and write-offs	-	-	(1,611)	-	(1,611)
Reclassifications from investment property (Note 8)	24	-	-	-	24
Balance as of 31 December 2007	2,874	299	42,873	-	46,046
Charge for the year	90	31	5,605	-	5,726
Disposals and write-offs	-	-	(375)	-	(375)
Reclassifications to investment property (Note 8)	(94)	-	-	-	(94)
Balance as of 31 December 2008	2,870	330	48,103	-	51,303
Impairment:					
Balance as of 1 January 2007	60	-	-	-	60
Reversal of impairment	(30)	-	-	-	(30)
Balance as of 31 December 2007	30	-	-	-	30
Balance as of 31 December 2008	30	-	-	-	30
Net book value as of 31 December 2006	**4,617**	**303**	**25,500**	**2,474**	**32,894**
Net book value as of 31 December 2007	**4,681**	**272**	**23,816**	**414**	**29,183**
Net book value as of 31 December 2008	**4,470**	**241**	**18,812**	**1**	**23,524**

7. Property, plant and equipment (continued)

Total depreciation charges of the Group's and the Company's property, plant and equipment amounted to LTL 8,170 thousand and LTL 5,726 thousand, respectively in 2008 (2007: LTL 8,848 thousand and LTL 6,107 thousand, respectively). The respective amounts of LTL 7,988 thousand and LTL 5,712 thousand in 2008 (2007: LTL 8,136 thousand and LTL 5,665 thousand, respectively) were included in cost of sales in the Group's and the Company's income statement. The remaining amounts were included in general and administrative expenses in the income statement and inventories in the balance sheet.

Property, plant and equipment of the Group and the Company with the acquisition costs of LTL 32,449 thousand and LTL 24,432 thousand, respectively, were fully depreciated as of 31 December 2008 (2007: LTL 22,193 thousand and LTL 19,929 thousand, respectively), but were still in use.

Property, plant and equipment of the Group and the Company with the net book values of LTL 12,911 thousand and LTL 2,015 thousand, respectively, as of 31 December 2008 (2007: LTL 36,524 thousand and LTL 20,937 thousand, respectively) were pledged to the banks as a collateral for the borrowings (Note 16).

Leased assets, where the Company and the Group is a lessee under finance lease contracts comprised as follows as at 31 December:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Cost – capitalised finance lease				
Buildings	7,097	-	7,097	-
Vehicles and other property, plant and equipment	44,689	7,183	44,591	7,085
Investment property (Note 8)	4,423	-	4,423	-
	56,209	7,183	56,111	7,085
Accumulated depreciation				
Buildings	(2,750)	-	(2,750)	-
Vehicles and other property, plant and equipment	(28,974)	(1,218)	(28,939)	(1,199)
Investment property (Note 8)	(1,011)	-	(1,011)	-
	(32,735)	(1,218)	(32,700)	(1,199)
Net book value	23,474	5,965	23,411	5,886

8. Investment property

	Group	Company
Cost:		
Balance as of 1 January 2007	6,860	6,860
Transfer to property, plant and equipment (Note 7)	(49)	(49)
Balance as of 31 December 2007	6,811	6,811
Disposals	(2,477)	(2,477)
Transfer from property, plant and equipment (Note 7)	215	215
Balance as of 31 December 2008	4,549	4,549
Accumulated depreciation:		
Balance as of 1 January 2007	1,111	1,111
Charge for the year	144	144
Transfer to property, plant and equipment (Note 7)	(24)	(24)
Balance as of 31 December 2007	1,231	1,231
Charge for the year	144	144
Disposals	(366)	(366)
Transfer from property, plant and equipment (Note 7)	94	94
Balance as of 31 December 2008	1,103	1,103
Impairment:		
Balance as of 1 January 2007	98	98
Reversal of impairment	(98)	(98)
Balance as of 31 December 2007	-	-
Balance as of 31 December 2008	-	-
Net book value as of 31 December 2006	**5,651**	**5,651**
Net book value as of 31 December 2007	**5,580**	**5,580**
Net book value as of 31 December 2008	**3,446**	**3,446**

Rental income and associated costs have been disclosed in Note 21.

Leased investment property, where the Company and the Group is a lessee under finance lease contracts disclosed in Note 7.

No investment property of the Group and the Company was pledged to the bank as a collateral for the borrowings as at 31 December 2008 (2007: LTL 5,534 thousand).

Investment property of the Company and the Group comprises buildings rented to related party and third parties and vacant buildings ready for sale.

8. Investment property (continued)

The fair value of this investment property approximates to its net book value as at 31 December 2008. The fair value of investment property as at 31 December 2008 was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuators.

No material contractual commitments to purchase, construct, develop, repair or increase the investment property existed at the year-end.

9. Investments in subsidiaries

The Company's investments in subsidiaries were as follows as of 31 December:

	2008	2007
Cost of investments:		
Balance as at 1 January	12,753	10,742
Acquisition of subsidiary OAO MTF Mrija (Note 27)	-	2,011
Balance as at 31 December	12,753	12,753
Impairment:		
Balance as at 1 January	-	-
Balance as at 31 December	-	-
Carrying amount of investments in subsidiaries as at 31 December	**12,753**	**12,753**

As of 31 December 2008, investment to the subsidiary AB Šatrija amounting to LTL 4,935 thousand was pledged to the lease company as collateral for the finance lease (Note 16).

10. Inventories

	Group		Company	
	2008	2007	2008	2007
Raw materials	4,485	7,157	2,634	4,683
Work in progress	3,739	6,141	3,567	5,092
Finished goods	3,868	7,333	3,567	6,827
Goods for resale	139	106	-	-
	12,231	20,737	9,768	16,602
Write-down to net realisable value:				
Opening balance	(1,387)	(295)	(774)	(229)
Change	(539)	(1,092)	(81)	(545)
Closing balance	(1,926)	(1,387)	(855)	(774)
	10,305	19,350	8,913	15,828

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as of 31 December 2008 amounted to LTL 3,587 thousand and LTL 2,516 thousand respectively (2007: LTL 1,580 thousand and LTL 1,026 thousand, respectively). Changes in impairment allowance for inventories during 2008 and 2007 were recorded within general and administrative expenses in the Group's and the Company's income statement.

Inventories of the Company and the Group with carrying value of LTL 11,400 thousand as of 31 December 2008 were pledged to the lease company as collateral for the finance lease (2007: LTL 10,000 thousand and LTL 12,830 thousand, respectively, a collateral for the bank borrowings).

11. Trade receivables

	Group		Company	
	2008	2007	2008	2007
Trade receivables, gross	9,575	15,377	7,705	11,756
Impairment allowance for trade receivables:				
Opening balance	(10)	(22)	-	-
Change	(378)	12	(375)	-
Closing balance	(388)	(10)	(375)	-
	9,187	15,367	7,330	11,756

Changes in impairment allowance for doubtful trade receivables during 2008 and 2007 were recorded within general and administrative expenses in the Group's and the Company's income statements.

12. Non current assets held for resale

In 2008, the subsidiary OAO MTF Mrija signed the contract with the agent for disposal of equipment not used in the subsidiary's activity with net book value of LTL 3,431 thousand as of 31 December 2008. The planned disposal period is seven months after the balance sheet date.

13. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
Cash on hand	39	73	31	54
Cash at bank	665	572	86	47
Deposits with maturity term of 3 months or less	1,095	-	-	-
	1,799	645	117	101

The balance of the Group's deposits as at 31 December 2008 included a deposit of EUR 100 thousand (equivalent of LTL 345 thousand) and LTL 750 thousand. Average interest rate on these deposits was 3.52 per cent, and its contractual maturity date was 5 January 2009.

