



VILNIAUS DEGTINĖ

ANNO 1922

2011-02-28 Nr. 02-P3B

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CONFIRMATION BY THE PERSONS IN CHARGE

Following the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Presentation of Periodic and Supplementary Information of Securities Commission of the Republic of Lithuania, we, Director General of AB Vilniaus Degtinė Danas Kerbelis and Finance and Administration Director Audra Jauniškienė, hereby confirm that the Interim financial statements for 12 months of 2010 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, are true, give a fair and true view of assets, liabilities, financial status and the profit for the period of AB Vilniaus Degtinė.

Enclosure:

Interim financial statements of AB Vilniaus Degtinė for 12 months of 2010.

Director General



Finance and Administration Director

Danas Kerbelis

Audra Jauniškienė



AB Vilniaus Degtinė

Interim Financial Statements
for the twelve-month period
ended on the 31st December
2010 (Unaudited)

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Company information

AB Vilniaus Degtinė

Telephone: + 370 5 231 31 52
Fax: + 370 5 231 50 52
Company code: 120057287
Registered at: Panerių str. 47/2, Vilnius, Lithuania

Management

Danas Kerbelis, Director General
Audra Jauniškienė, Finance and Administration Director

Board

Darius Žaromskis
Danas Kerbelis
Renaldas Barauskas
Audra Jauniškienė
Dalius Rutkauskas

Auditor

UAB Rimess

Banks

AB DnB NORD bank

Lithuanian branch of AS UniCredit Bank
AB SEB Bank
AB Swedbank

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Statement of Financial Position

As of the 31st December

In LTL	Notes	31/12/2010	31/12/2009
ASSETS			
Non-current assets			
Property, plant and equipment	14	28,022,090	21,563,651
Intangible assets	15	12,956,529	13,922,486
Financial assets	16	3,615,486	0
Total non-current assets		44,594,105	35,486,137
Current assets			
Inventories	17	7,246,521	7,689,344
Prepayments and future expenses	18	228,521	1,280,152
Trade receivables	19	24,135,874	28,864,366
Other receivables	20	439,951	3,659,967
Other current assets		0	0
Cash and cash equivalents	19	49,528	82,098
Total current assets		32,100,395	41,575,927
TOTAL ASSETS		76,694,500	77,062,064

Notes on pages 9–44 are an integral part of these financial statements.

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Statement of Financial Position (cont'd)

As of the 31st December

In LTL	Notes	31/12/2010	31/12/2009
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	24,408,431	24,408,431
Legal reserve		2,440,843	2,440,843
Retained earnings (loss)		12,111,073	12,446,994
Total equity		38,960,347	39,296,268
Non-current liabilities			
Interest bearing loans and borrowings	24	5,531,318	7,100,873
Governmental grants	25	4,137,227	0
Deferred income tax liability		785,750	851,598
Total non-current liabilities		10,454,295	7,952,471
Current liabilities			
Interest bearing loans and borrowings			
	25	13,258,187	13,160,058
Trade payables		4,553,753	4,191,269
Income tax payable		0	0
Other payables	26	9,467,918	12,461,998
Total current liabilities		27,279,858	29,813,325
Total liabilities		37,734,153	37,765,796
TOTAL EQUITY AND LIABILITIES		76,694,500	77,062,064

Notes on pages 9–44 are an integral part of these financial statements.

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Statement of Comprehensive Income

As of the 31st December

In LTL	Notes	Jan-Dec 2010	Jan-Dec 2009
Sales revenue	5	41 829 018	47,678,504
Cost of sales		(25,646,721)	(25,507,834)
Gross profit	5	16,182,297	22,170,670
Other income	6	508,776	273,729
Sales and distribution expenses	7	(6,252,281)	(8,722,641)
Administrative expenses	8	(10,283,885)	(12,113,619)
Other expenses	6	(35,963)	(50,237)
Result from operating activities		118,944	1,557,902
Financial income	10	245,741	157,804
Financial expenses	10	(766,454)	(1,172,297)
Profit before tax		(401,769)	543,409
Corporate income tax	11	65,848	182,902
Profit (loss) for the period		(335,921)	726,311
Basic and diluted earnings per share	23	(0.01)	0.03
Other comprehensive income (expenditure)		0	0
Total comprehensive income (expenditure), less taxes		(335,921)	726,311

Notes on pages 9–44 are an integral part of these financial statements.

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Statement of Comprehensive Income

As of the 31st December

In LTL	Notes	Oct-Dec 2010	Oct-Dec 2009
Sales revenue	5	12,509,131	13,881,738
Cost of sales		(8,435,103)	(7,433,182)
Gross profit	5	4,074,028	6,448,556
Other income	6	209,213	61,311
Sales and distribution expenses	7	(1,822,199)	(2,608,198)
Administrative expenses	8	(2,803,078)	(3,454,114)
Other expenses	6	(8,950)	(8,899)
Result from operating activities		(350,986)	438,656
Financial income	10	67,375	45,475
Financial expenses	10	(180,974)	(226,747)
Profit before tax		(464,585)	257,384
Corporate income tax	11	86,081	301,896
Profit (loss) for the period		(378,504)	559,280
Basic and diluted earnings per share	23	(0.02)	0.02
Other comprehensive income (expenditure)			
Total comprehensive income (expenditure), less taxes		(378,504)	559,280

Notes on pages 9–44 are an integral part of these financial statements.

