AB INVALDA

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2011 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Translation note:

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

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

Independent Auditor's Report

To the shareholders of Invalda AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of Invalda AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 5–98 which comprise the stand alone and consolidated statement of financial position as of 31 December 2011 and the stand alone and consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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PricewaterhouseCoopers UAB, company code 111473315, VAT payer's code LT114733113, registered office at J. Jasinskio 16B, LT-01112 Vilnius, is a private company registered with the Legal Entities' Register of the Republic of Lithuania. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

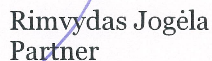
Opinion

In our opinion, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated Annual Report is published separately from the Financial statements due to the size of these documents, therefore the report on other legal and regulatory requirements is published as a separate document to the consolidated Annual Report.

On behalf of PricewaterhouseCoopers UAB



Rimvydas Jogėla
Partner

Rasa Radzevičienė
Auditor's Certificate No.000377

Authorised to act for and on behalf of PricewaterhouseCoopers, UAB based on the Power of Attorney dated 16 June 2010

Vilnius, Republic of Lithuania
6 April 2012

GENERAL INFORMATION

Board of Directors

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

Management

Mr. Dalius Kaziūnas (President)
Mr. Raimondas Rajeckas (Chief Financial Officer)

Principal place of business and company code

Šeimyniškių Str. 1A,
Vilnius,
Lithuania
Company code 121304349

Bankers

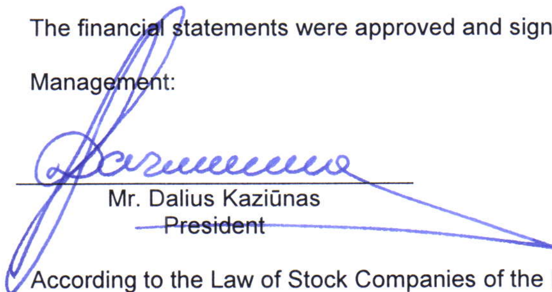
Nordea Bank Finland Plc Lithuania Branch
AB DNB Bankas
Danske Bank A/S Lithuania Branch
AB Šiaulių Bankas
AB Bankas Finasta
AB SEB Bankas
AS UniCredit Bank Lithuania Branch
Swedbank, AB
UAB Medicinos Bankas

Auditor

UAB PricewaterhouseCoopers
J. Jasinskio Str. 16B,
Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 6 April 2012.

Management:



Mr. Dalius Kaziūnas
President

Mr. Raimondas Rajeckas
Chief Financial Officer

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

Consolidated and Company's income statements

		Group		Company	
	Notes	**2011**	**2010**	**2011**	**2010**
Continuing operations					
Revenue	4	317,367	268,027	-	-
Other income	5.3	10,110	4,486	24,220	8,397
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	3	-	15,350	318,438	(18,013)
Net gains (losses) from fair value adjustments on investment property	11	(14,727)	1,236	-	-
Net changes in fair value of financial instruments at fair value through profit loss	5.1.	(83,876)	(4,486)	(37,951)	3,337
Changes in inventories of finished goods and work in progress		(2,483)	1,557	-	-
Raw materials and consumables used	4	(184,285)	(143,445)	(22)	(25)
Changes in residential real estate		(1,323)	(6,280)	-	-
Employee benefits expenses	4	(43,804)	(35,741)	(2,623)	(1,911)
Impairment, write-down and provisions	5.2	(18,712)	(4,415)	(30,427)	10,882
Premises rent and utilities		(17,472)	(17,171)	(166)	(178)
Depreciation and amortisation	10, 12	(10,261)	(10,415)	(83)	(103)
Repairs and maintenance cost of premises		(10,748)	(10,022)	-	(1)
Other expenses		(21,500)	(14,304)	(2,898)	(886)
Operating profit (loss)		**(81,714)**	**44,377**	**268,488**	**1,499**
Finance costs	5.4.	(13,720)	(18,034)	(9,221)	(13,160)
Share of profit of associates and joint ventures	3	247	669	-	-
Profit (loss) before income tax		**(95,187)**	**27,012**	**259,267**	**(11,661)**
Income tax credit (expense)	6	13,750	(123)	15,603	1,190
Profit (loss) for the year from continuing operations		**(81,437)**	**26,889**	**274,870**	**(10,471)**
Discontinued operations					
Profit after tax for the year from discontinued operations	7	297,980	25,575	-	-
PROFIT (LOSS) FOR THE YEAR		**216,543**	**52,464**	**274,870**	**(10,471)**
Attributable to:					
Equity holders of the parent					
Profit (loss) for the period from continuing		(88,934)	16,875	274,870	(10,471)
Profit (loss) for the period from discontinued operations		297,980	25,575	-	
Profit (loss) for the period attributable to equity holders of the parent		209,046	42,450	274,870	(10,471)
Non - controlling interest					
Profit (loss) for the period from continuing		7,497	10,014	**-**	**-**
Profit (loss) for the period from discontinued operations		-	-	**-**	**-**
Profit (loss) for the period attributable to non – controlling interests		7,497	10,014	**-**	**-**
		216,543	**52,464**	**274,870**	**(10,471)**
Basic earnings (deficit) per share (in LTL)	8	4.05	0.84	5.32	(0.21)
Basic earnings (deficit) per share (in LTL) from continuing operations		(1.72)	0.33	5.32	(0.21)
Diluted earnings (deficit) per share (in LTL)	8	3.69	0.79	4.83	(0.21)
Diluted earnings (deficit) per share (in LTL) from continuing operations		(1.72)	0.33	4.83	(0.21)