All cash inflows into the Company's accounts opened in the bank were pledged to the lease company as collateral for the finance lease (Note 16) (2007: as a collateral for borrowings). As of 31 December 2008 and 2007, the Group and the Company had no other restrictions on the use of cash and cash equivalents.

14. Share capital

As at 31 December 2008 and 2007, the share capital comprised 19,834,442 ordinary registered shares with par value of LTL 1 each. As of 31 December 2008 and 2007, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as of 31 December 2008 and 2007. The Company did not hold its own shares as of 31 December 2008 and 2007.

15. Reserves

Other reserves

The balance of the Company's reserves as of 31 December 2008 and 2007 comprised a legal reserve.

Profit distribution

On 26 April 2007, the Company's Shareholders Meeting resolved to pay out LTL 7,934 thousand dividends.

16. Borrowings

	Group		Company	
	2008	2007	2008	2007
Current				
Short-term bank borrowings	2,862	3,608	-	770
Current portion of long-term bank borrowings	2,038	14,945	-	10,487
Finance lease liabilities	4,661	1,504	4,641	1,481
	9,561	20,057	4,641	12,738
Non–current				
Long-term bank borrowings	3,587	32,164	-	26,743
Finance lease liabilities	27,666	6,379	27,666	6,359
	31,253	38,543	27,666	33,102
Total borrowings	40,814	58,600	32,307	45,840

In 2008, bank borrowings of the Company and the Group amounting to LTL28,802 thousand were restructured to finance lease liabilities.

The bank borrowings are secured by property plant and equipment (Note 7) (2007: property plant and equipment (Note 7), investment property (Note 8), inventories (Note 10) and future cash inflows into certain bank accounts (Note 13)).

The fulfilment 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. Furthermore, investment to subsidiary (Note 9), future cash inflows into certain bank accounts (Note 13) and inventories (Note 10) were pledged as an additional collateral for the finance lease.

The carrying amounts of borrowings as at 31 December were denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
UAH	-	16	-	-
EUR	40,814	57,814	32,307	45,070
LTL	-	770	-	770
	40,814	58,600	32,307	45,840

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

	Group		Company	
	2008	2007	2008	2007
Long-term bank borrowings	7.29	5.87	-	5.41
Short-term bank borrowings	7.29	7.97	-	6.95
Finance lease liabilities	5.27	5.76	5.27	5.76

The interest rate for the borrowings is based on market interest rate, therefore, in the opinion of management, the carrying amount of borrowings approximates to their fair value.

16. Borrowings (continued)

The exposure of the borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	Group		Company	
	2008	2007	2008	2007
Every 6 months or more frequently	40,814	58,600	32,307	45,840

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

	Group		Company	
	2008	2007	2008	2007
Between 1 and 2 years	1,851	8,106	-	6,241
Between 2 and 5 years	1,736	24,058	-	20,502
	3,587	32,164	-	26,743

As at 31 December 2008, the Group did not comply with certain requirements relating to (1) capital ratio in the subsidiary OAO MTF Mrija; (2) gross profitability ratio in certain inter-company transactions within the Group; (3) financial debt to EBITDA ratio in the subsidiary OAO MTF Mrija; (4) cash ratio in the subsidiary OAO MTF Mrija (2007: 1) capital ratio in the subsidiary OAO MTF Mrija; (2) gross profitability ratio in certain inter-company transactions within the Group; (3) financial debt to EBITDA ratio in the subsidiary OAO MTF Mrija; (4) cash ratio in the subsidiary OAO MTF Mrija), which were set forth as restrictive covenants in loan and finance lease agreements signed with the bank and the lease company.

Moreover, as at 31 December 2008, the Company did not comply with certain requirements relating to (1) capital plus reserves to equity plus liabilities ratio; and (2) long-term plus short-term debts to capital plus reserves ratio (2007: (1) financial debt to EBITDA ratio; (2) capital plus reserves to equity plus liabilities ratio; and (3) long-term plus short-term debts to capital plus reserves ratio), which were set forth as restrictive covenants in certain lease agreements signed with the lease company.

The management of the Group and the Company do not expect that the bank and the lease company will take any restrictive actions, therefore, the non current borrowing of the Group and the Company amounting to LTL 24,067 and LTL 20,480 respectively as of 31 December 2008 (2007: LTL 32,164 thousand and LTL 26,743 thousand, respectively) were not reclassified to current borrowings in these financial statements.

16. Borrowings (continued)

Finance lease liabilities – minimum lease payments:

	Group		Company	
	2008	2007	2008	2007
Not later than 1 year	6,224	1,854	6,203	1,829
After 1 year but not later than 5 years	28,503	6,688	28,503	6,668
After 5 years	-	370	-	370
	34,727	8,912	34,706	8,867
Future finance lease charges	(2,400)	(1,029)	(2,399)	(1,027)
Present value of finance lease liabilities	32,327	7,883	32,307	7,840

Present value of finance lease liabilities:

	Group 2008	Group 2007	Company 2008	Company 2007
Not later than 1 year	4,661	1,504	4,641	1,481
After 1 year but not later than 5 years	27,666	6,018	27,666	5,998
After 5 years	-	361	-	361
	32,327	7,883	32,307	7,840

17. Accrued charges and other current liabilities

	Group		Company	
	2008	2007	2008	2007
Amounts payable for services and non-current assets	1,955	4,152	1,552	3,863
Wages, salaries and social security	1,746	2,085	1,191	1,260
Accrual for vacation reserve	1,806	2,107	1,207	1,556
Bonuses for employees	102	119	102	119
Other liabilities	189	403	31	176
	5,798	8,866	4,083	6,974

18. Revenue

	Group		Company	
	2008	2007	2008	2007
Revenue from sale of goods	104,558	131,241	92,954	112,425
Revenue from sewing services	5,593	4,918	-	-
Revenue from sale of materials	594	1,382	1,086	2,326
	110,745	137,541	94,040	114,751

19. Cost of sales

	Group		Company	
	2008	2007	2008	2007
Materials	39,868	53,296	32,751	39,330
Wages and salaries	33,624	35,750	23,670	24,779
Other overhead expenses	28,191	31,118	29,502	35,862
Cost of materials sold	643	1,324	875	2,131
	102,326	121,488	86,798	102,102

20. Selling general and administrative expenses

	Group		Company	
	2008	2007	2008	2007
Selling expenses				
Maintenance costs of retail outlets	132	41	-	-
Wages salaries and social security	1,447	1,759	1,124	1,330
Other selling expenses	1,822	1,895	1,588	1,503
Total selling expenses	3,401	3,695	2,712	2,833
General and administrative expenses				
Wages salaries and social security	4,018	5,105	2,729	2,902
Communications and consulting services	1,401	2,207	867	1,612
Taxes other than income tax	1,463	1,945	1,382	1,852
Reversal of impairment of property plant and equipment and investment property	-	(128)	-	(128)
Depreciation and amortisation	503	341	369	181
Impairment and write-off of inventories	864	1,258	98	557
Impairment and write-off of accounts receivable	915	48	601	20
Business trips	153	181	99	104
Charity and sponsorship	101	139	62	126
Other	3,681	3,624	2,364	2,618
Total general and administrative expenses	13,099	15,013	8,571	9,844
	16,500	18,708	11,283	12,677

21. Other income (expenses), net

	Group		Company	
	2008	2007	2008	2007
Gain on disposal of investment property	688	-	688	-
Gain on disposal of property plant and equipment	1,486	61	29	85
Lease income	857	691	619	683
Lease expenses	(171)	(227)	(189)	(242)
Other income (expenses) net	224	70	102	59
	3,084	595	1,249	585