Statement of changes in shareholders' equity

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as of 1 January 2009		24,408,431	2,440,843		11,663,277	38,569,957
Profit for 2009					726,311	726,311
Capital and reserves as of 31 December 2009		24,408,431	2,440,843		12,446,994	39,296,268
Profit (loss) for 2010					(335,921)	(335,921)
Capital and reserves as of 31 December 2010	22	24,408,431	2,440,843	0	12,111,073	38,960,347

Notes on pages 9–44 are an integral part of these financial statements.

Statement of cash flows

In LTL	Jan-Dec 2010	Jan-Dec 2009
Profit (loss) for the period	(335,921)	726,311
Depreciation and amortisation	3,901,728	3,989,672
Impairment on construction in progress	0	(115,958)
Impairment of trade receivables and other receivables	(457,089)	(465,211)
Impairment of inventories	0	0
Net financial expenses	318,741	901,632
Gain (loss) on disposal of non-current assets	(89,937)	(15,799)
Income tax expenses	(65,848)	(182,902)
Net cash flows from ordinary activities before changes in working capital	3,271,674	4,837,745
Change in inventories	442,823	1,805,884
Change in prepayments	1,051,631	(511,443)
Change in trade receivables and other receivables	5,399,902	11,303,519
Change in trade payables and other payables	(2,417,482)	(7,135,563)
Net cash flows from operating activities	4,476,874	5,462,397
Income tax paid	144,249	(56,544)
Net cash flows from operating activities	7,892,797	10,243,598
Interest received	0	0
Proceeds from disposal of non-current assets	205,630	43,448
Acquisition of property, plant and equipment	(8,724,189)	(1,231,469)
Acquisition of intangible non-current assets	(8,715)	(21,000)
Repayment of loans	0	0
Loans granted	(511,015)	(680,201)
Net cash flows from investing activities	(9,038,289)	(1,889,222)
Repayment of loans	(1,866,739)	(1,875,463)
Loans received	0	0
Increase (decrease) of other financial liabilities	(223,447)	(4,904,788)
Financial lease payments	(367,975)	(457,392)
Grants received	4,137,227	0
Interest paid	(566,144)	(1,087,024)
Dividends paid	0	0
Net cash flows from financing activities	1,112,922	(8,324,667)
Net cash flows from operating, investing and financing activities	(32,570)	29,709
Cash and cash equivalents at the beginning of the period	82,098	52,389
Cash and cash equivalents at the end of the period	49,528	82,098

Notes on pages 9–44 are an integral part of these financial statements.

Notes

1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on 8 May 1995 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Obeliai, Rokiškis district.

AB Vilniaus Degtinė is a Lithuanian public listed company with shares traded on AB NASDAQ OMX Vilnius. Its shares are held by the following shareholders:

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16,668,632	1	16,668,632
Darius Žaromskis	2,440,843	1	2,440,843
Arūnas Tuma	2,384,377	1	2,384,377
Other minor shareholders	2,914,579	1	2,914,579
Total capital	24,408,431	1	24,408,431

The Company is primarily involved in the production of and trade in alcoholic beverages: vodkas, bitters, liqueurs and other alcoholic beverages. The facilities for alcoholic beverage production are located in Vilnius; however, the spirit production facilities are located with the subsidiary of the Company in Obeliai.

The Company has major sales in the local market. Although sales to the European Union and foreign markets are increasing, their weight in the total sales volume is not significant.

AB Vilniaus Degtinė employed 169 staff members as of 31 December 2010 (173 staff members as on 31 December 2009).

2 Summary of significant accounting principles

Statement of compliance

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements for the period from January to December 2010 presented below are preliminary and unaudited.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

The financial statements are presented in the national currency Litas, which is the functional currency of the Company. They are prepared on the historical basis.

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS as adopted by the European Union that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies of the Company as set forth below have been consistently applied and coincide with those applied last year.

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated at foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of transaction. The Company no longer recognises the financial assets when the contractual rights to the cash flows from this asset has expired or when the right to receive the agreed cash flows from this financial asset has been transferred during the transaction, i.e. all risk and benefits from the ownership of the financial assets has been transferred. Financial liability is no longer recognised when it has been covered, revoked or expired.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognised at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Loans, borrowings and other financial liabilities are stated at amortised cost on an effective interest method basis. Current liabilities are not discounted.

Financial derivatives

The Company did not use or have derivative financial instruments within the period ended on 31 December 2010.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of Company's assets consists of the expenses directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs and other expenses incurred to produce these assets before setting them into use, expenses of disassembling, transportation and production site cleaning.

Notes

2 Summary of significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such item or major overhaul when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost of an item can be measured reliably. All other costs are recognised in the income statement as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- | | | |
|----------------------------|-------|-------|
| • Buildings and structures | 12–20 | years |
| • Plant and machinery | 5–20 | years |
| • Vehicles | 4–10 | years |
| • Other assets | 5–15 | years |

Depreciation methods, residual values and useful lives are reassessed on each day of presenting the statement.