Consolidated and Company's statements of comprehensive income

		Group		Company	
		2011	2010	2011	2010
Profit (loss) for the year		**216,543**	**52,464**	**275,141**	**(10,471)**
Continuing operations					
Net gain on cash flow hedges		164	191	-	-
Income tax		(25)	(29)	-	-
		139	162	-	-
Net gain on available-for –sale financial assets		-	11	-	-
Reclassification adjustment for gain included in profit or loss		-	(221)	-	-
Income tax		-	42	-	-
		-	(168)	-	
Exchange differences on translation of foreign operations		-	-	-	-
Share of other comprehensive income (loss) of associates	3	(31)	5	-	-
Other comprehensive income (loss) for the period from continuing operations		**108**	**(1)**	**-**	**-**
Discontinued operations				-	
Reclassification adjustment of other comprehensive income (losses) to profit (loss) due to sale of associates		2,162	-	**-**	**-**
Share of other comprehensive income (losses) of associates	3	(284)	4,014	**-**	**-**
Other comprehensive income (losses) for the period from discontinued operations		**1,878**	**4,014**	**-**	**-**
Other comprehensive income (loss) for the period, net of tax		**1,986**	**4,013**	**-**	**-**
Total comprehensive income (loss) for the period, net of tax		**218,529**	**56,477**	**275,141**	**(10,471)**
Attributable to:					
Equity holders of the parent					
Income (loss) for the period from continuing operations		(88,826)	16,874	275,141	(10,471)
Income (loss) for the period from discontinued operations		299,858	29,589	-	-
Income (loss) for the period attributable to equity holders of the parent		211,032	46,463	275,141	(10,471)
Non - controlling interest					
Income (loss) for the period from continuing operations		7,497	10,014	-	-
Income (loss) for the period from discontinued operations		-	-	-	-
Income (loss) for the period attributable to non – controlling interests		7,497	10,014	-	-
		218,529	**56,477**	**275,141**	**(10,471)**