22. Finance costs, net

	Group		Company	
	2008	2007	2008	2007
Net foreign exchange gain (loss)	(7,472)	(2,269)	(6)	2
Interest expenses	(3,407)	(3,308)	(2,537)	(2,260)
Discounts granted on earlier payment	(791)	(271)	(791)	(271)
Interest income	18	79	208	216
Discounts received on earlier payment	-	11	-	11
Interest on late payment received (paid)	(74)	43	(69)	13
	(11,726)	(5,715)	(3,195)	(2,289)

23. Employee benefits

	Group		Company	
	2008	2007	2008	2007
Wages and salaries	29,667	32,328	21,017	22,143
Social security	9,411	10,280	6,506	6,868
	39,078	42,608	27,523	29,011

24. Income tax

Income tax expense comprised as follows:

	Group		Company	
	2008	2007	2008	2007
Current tax	(167)	(12)	-	-
Change in deferred tax	(185)	(243)	(248)	42
Income tax refunded on dividends	-	7	-	7
Income tax expense	(352)	(248)	(248)	49

There are no material tax consequences for the Company associated with the payment of dividends to its shareholders.

Reconciliation of the reported amount of income tax expense for the year to the amount of income tax that would be calculated applying the statutory income tax rate to profit before tax:

24. Income tax (continued)

	Group		Company	
	2008	2007	2008	2007
Income tax at a rate of 15% in 2008 (18% in 2007)	2,508	1,400	898	312
Effect of different tax rates applicable to Ukrainian subsidiaries	863	288	-	-
Income tax refunded on dividends	-	7	-	7
Unrecognised deferred tax assets	(3,955)	(1,054)	(1,302)	-
Change in income tax rate	606	(69)	325	(69)
Expenses not deductible for tax purposes	(425)	(820)	(170)	(201)
Non taxable income	51	-	1	-
Income tax expense	(352)	(248)	(248)	49

The movement on deferred income tax account was as follows:

	Group		Company	
	2008	2007	2008	2007
At beginning of year	185	428	248	206
Change during the year	(185)	(243)	(248)	42
At end of year	-	185	-	248

In 2008, deferred income tax asset and liability relating to the entities operating in Lithuania were estimated using the tax rate of 20 per cent (18 per cent tax rates in 2007). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 25 per cent.

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

Group	2006	Recognised in the income statement	2007	Recognised in the income statement	2008
Deferred tax assets					
Tax loss carry forwards	-	74	74	(74)	-
Inventories	53	63	116	(116)	-
Receivables	6	(6)	-	-	-
Property, plant and equipment and investment property	319	(319)	-	-	-
Accrued charges	201	(120)	81	(81)	-
	579	(308)	271	(271)	-
Deferred tax liabilities					
Goodwill	(86)	86	-	-	-
Property, plant and equipment	(65)	(21)	(86)	86	-
	(151)	65	(86)	86	-
Deferred tax assets, net	428	(243)	185	(185)	-

24. Income tax (continued)

Company	2006	Recognised in the income statement	2007	Recognised in the income statement	2008
Deferred tax assets/liabilities					
Inventories	41	75	116	(116)	-
Property, plant and equipment and investment property	37	(60)	(23)	23	-
Tax loss	-	74	74	(74)	-
Accrued charges	128	(47)	81	(81)	-
	206	42	248	(248)	-

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.

	Group 2008	Group 2007	Company 2008	Company 2007
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	-	-	-	-
Deferred tax asset to be recovered within 12 months	-	271	-	271
	-	271	-	271
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	-	(86)	-	(23)
Deferred tax liability to be recovered within 12 months	-	-	-	-
	-	(86)	-	(23)
	-	185	-	248

The Group's and the Company's tax losses to be carried forward against future taxable income amounted to LTL 16,262 thousand and LTL 5,460 thousand, respectively, as of 31 December 2008 (2007: LTL 5,020 thousand and nil).

No deferred tax asset was recognised in respect of these losses due to uncertainties relating to recoverability of asset. All tax losses of the Company and the Group's tax losses amounting to LTL 8,749 thousand may be brought forward for an unlimited period and LTL 226 thousand, LTL 2,282 thousand and LTL 5,005 thousand of the Group's tax losses can be utilised until 2009, 2010 and 2011, respectively.

Deferred tax asset not recognised by the Group and the Company in its financial statements as of 31 December 2008 due to uncertainties relating to the Group's and the Company's ability to earn sufficient taxable income necessary for realisation of this asset totalled LTL 3,955 thousand and LTL 1,302 thousand, respectively (2007: LTL 1,053 thousand and nil).

25. Loss per share

Basic loss per share reflect the Group's net loss, divided by the outstanding number of shares. Calculation of the basic loss per share is presented below:

	Group	
	2008	2007
Loss attributable to the equity holders of the Company	(16,890)	(7,791)
Weighted average number of shares in issue (thousand)	19,834	19,834
Basic and diluted loss per share (in LTL)	(0.85)	(0.39)

The Company has no dilutive potential ordinary shares, therefore, the diluted loss per share are the same as basic loss per share.

26. Dividends per share

	2008*	2007*
Dividends declared	-	7,934
Weighted average number of shares (thousand)	19,834	19,834
Declared dividends per share (LTL)	-	0.40

* The year when dividends were declared.

27. Business combinations

Acquisition

On 7 August 2007, the Company acquired 7.096 per cent of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,011 thousand for 36,406,770 shares of OAO MTF Mrija with par value of UAH 0.01 each, and recognised goodwill of LTL 2,012 thousand on this transaction as of 31 December 2007.

28. Additional information on cash flows

The principal non-cash transactions were as follows:

	Group		Company	
	2008	2007	2008	2007
Non-cash investing activity:				
Acquisition of property, plant and equipment under finance lease	-	7,883	-	7,840

29. Related-party transactions

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

Related party	***Description of relation***
A. Martinkevičius	Ultimate controlling individual
UAB Koncernas SBA	Ultimate parent company, exercising control through majority of Board members
SBA group companies	UAB Koncernas SBA subsidiaries
Company's management	Directors, Board members and their family members

Besides related parties of the Group, subsidiaries of the Company are treated as related parties of the Company.

Related-party transactions are priced on a 'cost plus' basis.

The Group's and the Company's related-party transactions in 2008 and 2007 were as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Sales of goods and services				
Subsidiaries of the Company	-	-	1,705	2,876
SBA group companies	5,039	8,768	4,876	8,159
Ultimate parent company	-	302	-	-
	5,039	9,070	6,581	11,035

	Group		Company	
	2008	**2007**	**2008**	**2007**
Sales of property, plant and equipment				
Subsidiaries of the Company	-	-	-	320
	-	-	-	320

	Group		Company	
	2008	**2007**	**2008**	**2007**
Interest income				
Subsidiaries of the Company	-	-	207	189
SBA group companies	-	21	-	21
Ultimate parent company	12	44	-	-
	12	65	207	210

29. Related-party transactions (continued)

	Group		Company	
	2008	2007	2008	2007
Purchases of goods and services				
Subsidiaries of the Company			10,385	14,728
SBA group companies	122	205	91	188
Other related parties	189	232	189	232
Ultimate parent company	821	1,500	569	1,199
	1,132	1,937	11,234	16,347

	Group		Company	
	2008	2007	2008	2007
Amounts receivable within one year (including prepayments and loans)				
Subsidiaries of the Company			11,882	10,787
SBA group companies	75	2,220	-	2,220
Ultimate parent company	-	1,100	-	-
	75	3,320	11,882	13,007

Loan granted by AB Satrija to UAB Koncernas SBA amounting LTL 1,100 thousand was repaid in full in 2008. Annual interest rate on the loan was equal to 4 per cent.