Notes

2 Summary of significant accounting principles (cont'd)

Inventories (cont'd)

The Company accounts for bottles as current assets in inventory, since they are not expected to be reused following the initial delivery. Bottles are booked to the cost of finished goods when used in production.

The Company books multiple usage tare, which includes plastic crates for placing the bottles of alcoholic beverages, to the operating expenses immediately after it is taken for use.

Governmental grants

Grants are accounted following the principle of accumulation, i.e. received grants or parts thereof are recognised as used in the periods, within which grant-related costs are incurred.

Grants are related to assets.

Grants that are related to assets encompass grants received in the form of non-current assets or allotted for acquisition of non-current assets. Grants are accounted at the fair value of the assets received and later recognised as income, reducing asset depreciation costs within the respective useful service life of the assets.

Impairment

Financial asset is impaired if there are if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually recognised cannot be included in any group of assets that is tested for impairment on a portfolio basis.

The carrying amounts of the Company's non-financial assets other than inventories and deferred income tax asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised wherever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash generating unit is the smallest cash generating asset group generating cash flows independent from other assets or asset groups. Impairment losses are recognised in the income statement.

Notes

2 Summary of significant accounting principles (cont'd)

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Employee allowances

The company has no determined allowances and inducement plans or payment schemes concerning its shares. Liabilities against retired former employees of the company are fulfilled by the State.

Notes

2 Summary of significant accounting principles (cont'd)

Provisions

Provisions are recognised in the balance sheet when it is probable that an outflow of economic benefits will be required to settle the obligation arising from a past event or fulfilment of irrevocable undertakings.

Revenue

Sales of goods

Revenue from the sale of goods is recognised in the income statement when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

Services rendered, assets disposed

Revenue from the services rendered is recognised in the income statement as the services are rendered, considering the extent of completion of the services. The revenue recognised is net of discounts provided.

Revenue from lease is recognised in the income statement on a straight-line basis over the term of lease.

Revenue from disposal of assets is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs, or return of assets disposed is possible or when the significant risks and rewards of ownership cannot be regarded as transferred to the buyer.

Expenses

Operating lease payments

Payments made under operating lease are recognised in the income statement on a straight-line basis over the term of lease.

Financial lease payments

Minimum lease payments are apportioned between the financial charge and the reduction of the outstanding liability applying the effective interest rate method. The financial costs are

Notes

2 Summary of significant accounting principles (cont'd)

Expenses (cont'd)

Financial lease payments (cont'd)

distributed over the whole period of financial lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Net financing costs

Net financing costs consist of interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses.

Interest income is recognised in the income statement as accrued, using the effective interest method. The interest expense component of financial lease payments is recognised in the income statement, using the effective interest rate method.

Corporate income tax

Corporate income tax consists of current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent it is likely that the future taxable profits will be available against which the assets can be utilised. Deferred tax asset is revised on each day of provision of financial statements and is reduced to the extent it is no longer probable that the related tax benefit will be realised.

Notes

2 Summary of significant accounting principles (cont'd)

Segment reporting

Segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

Earnings per share

The Company presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Company.

Notes

3 Critical accounting estimates and judgements

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events. Management of the Company, considering forecasts and budget, borrowing need, fulfilment of obligations, products and markets, financial risk management, having performed operation continuity assessment, considers that there are no obscurities in the assessment of continuity of the Company's activities or doubts concerning its further operation. The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with the group of receivables.

Management uses estimates based on historical loss experience for assets with credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Impairment losses on construction in progress

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. The construction in progress is quarterly tested for impairment and based on management estimates the impairment loss is recognised for the unused equipment installed in the construction in progress. Depreciation of the construction in progress is calculated since 2009.

Impairment losses on trademark

The Company uses trademark Sobieski, which is amortised on a straight line basis over a period of 20 years. The service life of this trademark can differ from currently used accounting estimates due to the possible changes of the life cycle of the products market by this trademark as a result of market conditions. According to the management, considering the current situation, the service life used in the accounting is justifiable.

Notes

4 Adjustments for previous periods

Aiming at revealing the Company's financial condition and operating results in a more fair manner, in 2010 the Company revised its selling revenue and has deducted marketing discounts provided to its buyers from that amount.

Following the principle of accounting consistency, the Company has also revised comparative information for the year 2009. Due to revised comparative figures, selling income reflected in the Statement on Comprehensive Income for 2009 decreased by LTL 5,521,124. The Company's gross profit and selling expenses were reduced by the same amount.

5 Segment reporting

The Company is primarily involved in the production of and trade in alcoholic beverages. Besides, the Company produces and distributes rectified, methylated alcohol, has other income. Considering the share of the sales of these products in total income, only one segment can be distinguished in the Company – production of alcoholic drinks and related products.