Consolidated and Company's statements of financial position

	Notes	Group		Company	
		As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
ASSETS					
Non-current assets					
Property, plant and equipment	10	38,259	38,876	184	238
Investment properties	11	248,957	240,573	-	-
Intangible assets	12	13,074	10,490	7	12
Investments into subsidiaries	1	-	-	99,607	87,398
Investments into associates and joint ventures	1	39,269	125,512	724	110,916
Investments available-for-sale	14	2,859	1,818	1,817	1,817
Loans granted	15	12,041	-	4,143	1,192
Other non-current assets	29	2,848	2,848	-	-
Deferred income tax asset	6	22,372	6,643	19,941	4,335
Total non-current assets		**379,679**	**426,760**	**126,423**	**205,908**
Current assets					
Inventories	16	25,819	27,618	-	-
Trade and other receivables	17	33,437	29,540	218	1,002
Current loans granted	15	31,233	22,303	174,648	73,360
Prepaid income tax		973	53	-	-
Prepayments and deferred charges		2,587	1,603	123	26
Deposits	18	99,137	-	48,621	-
Financial assets at fair value through profit loss	14	47,599	8,446	33,298	1,512
Restricted cash	19	2,915	4,173	-	-
Cash and cash equivalents	18	21,346	4,692	11,888	202
Total current assets		**265,046**	**98,428**	**268,796**	**76,102**
Assets of disposal group classified as held-for-sale	7	**1,708**	**72,075**	**3,745**	**25,004**
TOTAL ASSETS		**646,433**	**597,263**	**398,964**	**307,014**

(cont'd on the next page)

Consolidated and Company's statements of financial position (cont'd)

	Notes	Group		Company	
		As at 31 December 2011	**As at 31 December 2010**	**As at 31 December 2011**	**As at 31 December 2010**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1, 20	51,660	51,660	51,660	51,660
Share premium		34,205	44,676	34,205	44,676
Reserves	21	20,299	20,102	-	-
Retained earnings (accumulated deficit)		280,046	58,694	274,870	(10,471)
		386,210	**175,132**	**360,735**	**85,865**
Non - controlling interest		**29,151**	**24,919**	**-**	**-**
Total equity		**415,361**	**200,051**	**360,735**	**85,865**
Liabilities					
Non-current liabilities					
Non-current borrowings	22	119,478	127,260	-	94,350
Finance lease liabilities	23	391	447	-	-
Government grants		283	-	-	-
Provisions	25	396	480	-	-
Deferred income tax liability	6	15,178	14,734	-	-
Derivative financial instruments		-	-	-	-
Convertible bonds	26	-	32,440	-	32,440
Other non-current liabilities	27	3,345	1,101	-	-
Total non-current liabilities		**139,071**	**176,462**	**-**	**126,790**
Current liabilities					
Current portion of non-current borrowings	22	6,254	119,062	6	-
Current portion of financial lease liabilities	23	257	231	-	-
Current borrowings	22	572	57,849	353	90,855
Trade payables	24	34,485	31,172	630	739
Income tax payable		379	609	-	-
Provisions	25	300	345	-	250
Advances received	16	3,262	1,520	-	-
Derivative financial instruments		-	163	-	-
Convertible bonds	26	34,059	-	34,059	-
Other current liabilities	27	12,433	9,799	3,181	2,515
Total current liabilities		**92,001**	**220,750**	**38,229**	**94,359**
Total liabilities		**231,072**	**397,212**	**38,229**	**221,149**
TOTAL EQUITY AND LIABILITIES		**646,433**	**597,263**	**398,964**	**307,014**

(the end)

Consolidated and Company's statements of changes in equity

Group	Notes	Equity attributable to equity holders of the parent		Reserves							
		Share capital	Share premium	Fair value reserve	Legal and other reserves	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Discontinued operation	Subtotal	Non - controlling interest	Total equity
Balance as at 31 December 2009		**42,569**	**50,588**	**(133)**	**76,623**	**-**	**(90,978)**	**-**	**78,669**	**13,041**	**91,710**
Net loss on available-for-sale investments		-	-	(168)	-	-	-	-	(168)	-	(168)
Net gain on cash flow hedge		-	-	162	-	-	-	-	162	-	162
Share of other comprehensive income of associates		-	-	-	-	-	4,019	-	4,019	-	4,019
Net profit for the year 2010	8	-	-	-	-	-	42,450	-	42,450	10,014	52,464
Total comprehensive income (loss) for the year		**-**	**-**	**(6)**	**-**	**-**	**46,469**	**-**	**46,463**	**10,014**	**56,477**
Value of employee services		-	-	-	-	-	-	-	-	352	352
Changes in reserves	21	-	(46,821)	-	(56,171)	-	102,992	-	-	-	-
Increase of share capital	20	9,091	40,909	-	-	-	-	-	50,000	-	50,000
Total contributions by and distributions to owners of the Company		**9,091**	**(5,912)**	**-**	**(56,171)**	**-**	**102,992**	**-**	**50,000**	**352**	**50,352**
Non-controlling interest arising on business combination		-	-	-	-	-	-	-	-	1,505	1,505
Disposal of subsidiaries		-	-	-	(211)	-	211	-	-	7	7
Total transactions with owners of the Company, recognised directly in equity		**9,091**	**(5,912)**	**-**	**(56,382)**	**-**	**103,203**	**-**	**50,000**	**1,864**	**51,864**
Balance as at 31 December 2010		**51,660**	**44,676**	**(139)**	**20,241**	**-**	**58,694**	**-**	**175,132**	**24,919**	**200,051**