In 2007, the Company granted a loan to subsidiary OAO MTF Mrija amounting to LTL 3,453 thousand with maturity of 12 December 2008. In 2008, the loan maturity was prolonged until 14 December 2009.

Interest rate established for loans granted to related parties is based on the interest rate set for similar borrowings, therefore, the carrying amount of loans granted to related parties approximate their fair value.

Interest rates on loans granted to related parties are as follows:

	2008	2007
Loans granted to related parties	4 - 6%	4 - 6%

	Group		Company	
	2008	2007	2008	2007
Amounts payable within one year				
Subsidiaries of the Company	-	-	1,327	547
SBA group companies	1,135	-	1,135	-
Other related parties	129	254	129	254
Ultimate parent company	886	315	679	232
	2,150	569	3,270	1,033

29. Related-party transactions (continued)

In August 2007, the subsidiary AB Šatrija granted a short-term loan to the Company for the amount of LTL 500 thousand and annual interest of 5.75 per cent. In 2008, the Company repaid loan to the subsidiary.

In 2008, the subsidiary UAB Gotija granted a short-term loan to the Company for the amount of LTL 1,250 thousand with annual interest rate of 6 per cent, which had to be repaid by 30 June 2009.

	Group		Company	
	2008	**2007**	**2008**	**2007**
Key management compensation including social security costs				
Remuneration of management	2,651	2,661	1,356	1,520
	2,651	2,661	1,356	1,520

In 2008 and 2007 the management of the Company did not receive any loans, guarantees; any other payments or property transfers were made or accrued. The management of the Group did not receive any guarantees; no other payments or property transfers were made or accrued in 2008 and 2007.

Guarantees issued

Guarantees issued on behalf of related parties are disclosed in Note 30.

30. Contingent liabilities and commitments

Guarantees issued

The Group has not issued any guarantees to secure the fulfilment of obligations of other parties.

The Company has an agreement with bank, based on which the Company issued a guarantee for the amount of EUR 2,455 thousand (LTL 8,476 thousand as at 31 December 2008) on behalf of its subsidiary OAO MTF Mrija to secure the repayment of borrowings.

The Company's management believe that OAO MTF Mrija will meet its obligations to the bank.

Commitments

As of 31 December 2008 and 2007 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

UTENOS TRIKOTAŽAS AB
ANNUAL REPORT
FOR 2008
(COMPLEMENTED)

Lithuanian Securities Commission
Konstitucijos pr. 23
LT-08105 Vilnius

2009-07-09

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Nerijus Vilūnas , General Director of Utenos trikotazas, AB, and Chief Accountant Reda Kučinskienė, hereby confirm that, to the best of our knowledge, the audited consolidated financial statements of Utenos trikotazas, AB for the 2008, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Utenos trikotazas, AB and the Group of undertakings. Also we confirm that by our knowledge Consolidated report for the year 2008 gives correct overview of business development and activities of AB Utenos trikotažas Group.

ENCLOSURE: Complemented annual consolidated report of 2008 of Utenos trikotazas AB, which was not revised by auditors.

General Director **Nerijus Vilūnas**

Chief Accountant **Reda Kučinskienė**

1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2008 to 31 December 2008. All amounts in the Annual Report present situation as at 31 December 2008, unless otherwise stated. Further in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

2. Issuer and its contact data

Company name	**Utenos Trikotažas AB**
Authorised share capital	LTL 19,834,442
Address	J. Basanavičiaus g. 122, Utena
Telephone	(389) 51 445
Fax	(389) 69 358
E-mail	utenos.trikotazas@ut.lt
Website	www.utenostrikotazas.lt
Legal and organisation form	Legal entity, public company
Date and place of incorporation	Registered with the Register of Legal Entities of Utena District on 6 December 1994; reregistered with the Ministry of Economy of the Republic of Lithuania on 18 September 1998.
Registration code	BĮ 98-257
Code of the Register of Legal Entities	183709468

3. Nature of the Issuer's operations

Utenos Trikotažas AB operates in the field of light industry. The Company's principal activity is production of knit-wear and textile articles.

The Company's profile of activities:

- production of knit-wear and textile articles;
- production of mass-consumption goods which is closely related to principal activities;
- retail and wholesale trade in own production and production of other companies in local and foreign markets;
- purchase-sale transactions of foreign trade;
- rendering of services to natural and legal persons.

A composition of AB Utenos trikotažas Group (hereinafter "the Group"), their contact information and profile of activities is provided in 26.1. article.

4. Agreements with intermediaries of securities' public turnover

On 25 September 2005, the Issuer concluded a service agreement with the Department of Safe Custody Services of SEB Vilniaus Bankas AB (address Gedimino pr. 12, LT-01103 Vilnius). Under this agreement the accounting of the Issuer's securities is handled.

On 25 April 2007, the Issuer concluded an agreement with OMX Exchanges Ltd. on the system of service provision, disclosure and communication of information.

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

The Company's shares are listed on the Official List of the National Stock Exchange, as well on the Baltic List of the Lithuanian, Latvian and Estonian stock market.

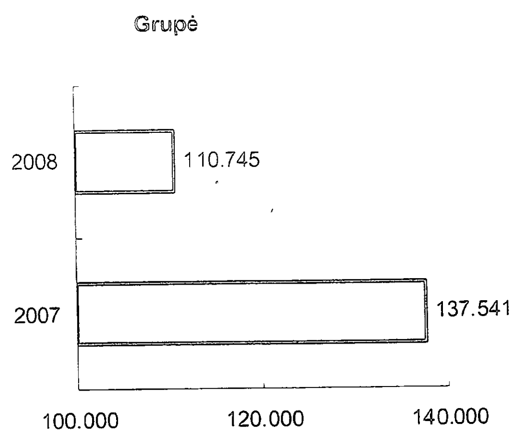
19,834,442 of ordinary registered shares have been registered for public turnover of securities. A nominal value of one share is LTL 1.

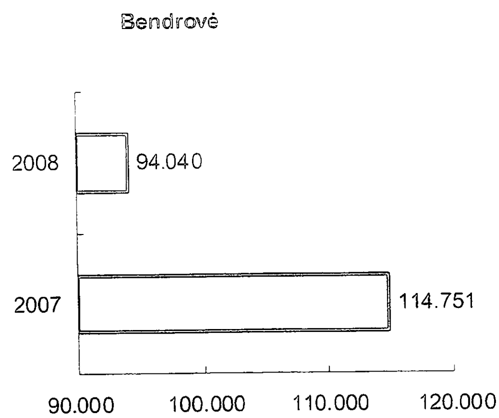
6. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and contingencies

Trade

In 2008, total sales of goods and services of the Company amounted to LTL 94 million. Trade volume decreased by LTL 20.7 million or by 18 per cent as compared to 2007. The Company's exports to Western Europe and other countries accounted for 85 per cent, whereas sales in Lithuania accounted for 15 per cent of total production.

In 2008, total sales of goods and services of the Group amounted to LTL 110.7 million. The exports accounted for 86 per cent, whereas sales in Lithuania accounted for 14 per cent of total production.