Revenue and gross profit for January-December 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	34,278,206	5,214,675	108,312	2,227,825	41,829,018
Gross profit	15,551,918	387,432	42,903	200,044	16,182,297

Revenue and gross profit for January-December 2009 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	43,456,017	3,067,050	81,896	1,073,541	47,678,504
Gross profit	21,655,657	314,670	34,885	165,458	22,170,670

Revenue and gross profit for October-December 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	9,713,512	1,893,318	55,993	846,308	12,509,131
Gross profit	3,983,043	(18,355)	25,303	84,037	4,074,028

Notes

5 Segment reporting (cont'd)

Revenue and gross profit for October-December 2009 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	12,460,781	1,088,061	9,470	323,426	13,881,738
Gross profit	6,210,735	194,106	3,774	39,941	6,448,556

The Company's primary activities are carried out in the Lithuanian market, yet a small part of its production is exported to EU countries and abroad. In January-December 2010, sales to EU and foreign markets amounted to LTL 3,779,335 (in January-December 2009 they were LTL 2,274,649). Sales of October-December 2010 were LTL 2,049,865 (in October-December 2009 they were LTL 378,883). Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company.

Notes

In LTL

	Jan-Dec 2010	Jan-Dec 2009
6 Income and expenses of other activities		
Lease of premises	109,596	108,901
Income from sales of materials and spare parts	152,750	68,550
Result of the sales of non-current assets	162,890	15,951
Other income	83,540	80,327
Total other income	508,776	273,729
Other expenses	35,963	50,237
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	35,963	50,237
Net income and expenses of other activities	472,813	223,492

In LTL

	Oct-Dec 2010	Oct-Dec 2009
Income and expenses of other activities		
Lease of premises	27,445	26,976
Income from sales of materials and spare parts	91,451	11,711
Result of the sales of non-current assets	60,267	5,057
Other income	30,050	17,567
Total other income	209,213	61,311
Other expenses	8,950	8,899
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	8,950	8,899
Net income and expenses of other activities	200,263	52,412

Notes

In LTL

	Jan-Dec 2010	Jan-Dec 2009
7 Sales and distribution expenses		
Advertising expenses	3,987,118	6,284,198
Salaries and social security	1,125,841	1,276,093
Transportation expenses	478,503	560,202
Market research expenses	115,422	194,308
Packaging expenses	67,968	55,222
Other	477,429	352,618
Total sales and distribution expenses	6,252,281	8,722,641

In LTL

	Oct-Dec 2010	Oct-Dec 2009
Sales and distribution expenses		
Advertising expenses	1,209,480	1,983,402
Salaries and social security	337,909	300,509
Transportation expenses	127,758	137,903
Market research expenses	1,587	70,025
Packaging expenses	24,889	9,371
Other	120,576	106,988
Total sales and distribution expenses	1,822,199	2,608,198

Advertising expenses include advertising through media, advertising in the shopping centres, restaurants, cafes and bars, and other advertising expenses.

Notes

In LTL	Jan-Dec 2010	Jan-Dec 2009
8 Administrative expenses		
Salaries and social security	3,485,553	4,433,001
Operating and other taxes	1,192,989	1,414,204
Repairs and maintenance	632,910	387,484
Amortisation	974,672	999,356
Depreciation	1,128,680	1,190,078
Consulting and training expenses	601,821	1,458,998
Maintenance of cargo vehicles	352,910	280,775
Security expenses	363,340	402,911
Representation expenses	17,814	38,739
Sponsorship and other	15,400	29,000
Communications and IT maintenance expenses	140,528	175,630
Utilities	283,437	271,220
Impairment of construction in progress	0	(115,958)
Impairment of inventories	0	0
Other	1,093,831	1,148,181
Total administrative expenses	10,283,885	12,113,619

In LTL	Oct-Dec 2010	Oct-Dec 2009
Administrative expenses		
Salaries and social security	948,979	852,696
Operating and other taxes	340,006	404,809
Repairs and maintenance	109,212	103,218
Amortisation	240,159	250,085
Depreciation	253,404	314,825
Consulting and training expenses	227,365	854,474
Maintenance of cargo vehicles	102,468	65,885
Security expenses	78,270	108,642
Representation expenses	8,940	5,388
Sponsorship and other	5,000	14,000
Communications and IT maintenance expenses	34,257	49,201
Utilities	137,302	66,330
Impairment of construction in progress	0	0
Impairment of inventories	0	0
Other	317,716	364,561
Total administrative expenses	2,803,078	3,454,114

Notes

In LTL	Jan-Dec 2010	Jan-Dec 2009
9 Personnel expenses		
Wages and salaries	4,914,665	6,064,728
Compulsory social security contributions	1,524,446	1,879,903
Total personnel expenses	6,439,111	7,944,631
In LTL	Oct-Dec 2010	Oct-Dec 2009
Personnel expenses		
Wages and salaries	1,390,532	1,257,036
Social security contributions	430,672	389,391
Total personnel expenses	1,821,204	1,646,427

Personnel expenses for January-December 2010 and January-December 2009 include change in accrued vacation compensations. Redundancy pays and holiday compensations for January-December 2010, inclusive of social security taxes, amounted to LTL 339,419.

Personnel expenses for January-December 2010 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 558,152 (for January-December 2009 – LTL 721,105). Management salaries in October-December 2010 amounted to LTL 143,464 (in October-December 2009 they were LTL 135,937).

As of 31 December 2010 and as of 31 December 2009, no interest-free loans were issued to the management.

As of 31 December 2010, 169 employees were working for the Company (as of 31 December 2009 – 193 employees).