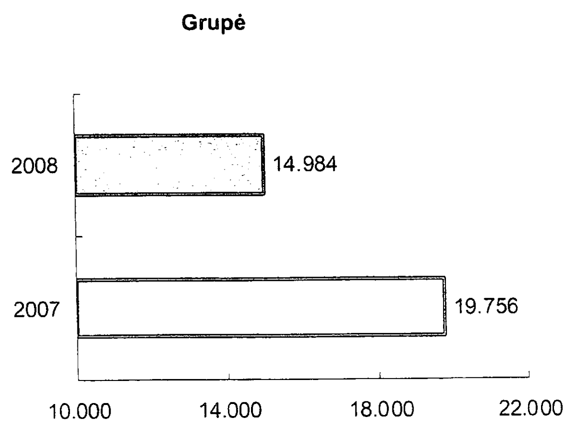


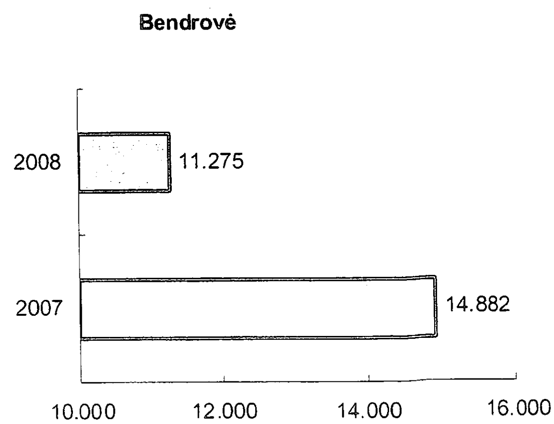


Lithuania

In 2008, the Company sold 1million knit-wear items in Lithuania totalling to LTL 11.3 million. The sales in Lithuania decreased by LTL 3.6 million or 24 per cent.

In 2008, the Group's sales in Lithuania and other Baltic countries amounted to LTL 15 million, which is less by LTL 4.7 million as compared to 2007.

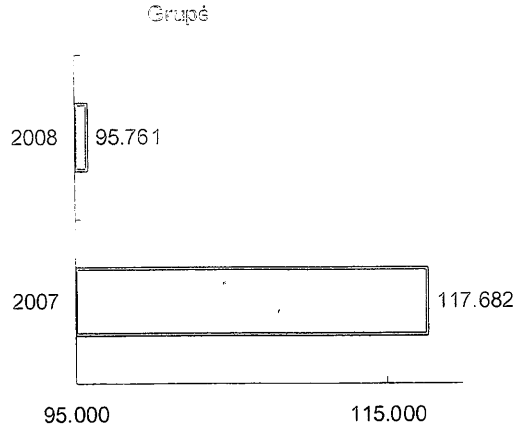


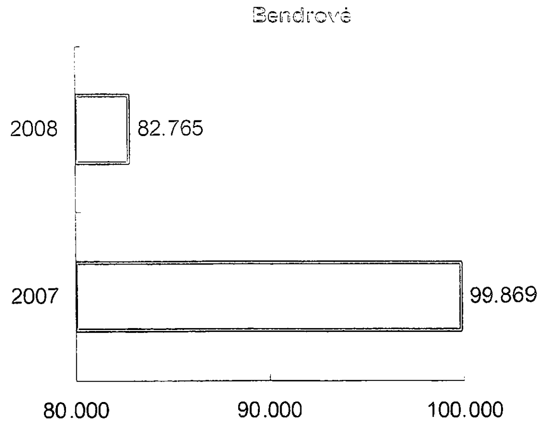


Export

In 2008, the Company exported 7.1 million knit-wear items totalling to LTL 82.8 million. The Company's exports decreased by LTL 17.1 million or 17 per cent. Large retail chains from Western Europe remained as the major customers of the Company.

In 2008, the Group's exports to Western Europe and other regions amounted to LTL 95.8 million, which is less by LTL 21.9 million as compared to 2007.



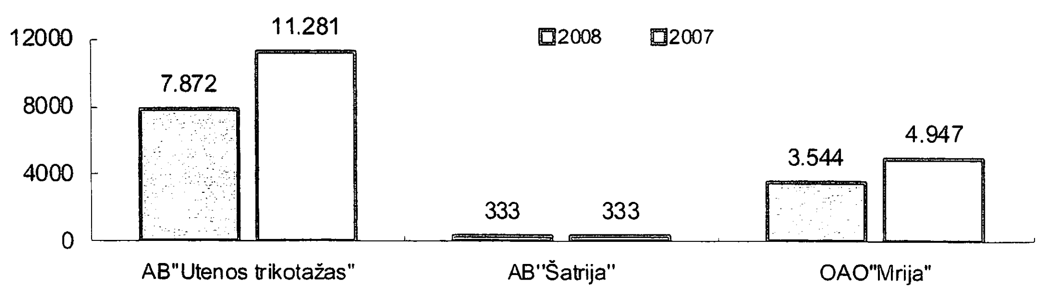


Production

In 2008, the Company produced 7.9 million knit-wear items. The Company's subcontractors (including the company in Ukraine) produced 5.5 million knit-wear items or 70 per cent of total production volume.

In 2008, Šatrija AB produced 0.207 million sewn items. Šatrija AB subcontractors produced 0.124 million sewn items or 59.4 per cent of total production volume.

In 2008, OAO MTF Mrija produced 3.5 million items. OAO MTF Mrija subcontractors in Ukraine produced 1.4 million items.



Investments

In 2008, the Group's investments in new equipment and technologies amounted to LTL 0.478 million.

In 2008, the Company's investments in equipment and information technology amounted to LTL 0.190 million.

In 2008, Šatrija AB invested LTL 0.032 million.

In 2008, OAO MTF Mrija invested LTL 0.256 million.
In 2008, Gotija UAB had made no investments.

For more information about Group investments to non-current asset see in six and seven notes of Consolidated financial statements.

Development

The Group's research activities and decisions made are focused on potential development opportunities through the implementation of the Company's strategic goals. This involves improvement of production technologies, development of new materials attractive to the customers, development of own-design collections, certification of production processes, etc.

Risk factors related to the Issuer's operations

Key risk factors related to operations of Utenos Trikotažas AB include:

- Overall economic situation of Lithuania;
- Foreign currency fluctuations;
- Amendments to laws and legal acts of the Republic of Lithuania;
- Changes in accounting and tax regulations.

Economic factors. The Company's and Group's operations are dependent on state politics, political and economic developments in Lithuania or developments affecting Lithuania, i.e. political and economic developments in Ukraine.
The Company and the Group use instruments ensuring that production is sold to reliable customers and sales are not exceeding a set credit risk limit. In addition, credit insurance procedures are applied. A standard credit term for amounts receivable and payable varies from 30 to 60 days.
The Company's and the Group's policy focuses on maintaining adequate amount of cash and cash equivalents or maintaining funding by keeping adequate credit lines available with the purpose of implementing commitments provided for in their strategic plans.

For several years in turn operations of Utenos Trikotažas AB have been successful. The Company continues to improve the management system according to EN ISO 9001, EN ISO 14001, SA 8000 and other relevant requirements.

Social risk factors. The Group focuses attention on improvement of working conditions, training of personnel, qualification development. In 2008, the amount of LTL 83 thousand was allocated for personnel training.

Ecological risk factors. The environment management system meeting the requirements of ISO 14001 has been introduced at the Company. Key environmental strategic objectives include:
- Reduction of environmental pollution through efficient and economical use raw materials and energy resources;
- Reduction in waste volume, improvement of management of waste and chemical materials, reduction of use of dangerous chemical substances in the production process.