In January-December 2010 and January-December 2009, 5 managers were working for the Company.

Notes

In LTL

10 Financial income and expenses

	Jan-Dec 2010	Jan-Dec 2009
Interest income	245,741	157,050
Other income	0	754
Total financial income	245,741	157,804
Interest on loans and lease liabilities	588,084	1,056,609
Foreign exchange loss	3,989	0
Other	174,381	115,688
Total financial expenses	766,454	1,172,297
Financial income and expenses, net	(520,713)	(1,014,493)

In LTL

Financial income and expenses

	Oct-Dec 2010	Oct-Dec 2009
Interest income	67,375	45,325
Other income	0	150
Total financial income	67,375	45,475
Interest on loans and lease liabilities	155,331	175,351
Foreign exchange loss	4	0
Other	25,639	51,396
Total financial expenses	180,974	226,747
Financial income and expenses, net	(113,599)	(181,272)

In LTL

11 Corporate income tax expenses

	Jan-Dec 2010	Jan-Dec 2009
Current tax	0	0
Change in deferred income tax	(65,848)	(182,902)
Total income tax expenses	(65,848)	(182,902)

Notes

12 Deferred tax

	Jan-Dec 2010		Jan-Dec 2009	
	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
In LTL				
Impairment of other receivables	496,482	74,472	832,923	124,938
Impairment of trade receivables	115,428	17,314	236,075	35,411
Impairment of construction in progress	668,577	100,287	573,066	85,960
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	110,404	16,561	116,191	17,429
Tax losses	1,891,832	283,775	488,495	73,274
Total deferred tax asset		492,409		337,012
Difference in depreciation of property, plant and equipment	(2,654,326)	(398,149)	(3,037,102)	(455,565)
Difference in amortisation of intangible assets	(5,455,867)	(818,380)	(4,364,694)	(654,704)
Carrying value of non-current assets that are subject to investment relief	(410,868)	(61,630)	(522,272)	(78,341)
Total deferred tax liability		(1,278,159)		(1,188,610)
Net deferred tax		(785,750)		(851,598)

Since 2010, current income tax rate is 15%. (In 2009 it amounted to 20%).

Change in the deferred tax may be divided as follows:

	Jan-Dec 2010	Jan-Dec 2009
Litas		
Deferred tax liability as of January 1	(851,598)	(1,034,500)
Deferred tax change	65,848	182,902
Deferred tax liability as of December 31	(785,750)	(851,598)

Notes

13 Income tax

In LTL

	Jan-Dec 2010	Jan-Dec 2009
Overpaid income tax (liability) as of 1 January	216,969	160,425
Income tax for the period	0	0
Set off for covering other tax underpayment	216,969	0
Income tax paid	72,720	56,544
Overpaid income tax (liability) as of 31 December	72,720	216,969

Notes

14 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2009	17,854,268	17,381,057	1,576,707	2,380,695	2,395,792	3,510,030	45,098,549
Additions	387,715	534,332	33,500	51,360	254,146		1,261,053
Disposals	0	(128,582)	(389,158)	(139,376)	0	0	(657,116)
Transfer from inventories	4,155,622	6,447	0	0	(652,039)	(3,510,030)	0
Cost as of 31 December 2009	22,397,605	17,793,254	1,221,049	2,292,679	1,997,899	0	45,702,486
Accumulated depreciation as of 1 January 2009	7,132,540	11,408,026	900,823	1,859,042	593,513	0	21,893,944
Depreciation for the year	723,519	1,742,490	199,832	221,204	103,271	0	2,990,316
Impairment loss	0	0	0	0	(115,958)	0	(115,958)
Disposals	7,760	(128,566)	(364,023)	(136,878)	(7,760)	0	(629,467)
Accumulated depreciation as of 31 December 2009	7,863,819	13,021,950	736,632	1,943,368	573,066	0	24,138,835
Net book value as of 31 December 2009	14,533,786	4,771,304	484,417	349,311	1,424,833	0	21,563,651
Cost as of 1 January 2010	22,397,605	17,793,254	1,221,049	2,292,679	1,997,899	0	45,702,486
Additions	100,488	5,815,168	214,152	43,095	1,633,890	1,694,395	9,501,188
Disposals	(307,579)	(1,068,085)	(132,440)	(116,417)	0	0	(1,624,521)
Reclassifications	0	0	0	0	0	0	0
Cost as of 31 December 2010	22,190,514	22,540,337	1,302,761	2,219,357	3,631,789	1,694,395	53,579,153
Accumulated depreciation as of 1 January 2010	7,863,819	13,021,950	736,632	1,943,368	573,066	0	24,138,835
Depreciation for the year	741,033	1,732,321	202,853	155,338	95,511	0	2,927,056
Impairment loss	0	0	0	0	0	0	0
Disposals	(228,617)	(1,063,710)	(100,136)	(116,365)	0	0	(1,508,828)
Accumulated depreciation as of 31 December 2010	8,376,235	13,690,561	839,349	1,982,341	668,577	0	25,557,063
Net book value as of 31 December 2010	13,814,279	8,849,776	463,412	237,016	2,963,212	1,694,395	28,022,090

Notes

14 Property, plant and equipment (cont'd)

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. Since 2009, as the requirements of accounting standards have changed, depreciation shall apply on the construction in progress. Before 2009, depreciation was applied on the construction in progress and, accordingly, on quarterly basis, based on assessments by the management, the amount of depreciation was recognised as a loss of impairment.

The depreciation was distributed as follows:

In LTL	31/12/2010	31/12/2009
Cost of sales	1,604,865	1,562,227
Inventories	157,661	187,926
Administrative and other expenses	1,164,530	1,240,163
Total	2, 927,056	2,990,316

Notes

15 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2009	181,206	529,371	18,913,672	19,624,249
Additions during the year	0	21,000	0	21,000
Disposals	(8,110)	(1,236)	0	(9,346)
Cost as of 31 December 2009	173,096	549,135	18,913,672	19,635,903
Accumulated amortisation as of 1 January 2009	181,206	444,239	4,097,962	4,723,407
Amortisation for the year	0	53,672	945,684	999,356
Disposals	(8,110)	(1,236)	0	(9,346)
Accumulated amortisation as of 31 December 2009	173,096	496,675	5,043,646	5,713,417
Net book value as of 31 December 2009	0	52,460	13,870,026	13,922,486
Cost as of 1 January 2010	173,096	549,135	18,913,672	19,635,903
Additions during the year	0	8,715	0	8,715
Disposals	(131,776)	(12,046)	0	(143,822)
Cost as of 31 December 2010	41,320	545,804	18,913,672	19,500,796
Accumulated amortisation as of 1 January 2010	173,096	496,675	5,043,646	5,713,417
Amortisation for the year	0	28,989	945,683	974,672
Disposals	(131,776)	(12,046)	0	(143,822)
Accumulated amortisation as of 31 December 2010	41,320	513,618	5,989,329	6,544,267
Net book value as of 31 December 2010	0	32,186	12,924,343	12,956,529

All amortisation expenses are included under operating expenses.

16 Financial assets

In LTL	31/12/2010	31/12/2009
Long-term loans granted	3,615,486	0
Total financial assets	3,615,486	0

Long-term loan amounting to LTL 3,129,549 (EUR 906,380) was granted to an associated company and interest accrued thereon amounted to LTL 485,937 (EUR 140,737). The loan was granted at 8.5% fixed annual interest rate. Term of repayment of granted loans and interest – December 2015.

Notes

	In LTL	31/12/2010	31/12/2009
17	Inventories		
	Raw materials	4,472,447	4,897,033
	Finished goods	1,790,775	1,821,418
	Goods for resale	921,474	919,393
	Work in progress	61,825	51,500
	Total inventories	7,246,521	7,689,344
	In LTL	31/12/2010	31/12/2009
18	Prepayments and deferred expenses		
	Prepayments to suppliers	28,518	1,076,617
	Deferred advertising expenses	67,535	120,183
	Deferred insurance and subscription	71,929	70,829
	Other	60,539	12,523
	Total prepayments and deferred expenses	228,521	1,280,152
	In LTL	31.12.2010	31.12.2009
19	Trade receivables		
	Trade receivables	24,251,302	29,100,442
	Impairment allowance for bad debts	(115,428)	(236,076)
	Net trade receivables	24,135,874	28,864,366

Notes

19 Trade receivables (cont'd)

Change in impairment of receivables for bad debts in January-December 2010 can be presented as follows:

In LTL	31/12/2010	31/12/2009
Impairment allowance for bad debts as of 1 January	(236,076)	(378,728)
Reverse of impairment allowance for bad debts	120,648	142,652
Impairment allowance for bad debts at the end of the period	(115,428)	(236,076)

20 Other receivables

In LTL	31/12/2010	31/12/2009
Loans granted	34,528	2,653,062
Prepayments to the Tax Inspectorate	302,480	297,480
Overpaid income tax	72,720	216,969
Amounts deposited for guarantee purposes	0	243,000
Other receivables	30,223	249,456
Doubtful receivables	496,482	832,923
Total other receivables before write-down allowance	936,433	4,492,890
Write-down allowance	(496,482)	(832,923)
Total other receivables, net	439,951	3,659,967

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 10,000 (LTL 34,528) to a related company (8.5 % fixed annual interest rate, maturity of the loans granted – December 2011).

Change in impairment allowance of receivables was as follows:

In LTL	31/12/2010	31/12/2009
Impairment allowance for bad debts and other receivables as of 1 January	(832,923)	(885,209)
Reverse of impairment allowance for bad debts	336,441	52,286
Impairment allowance for bad debts and other receivables at the end of the period	(496,482)	(832,923)

Notes

In LTL		31/12/2010	31/12/2009
21	Cash and cash equivalents		
	Cash at bank and in hand	49,528	82,089
	Total cash and cash equivalents	49,528	82,089

22 Capital and reserves

Share capital

The share capital is made of 24,408,431 ordinary shares with the nominal value of LTL 1 each and the total share capital is LTL 24,408,431, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to dividends as declared from time to time and to capital repayment in case of and a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until legal reserve and the share premium reach 10% of the authorised capital. This reserve cannot be distributed.