Liquidity risk. Due to a limited capital market of Lithuania, the price of Company's shares being sold might fluctuate greatly and upon the occurrence of unfavourable market conditions, investors might face difficulties in selling their shares in the Lithuanian market.
Prices on the Vilnius Stock Exchange might be also affected by external factors such as results of global and new markets, changes in trade taxes and/or capital appreciation taxes.

Risk of share price variability. The price of shares being sold might fluctuate greatly due to the Company's operating results that are also dependent on amendments to legal acts, actions of the Government, political and economic situation of Lithuania, economic situation in the region and in other new markets as well as other developments and factors.
Any of these market conditions might have a negative effect on the price of shares being sold.

Consolidation. In order to ensure the fairness of preparation consolidated financial statements and to reduce associated risks, all Group companies use the standard chart of accounts and applies unified accounting principles. More information on the principles of the consolidated financial statements is presented in Notes 2.1-2.2 to the Consolodated financial statements.
The types of risks that Group faces and risk management are described Note 3 to the Consolodated financial statements.
Auditor's report for Company and Group financial statements of year 2008 is qualified (Basis for qualified opinion – departure from accounting policies and scope limitation):

The Group and the Company were not in compliance with certain debt covenants which permitted the lender to demand immediate repayment of borrowings, including finance lease liabilities, totalling LTL 29.426 thousand and LTL 23.802 thousand respectively. More information is provided in Note 16 of Consolidated financial statements.

In Audotor's report is noticed, that departure from accounting policies indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern.

The Group's current liabilities exceeded its current assets by LTL 4.117 thousand whereas the Company's current assets exceeded its current liabilities by LTL 6.392 thousand. Because of loss the equity of shareholders amounted 0.19 per cent of share capital, and the shareholders' equity of OAO Mrija contravened the minimal amount of authorised share capital pursuant to the Ukrainian laws so a company may be put into liquidation (Note 3.2). Total Group liabilities for 31 December of 2008 amounted 94.3 per cent of total assets and for Company – 72.3 per cent.

The bank borrowings are secured by property and equipment, investment property, inventories and future cash inflows into certain bank accounts (Note 16).

The financial statements of the Group and Company are prepared with reference to the principle of activity succession, making a assumption, that the Group and Company will able to continue an activity in the short run. The reasonable of that assumption is based of actions of Group direction, which is provided in Note 4 of Consolidated financial statements.

7. Analysis of financial and non-financial performance

Key performance indicators of Utenos Trikotažas AB:

Financial indicators	**COMPANY**		**GROUP**	
	2008	**2007**	**2008**	**2007**
Revenue (LTL '000)	94.040	114.751	110.745	137.541
Gross profit (LTL '000)	7.242	12.649	8.419	16.053
Gross profit margin (%)*	7,7	11	7,6	11,7
Operating profit (loss) (LTL '000)	(2.792)	557	(4.997)	(2.060)
Operating profit margin (%)**	(0,03)	0,5	(4,5)	(1,5)
EBITDA (LTL '000)	2.465	6.628	(4.672)	4.626
Profit (loss) before income tax (LTL '000)	(5.987)	(1.732)	(16.723)	(7.775)

[*- Gross profit/Revenue*100;**- Operating profit (loss) / Revenue *100;]

	COMPANY		**GROUP**	
Indicators	**2008**	**2007**	**2008**	**2007**
Ratio of general short-term solvency (1)	1,27	1,29	0,87	0,98
Return on assets (2)	(0,09)	(1,8)	(0,26)	(0,08)
Net profitability (3)	(0,07)	(1,5)	(0,15)	(0,06)
Assets turnover (4)	1,33	1,24	1,66	1,34
Debt-to-equity ratio (5)	2,61	2,60	16,5	4,4
Book value per share (6)	0,99	1,30	0,19	0,95
General liquidity ratio (7)	0,89	0.83	0,54	0,55
Debt ratio (8)	0,72	0,72	0,94	0,82
Net earnings (deficit) per share (9)	(0,31)	(0,08)	(0,86)	(0,40)

[1-Current assets/Current liabilities; 2-Net profit/Total assets; 3- Net profit/Revenue*100; 4-Revenue/Total assets;5- Total liabilities/Shareholders' equity; 6 - (Shareholders' equity – Preference share equity and preference share dividend)/Number of ordinary share; 7 - (Current assets – Inventory)/ Current liabilities;8 – Total liabilities /Total assets; 9- (Net profit – Preference share dividend)/Weighted average ordinary shares outstanding]

8. References to and additional explanations of data presented in the financial statements

All financial data presented in this Annual Report is calculated in accordance with the International Financial Reporting Standards, endorsed for the application in the EU and approved by the assigned auditor under established procedure.

9. Information about own shares owned and acquired by the Company

During a reporting period the Company did not acquire own shares.

10. Significant events subsequent to the end of the previous financial year

2008-01-16 Investors calendar 2008m.
2008-01-29 Resolution of General Meeting of shareholders of Utenos Trikotazas AB.
2008-02-28 AB,,Utenos trikotažas" 2007m. unaudited results of activity.
2008-02-28 AB,,Utenos trikotazas"" unaudited Interim Consolidated Financial Statements for the year 2007.
2008-03-27 Convocation of Utenos trikotazas AB Ordinary General Shareholders Meeting
2008-04-04 AB Utenos trikotažas sales for 1 quarter 2008
2008-04-15 Change of ,,Utenos trikotazas" AB group investor's calendar
2008-04-18 Draft resolutions of General meeting of Shareholders to be held on 30th April
2008-04-18 Audited financial accounts and annual report for the year 2007.
2008-04-30 The resolutions of general Meeting of Shareholders of AB Utenos trikotazas.
2008-05-30 Unaudited Financial Statements and the work results for the first quarter of 2008
2008-07-18 AB ,,Utenos trikotažas" results of activity for 2008 m. II quarter and I-st half-year
2008-08-30 Interim consolidated report for the six months of 2008 and financial statements of Utenos trikotazas AB
2008-09-15 The Board Meeting, that passed on 15th of September 2008, decided to remove Gintaras Pileicikas from the Managing Director position and to appoint Nerijus Vilunas as Managing Director of Utenos trikotazas AB

2008-11-05 AB ,,Utenos trikotažas" results of activity for 2008 m. III quarter
2008-11-07 AB ,,Utenos trikotažas" sold the realty for 2.8 mln. Lt (0.811 mln. EUR) unused in the company operating activity

2008-11-28 Consolidated financial statement for 3rd quarter 2008 of AB Utenos trikotazas
2009-02-27 AB ,,Utenos trikotažas" results of activity for 2008 m. IV quarter and year.

11. The Company's operating plans and prospects

The Group restrains from the announcement of turnover anf profit for 2009 due to hardly predictable economic situation both in Lithuanian ang foreign markets.
In 2009, the Company plans to actively develop production and sales of ecological products and to develop the co-operation with customers demanding higher quality and sophisticated technology. Also, to maintain the close relations with existing long-lasting clients.
Note: the Company's operating plan for 2009 was approved at the Board's meeting held on 26 February 2009, Minutes No. 1.

12. Structure of the Issuer's authorised share capital

As at 31 December 2008, the Company's authorised share capital was comprised of 19,834,442 ordinary registered shares with a nominal value of LTL 1 each.

Utenos Trikotažas AB authorised share capital according to types of shares:

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Percentage in the authorised share capital (%)
Ordinary registered shares	19,834,442	1	19,834,442	100.00

All shares of Utenos Trikotažas AB are fully paid.

All shares of the Company are ordinary registered shares of one class granting equal rights to their holders (shareholders).