Notes

23 Earnings per share

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

	Jan-Dec 2010	Jan-Dec 2009
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	(335,921)	726,311
Earnings per share, in LTL	(0.01)	0.03

The Company has not issued other securities potentially convertible into shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

In LTL	31/12/2010	31/12/2009
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24 Interest bearing loans and borrowings

Non-current liabilities

Bank loans	4,966,959	6,833,698
Financial lease (leasing) liabilities	564,359	267,175
Total non-current liabilities	5,531,318	7,100,873

Current liabilities

Overdraft	10,771,867	0
Bank, other loans and financial lease	2,486,320	13,160,058
Total current liabilities	13,258,187	13,160,058
Total	18,789,505	20,260,931

Notes

24 Interest bearing loans and borrowings (cont'd)

Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-2 years	2-5 years	Over 5 years
Overdraft of LTL 5,000,000 – 3-month fluctuating VILIBOR + 2.00%	4,932,737	4,932,737			
Loan of EUR 3,015,412 (LTL 10,411,615) – 3- month fluctuating LIBOR + 2.9%	6,833,698	1,866,739	4,966,959	0	0
Long-term overdraft of EUR 1,737,720 (LTL 6,000,000) – 3-month fluctuating EURIBOR + 2.7%	5,839,130	5,839,130			
Financial lease (leasing) – 6-month variable LIBOREUR+1% and 3-month variable EURIBOR + 3%	1,183,940	619,581	564,359		
Total financial liabilities	18,789,505	13,258,187	5,531,318	0	0

Term of repayment of the long-term loan is 31 December 2015, of long-term overdraft (LTL 5,000,000 and EUR 1,737,720) – 31 August 2011. Under financial lease agreements, the Company's assets consist of plant and equipment and vehicles. Financial lease terms are 1 to 3 years.

In 2009, the Company and the bank signed long-term crediting contract for the amount of EUR 1,736,272 and long-term financial liability limit contract for EUR 879,865.62. Long-term credit and financial liability limit are intended for financing of the Project "Using distillery refuse (brogas) for the production of electric power". Long-term credit repayment deadline: 31.12.2015, overdraft deadline: 31.12.2011.

In order to secure the bank loans, the Company has pledged tangible and intangible non-current assets, inventories, cash and cash inflows to the bank accounts and trade receivables. For further comments refer to Note 29.

In LTL	31/12/2010	31/12/2009
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25 Governmental grants

Balance value at the beginning of the period	0	0
Grants received	4,137,227	0
Used within the period	0	0
Balance value at the end of the period	4,137,227	0

The Company has received funds from EU Structural Funds under Priority 3 of the Cohesion Growth Action Program "Increasing the Effectiveness of Energy Production". The support was granted for acquisition of non-current assets.

Notes

In LTL	31/12/2010	31/12/2009
26 Other payables		
Payable excise tax	5,938,245	6,887,932
Payable VAT	2,657,368	3,646,916
Accrued vacation expense and social security	465,562	488,751
Taxes payable	66,061	60,324
Accrued expenses	71,645	1,002,883
Other payables	269,037	375,192
Total other payables	<u>9,467,918</u>	<u>12,461,998</u>

Notes

27 Financial instruments

In the course of using financial instruments, the Company faces the following risks:

- Credit risk;
- Liquidity risk;
- Market risk.

The present note provides for information on each of the aforementioned risks the Company faces, the Company's risk evaluation goals, policy and risk valuation and management processes, as well as the Company's capital management. More detailed quantitative disclosures are presented in the present interim statement.

The Board is completely responsible for development and supervision of the company's risk management structure. The Company's risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. Risk management policy and risk management system are regularly revised to match the changes of market conditions and the Company's activities. With the help of trainings, procedures of management standards, the Company aims to develop a disciplined and constructive management environment, where every employee knows his/her functions and duties.

Credit risk

Credit risk is the risk that the Company will suffer financial losses in case if a customer or another party fails to fulfil their respective obligations, and in most cases such risk is related with amounts receivable from the Company's customers.

The Company controls credit risk or risk by using credit conditions and procedures of market analysis. The Company has no significant credit risk concentration because it is distributed among different buyers.

The Company accounts the impairment on the basis of evaluation of losses concerning trade and other amounts receivable. Such impairment consists only of specific loss related to individual significant tradings and other amounts receivable

Liquidity risk

Liquidity risk is the risk that, upon maturity, the Company will be unable to fulfil its financial liabilities. The Company's liquidity management objective is to maximally secure sufficient liquidity of the Company, which enables the Company to fulfil its obligations under both, normal and complicated circumstances, without suffering unacceptable losses and being exposed to the risk of losing its good reputation.

The Company's policy is to maintain sufficient cash to cover planned operating expenditure, including financial liabilities; such security does not cover the influence unforecastable force

Notes

27 Financial instruments (cont'd)

Liquidity risk (cont'd)

majeure (such as natural calamities). Moreover, the Company has concluded a contract for overdraft limited to EUR 1,737,720 and LTL 5,000,000.

Market risk

Market risk is the risk that market price changes, e.g. foreign exchange rates or interest rates, will affect the Company's income or the value of available financial instruments. The objective of market risk management is to manage and control the market risk, considering certain limits, through optimisation of the return.