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

1. to receive a part of the Company's profit (dividend);
2. to receive a part of assets of the Company in liquidation;
3. to receive shares without payment if the authorised capital is increased out of the Company's funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting of Shareholders decides to withdraw the pre-emption right in the manner prescribed by the Lithuanian Law on Companies in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
5. to lend to the Company in the manner prescribed by law; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
6. to transfer all or part of the shares into the ownership of other persons;
7. to force other shareholder to sell their shares to them or to force other shareholders to buy their shares from them in cases and manner prescribed by the Law on the Law on Securities Market;
8. other property rights established by laws.

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

1. to attend the General Meetings of Shareholders;
2. to vote at General Meetings of Shareholders according to voting rights carried by their shares; One ordinary registered share carries one vote;
3. to receive information on the Company specified by laws;
4. to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the company manager and Board members of their obligations prescribed by laws or these Articles of Association as well as in other cases laid down by laws;
5. other non-property rights established by laws.

13. Restrictions on disposal of securities

There are no restrictions.

14. Shareholders

As at 31 December 2008, the total number of shareholders of Utenos Trikotažas AB was 1,193.

The table below indicates shareholders owning or holding more than 5 per cent of the Issuer's authorised share capital as at 31 December 2008.

Names of shareholders, types, registered addresses, company codes	Number of ordinary registered shares held	Share in the authorised capital (%)	Share of votes held (%)
Koncernas SBA UAB Laisvės pr.3, Vilnius company code 3220673	10 140	51,12	51,12
Amber Trust S.C.A.(SCA) Commandite par Actions 52route d'Esch 1-2965, Luxembourg	2 700	13,61	13,61
East Capital Asset Management, Kungsgatan 30,Box 1364, Stockholm, Sweden Code 556564-5370	2 109	10,63	10,63
Employees of the Company	325	1.64	1.64
Other shareholders	4 560	23.00	23.00

15. Shareholders holding special control rights and descriptions of these rights

There are no such shareholders.

16. All restrictions regarding voting rights

There are no restrictions.

17. All 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.

There are no such agreements.

18. Personnel

Number of employees of Utenos Trikotažas AB group by separate companies:

Comapny name	31/12/2008	31/12/2007
AB Utenos trikotažas	843	989
OAO „Mrija“	492	672
AB „Šatrija“	256	303
UAB „Gotija“	5	5
	1.596	1.969

The decrease of number of emploees was conditioned by begining of economic crisis and decrease of revenue from II quarter of 2008.

Number of employees of Utenos Trikotažas AB by separate groups:

Group of employees	31/12/2008	31/12/2007
Managers and specialists	92	132
Managers whereof	5	5
Workers	751	857
Total	843	989

The groups of employees by education:

Group of employees	Groups of employees by education:					
	Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	5	-	-	-	-	-
Specialists	76	23	2	-	-	18
Workers	12	228	150	256	58	15
Total	**93**	**251**	**152**	**256**	**58**	**33**

Average number of employees and payroll expences

	Group		Company	
	2008	2007	2008	2007
Average number of employees	1 605	1 916	826	944
Payroll expenses, excluding social security contributions, thous. LTL	29 667	32 328	21 017	22 143
Average monthly salary of employees, LTL	1 752	1 501	1 970	2 000
Average monthly salary of specialists, LTL	3 140	3 254	3 537	4 052
Average monthly salary of workers, LTL	1 260	1 145	1 702	1 658

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

The Articles of Association of the Company shall be amended by the decision of the General Meeting of Shareholders adopted in the manner prescribed by laws, except in cases specified in the Lithuanian Law on Companies. Following the decision by the General Meeting of Shareholders to amend the Company's Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting of Shareholders. General Shareholders' Meeting has a right to amend the Articles of Association under the qualified majority of votes, which may not be less than 2/3 of all votes, the shareholders attending at the Meeting. No amendments to the Articles of Association were made in 2008.

20. Issuer's bodies

The Articles of Association of Utenos Trikotažas AB stipulate that the Company shall have the following bodies: the General Meeting of Shareholders, the Board and the General Manager. The Supervisory Board shall not be set up at the Company.
The Company's Board shall be granted all powers stipulated in the Company's Articles of Association including powers assigned to it by laws. The Board shall deal with deliberation of collegial issues and decision making.
The Board shall deliberate and approve the Company's operating strategy, management structure and job descriptions of employees. The Board shall elect and remove from office the Company Manager, fix his salary and set other terms of the employment contract. The Board shall specify information classified as the Company's commercial secret. The Board shall analyse and assess the Company's draft annual and consolidated financial statements and proposed profit (loss) appropriation and shall submit them to the General Meeting of Shareholders. The Board shall pass other decisions assigned within its powers by legal acts, by the Company's Articles of Association and by the decisions of the General Meeting of Shareholders. The Board shall have a responsibility of convening and arranging the General Meetings of Shareholders in due time.
The Board of Utenos Trikotažas AB shall be composed of 4 members elected for the period of 4 years.

The Board of Utenos Trikotažas AB was elected during the Meeting of Shareholders on 30 March 2005 for the period of 4 years (until 30 March 2009). According to the Articles of Association of Utenos Trikotažas AB the Company's Board shall be composed of 4 members. On 30 March 2005, the following members of the Board were elected: Arūnas Martinkevičius, Regina Sajienė, Martynas Česnavičius and Antanas Vainauskas. Following the resignation of Antanas Vainauskas from the position of a member of the

Company's Board, Algirdas Šabūnas was elected a member of the Board during the Meeting of Shareholders on 26 April 2007.
On 29 May 2007, members of the Board of Utenos Trikotažas AB Regina Sajienė and Martynas Česnavičius resigned from the position of members of the Board pursuant to paragraph 10 of Article 33 of the Law on Companies.

Asta Jaloveckienė and Robertas Beržinskas were elected members of the Board during the extraordinary Meeting of Shareholders of Utenos Trikotažas AB held on 13 July 2007.
Upon the death of a member of the Company's Board Asta Jaloveckienė and the decision passed by the Meeting of Shareholders on 29 January 2008 regarding the resignation of Arūnas Martinkevičius from the position of the Chairman of the Board of Utenos Trikotažas AB, the Meeting of Shareholders elected Ingrida Osinaitė and Gintautas Rudis members of the Board for the remaining period of the Board's term of office, i.e. until 30 March 2009.

21. Members of the collegial bodies, the Company Manager, the Chief Financial Officer

As at 31 December 2008:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
Board				
Chairman of the Board	Algirdas Šabūnas	-	2007.04.26	2009.03.30
Member of the Board	Gintautas Rudis	-	2008.01.29	2009.03.30
Member of the Board	Robertas Beržinskas	-	2007.07.13	2009.03.30
Member of the Board	Ingrida Osinaitė		2008.01.29	2009.03.30
Head of Administration and the Chief Financial Officer				
General Manager	Nerijus Vilūnas	-	2008.09.15	-
Chief Accountant	Reda Kučinskienė	-	2008.01.14	-

In 2008, no loans, guarantees, surety ships were issued and no assets were disposed to members of the Company's Board and Administration. In 2008, the aggregate remuneration of the Company General Manager and the Chief Accountant amounted to LTL 139.6 thousand.