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR. As of 31 December 2010, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Foreign exchange risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. The Company did not have any material exposure in other foreign currencies as of 31 December 2010 and 31 December 2009.

Capital management

The objective of the management policy is to maintain a significant level of owner's equity compared to borrowed funds to avoid discrediting investors, creditors and market trust, as well as maintain development of activities in the future. The Boards observes the return on capital and presents offers on payment of dividends to owners of ordinary shares, considering the Company's financial results and strategic plans.

The Board also strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity.

The Company's capital management policy did not change in January-December 2010.

Notes

28 Related party transactions

Related parties of the Company are:

- parties that control, is controlled by or is under common control with the Company;
- parties that can have material impact on the activities of the Company;
- parties that are management members of the company or its parent company;
- close members of the family of the aforesaid persons;
- companies that are under control or material impact of the aforesaid persons.

Parent and ultimate parent companies are as follows:

Company	Relationship
Sobieski Sp. Z.o.o.	Parent company
Belvedere S.A.	Ultimate parent company

Other main related parties are:

Company	Relationship
UAB Belvedere Prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Lancut	Belvedere group company
Gemaco	Belvedere group company
PHP Wieslaw Wawrzyniak	Belvedere group company
Moncigale S.A.S.	Belvedere group company
Gognac Gautiem	Belvedere group company
Marie Brizard&Roger Inten.	Belvedere group company
Marie Brizard Espagne	Belvedere group company
IOOO Galiart	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp. Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder
Arūnas Tuma	Shareholder

Notes

28 Related party transaction (cont'd)

Sales to and purchases from related parties during the reporting periods ended 31 December 2010 and 31 December 2009 are as follows:

Company	Type of transaction	Jan-Dec 2010	Jan-Dec 2009
Purchases from:			
Belvedere group companies	Purchase of services	640,348	2,561,411
Belvedere group companies	Purchase of raw materials	803,805	793,837
Shareholder	Purchase of services	309,600	309,600
Belvedere group companies	Purchase of non-current assets	0	35,506
Ultimate parent company	Purchase of inventories	24,070	33,622
Total purchases		1,777,823	3,733,976
Sales to:			
	Sales of production including excise tax		
Belvedere group companies		42,198,657	50,915,438
	Sales of production including excise tax		
Parent company		131,308	326,832
Parent company	Other income	0	0
Ultimate parent company	Other income	243,025	154,975
Belvedere group companies	Sales of services, etc.	147,505	104,043
Total sales		42,720,495	51,501,288
	Excise tax	30,967,736	36,455,443
Total sales net of excise tax		11,752,759	15,045,845

Notes

28 Related party transactions (cont'd)

Balances outstanding with identified related parties at the end of the reporting period:

Company	31/12/2010	31/12/2009
Trade receivables		
From Belvedere group companies	3,155,343	4,717,184
From ultimate parent company	3,650,151	3,759,312
From parent company	99,479	91,610
Total trade receivables	6,904,973	8,568,106
Trade payables		
To Belvedere group companies	289,011	193,395
Total trade payables	289,011	193,395

Remuneration to the Company's management is enclosed in Note 9 to the Financial Statements. Information on the loans granted to the associated company is provided in Note 16 and 20.

All outstanding related party transactions are priced on arm's length basis.

Notes

29 Off-balance and other liabilities

As a security for the loan and overdraft facilities, the following assets have been pledged by the Company:

In LTL	31/12/2010	31/12/2009
Carrying amount of pledged buildings and structures	10,894,956	11,720,502
Carrying amount of pledged trademarks	12,924,343	13,870,026
Carrying amount of pledged inventories	7,246,521	7,689,344

The Company has transferred to the Bank the existing and further monetary funds deposited on the accounts with AB DnB Nord bank and amounts receivable from its buyers, which were equal to LTL 24,135,874 as of 31 December 2010 (LTL 28,864,366 as of 31 December 2009), under the Claiming Right Transfer Agreement in order to secure fulfilment of its liabilities under the Crediting Agreement.

Short-term guarantee related to implementation of the project “Using distillery refuse (broga) for the production of electric power“ was issued to Lithuanian Business Support Agency. For the amount of the guarantee (LTL 1,264,000) funds of financial liabilities credit line issued by AB DnB NORD bank have been tied up by the Company.

30 Fair value of financial instruments

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

Fair value of assets and liabilities provided in the balance sheet as of 31 December 2010 does not significantly differ from their carrying amount, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 31 December 2010:

In LTL	Carrying amount	Fair value
Long-term loans granted and other receivables	3,615,486	3,615,486
Advance payments and expenditure of future periods	228,521	228,521
Trade debtors	24,135,874	24,135,874
Other amounts receivable	439,951	439,951
Cash and cash equivalents	49,528	49,528
Total	28,469,360	28,469,360

Notes

30 Fair value of financial instruments (cont'd)

Financial liabilities as of 31 December 2010:

In LTL	Carrying amount	Fair value
Loan and other amounts subjected to calculation of interest rate	18,789,505	18,789,505
Amounts payable to suppliers	4,553,753	4,553,753
Other amounts payable	9,467,918	9,467,918
Total	32,811,176	32,811,176