The Company has concluded no agreements with members of bodies or employees that would define their compensation in case of their resignation or dismissal without a sound reason or in case of termination of their employment as a result of the change in the control of the Company.
The General Director od Company is responsible for:

1. The organization of the Comapny's activity and implementation of its objectives;
2. Permition the orders for work regulation of administration;
3. Hiring and dismissing employees, concluding and terminating employment contracts with them, providing incentives and imposing penalties;
4. Opening and closing accounts in the banks and disposing of Company's finance;
5. Sole representing of Company in the court, arbitration, other institutions and in the intercourses with thirds persons;
6. The drawing up of the annual finance statements;
7. Submission of information and documents to the General Shareholders' Meeting and the Board in cases prescribed by Law on Companies or at their request;
8. Public announcement of information prescribed by Law in Companies in a daily newspaper indicated in Articles of Association;
9. Submission of information to shareholders;
10. The performance of other duties prescribed by laws as well as in the Articles of Assocoation and decisions of General Meeting or Board.

22. Information about significant agreements

The Company has concluded no significant agreements in which the Company is a party to and which would come into effect, change or terminate as a result of the change in the control of the Company.

23. Information about the compliance with the Governance Code

Utenos Trikotažas AB confirms its substantial compliance with the principles of the Governance Code approved by the Vilnius Stock Exchange for the companies listed on the regulated market.

24. Information about transactions with related parties

Results of transactions with related parties performed in 2008 are disclosed in the Note 29 to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2008.

25. Data on publicly announced information

The Company announces information on significant events (as well as other information required by laws) through the system of information disclosure and communication OMX Company News Service. Publicly announced information is also available on the Company's website at www.utenostrikotazas.lt and on the website of the AB NASDAQ OMX Vilnius at www.baltic.omxgroup.com.

26. General information on the Group of companies
26.1. Companies that constitute the Group, their contact data and principle activities

Company name	**Šatrija AB**
Legal form	Public company
Date and place of incorporation	1955m. Vilniaus 5, 4400 Raseiniai
Company code	172285032
Address	Vilniaus 5, 4400 Raseiniai
Telephone	8 (428) 70611
Fax	8 (428) 70611
E-mail	raseiniai@satrija.lt.
Website	www.satrija.lt
Principal activities	Sewing of clothes

Company name	**OAO Mukačevska Trikotažnaja Fabrika Mrija**
Legal form	Open public company
Date and place of incorporation	1971m. Matrosova 13, 89600 Mukačevo, Ukraine
Company code	00307253
Address	Matrosova 13, 89600 Mukačevo, Ukraine
Telephone	+ 380 (3131) 52780
Fax	+380 (3131) 52780
E-mail	mriya@mk.ukrtel.net
Website	none
Principal activities	Production of knit-wear articles

Company name	**Gotija UAB**
Legal form	Private company
Date and place of incorporation	1994m. Laisvės al. 33, Kaunas
Company code	134181619
Address	Laisvės al. 33, Kaunas
Telephone	8 (37) 205879
Fax	8 (37) 205879
E-mail	None
Website	None
Principal activities	Retail trade In clothes

26.2. Agreements concluded between the Issuer and brokerage firms and/or credit institutions providing investing services and/or conducting investing activity

Subsidiaries Šatrija AB, OAO Mukačevska Trikotažnaja Fabrika Mrija, Gotija UAB do not trade in securities in regulated markets.

26.3. Trade in securities of the Group companies in regulated markets

Subsidiaries Šatrija AB, OAO Mukačevska Trikotažnaja Fabrika Mrija, Gotija UAB do not trade in securities in regulated markets.

Complemented Utenos trikotažas AB Annual report for 2008 was confirmed by Company's Board on ____ July of 2009.

General Director Nerijus Vilūnas 09 July 2009

APPENDIX TO THE ANNUAL REPORT

UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2007

Utenos Trikotažas AB (hereinafter "the Company") following paragraph 3 of Article 21 of the Law of the Republic of Lithuania on Public Trading in Securities 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.

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	Relevant matters are made public in the Company's prospectus-report deliveries, and they are publicly available on the websites of the Lithuanian Securities Commission and the Stock Exchange.
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	Every year the Company's board approves the plans of operation containing the description of the Company's development strategy for 2-3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation. The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
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	This recommendation is implemented by the board and chief executive officer (the supervisory board has not been set up).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has a collective employment contract in place. Utenos Trikotažas AB supports youth and non-governmental organisations, foster homes, organisations of disabled individuals, multichild families, Utena Region Community Fund.

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.	No	The supervisory board has not been set up, however, the general meeting of shareholders has elected the board. The Company's chief executive officer and the chairman of the board is not one and the same person.
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 described in the recommendation are fulfilled at the Company by a collegial management body – the board.
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.	No	Only one collegial body has been set up.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	No comments.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Company's board is composed of 3 members. The Company's chief executive officer and the chairman of the board is not one and the same person.
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.	Not applicable	There are no non-executive directors and the supervisory board.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company is in compliance with this recommendation. The Company has not set up the supervisory board, and the chairman of the board has never been in the past and currently is not the Company's chief executive officer.

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.**		
3.1. 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	A collegial management body is set up in accordance with the requirements of the Lithuanian Law on Companies, and the shareholders are notified of candidates to become members of the Company's collegial management 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	This information on candidates to the board was disclosed to the shareholders together with the notification on convening the general meeting of shareholders, which involved the election of members to the board, and the agenda of the general meeting of shareholders.
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	Such kind of information is not disclosed by a collegial body – the board members – in the annual report.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.

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	No comments.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1);	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

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.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
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	
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	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
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	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The board members receive bonuses.

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 of the company's management bodies and protection of interests of all the company's shareholders.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	No comments.
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	No comments.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	No comments.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company's Articles of Association define the procedure of co-operation between a collegial body and the shareholders in accordance with the Lithuanian Law on Companies.

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	These matters are stipulated in the Board's Work Regulations of the Company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Company's director general is not a members of the board.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	These matters are addressed by the board.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Not applicable	See item 4.7.
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.	Not applicable	See item 4.7.
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.	Not applicable	See item 4.7.
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.	Not applicable	See item 4.7.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Not applicable	See item 4.7.

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and	Not applicable	See item 4.7.

structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;	Not applicable	See item 4.7.

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 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	A collegial body – the board – does not carry out any assessment of its activities. The board assesses the Company's annual performance.

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	No comments.
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.	No	The board meetings are held at least once in a quarter or at shorter intervals, if necessary.
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	No comments.
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.	Not applicable	Not applicable, since only the board has been set up.

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 all their holders.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company is in compliance with the Law on Companies and its Articles of Association.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	No comments.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company is in compliance with the Law on Companies and its Articles of Association.
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	No comments.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company has no technical possibilities to use modern technologies in voting process during the general meetings of shareholders, and the shareholders have never requested so far to use modern technologies in voting process during the general meetings of shareholders.

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	No comments.
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	No comments.

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company's remuneration policy is contained in a business plan approved by the board.
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	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
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	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Company has not set up any remuneration committees.

8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

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.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	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	The Company has a collective employment contract in place. The chairman of the trade union is invited to join monthly production meetings and other major management discussions of the Company.
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: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. 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 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	All information, except for certain items (see the note below), is disclosed in the Company's annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange. Note: The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, chief executive officer of the Company. Information mentioned in recommendation items 10.2 to 10.4 is not disclosed.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	Information is posted on the website of the Vilnius Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Information is posted on the website of the Vilnius Stock Exchange.
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	This information is available on the websites of the Stock Exchange and the Lithuanian Securities Commission.

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	No	The Company is compliance with the legal requirements in terms of the audit of its annual financial statements and the annual report by an independent firm of auditors. Interim financial statements are not audited.
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 is in compliance with this recommendation, where the Company's board proposes a candidate firm of auditors to the general meeting of shareholders.
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.	Yes	The firm of auditors hired to audit the Company's financial statements for 2007 has rendered non-audit services to the Company for a certain fee. This information will be disclosed to the general meeting of shareholders.