(cont'd on the next page)

Consolidated and Company's statements of changes in equity (cont'd)

Group	Notes	Share capital	Share premium	Fair value reserve	Legal and other reserves	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Discontinued operation	Subtotal	Non - controlling interest	Total equity
		Equity attributable to equity holders of the parent		Reserves							
Balance as at 31 December 2010		**51,660**	**44,676**	**(139)**	**20,241**	**-**	**58,694**	**-**	**175,132**	**24,919**	**200,051**
Net gain on cash flow hedge		-	-	139	-	-	-	-	139	-	139
Share of other comprehensive income of associates		-	-	-	-	-	1,847	-	1,847	-	1,847
Net profit for the year 2011	8	-	-	-	-	-	209,046	-	209,046	7,497	216,543
Total comprehensive income for the year		**-**	**-**	**139**	**-**	**-**	**210,893**	**-**	**211,032**	**7,497**	**218,529**
Value of employee services		-	-	-	-	-	-	-	-	770	**770**
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(4,351)	**(4,351)**
Changes in reserves	20, 21	-	(10,471)	-	58	-	10,413	-	-	-	**-**
Total contributions by and distributions to owners of the Company		**-**	**(10,471)**	**-**	**58**	**-**	**10,413**	**-**	**-**	**(3,581)**	**(3,581)**
Non-controlling interest arising on business combination	3	-	-	-	-	-	-	-	-	1,407	**1,407**
Acquisition of the non-controlling interest	3	**-**	**-**	**-**	**-**	**-**	46	-	46	(1,091)	**(1,045)**
Total transactions with owners of the Company, recognised directly in equity		**-**	**(10,471)**	**-**	**58**	**-**	**10,459**	**-**	**46**	**(3,265)**	**(3,219)**
Balance as at 31 December 2011		**51,660**	**34,205**	**-**	**20,299**	**-**	**280,046**	**-**	**386,210**	**29,151**	**415,361**

(cont'd on the next page)

Consolidated and Company's statements of changes in equity (cont'd)

Company	Notes	Share capital	Share premium	Reserves: Legal reserve	Reserves: Other reserves	Retained earnings (accumulated deficit)	Total
Balance as at 31 December 2009		**42,569**	**50,588**	**4,257**	**69,126**	**(120,204)**	**46,336**
Increase of share capital	20	9,091	40,909	-	-	-	**50,000**
Changes in reserves	21	-	(46,821)	(4,257)	(69,126)	120,204	**-**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	(10,471)	**(10,471)**
Balance as at 31 December 2010		**51,660**	**44,676**	**-**	**-**	**(10,471)**	**85,865**
Changes in reserves	21	-	(10,471)	-	-	10,471	**-**
Total comprehensive income for the year		-	-	-	-	274,870	**274,870**
Balance as at 31 December 2011		**51,660**	**34,205**	**-**	**-**	**274,870**	**360,735**

(the end)

Consolidated and Company's statements of cash flows

		Group		Company	
		2011	**2010**	**2011**	**2010**
Cash flows from (to) operating activities					
Profit (loss) after tax from continuing operations		(81,437)	26,889	274,870	(10,471)
Profit after tax from discontinued operations		297,980	25,575	-	-
Net profit (loss) for the year		216,543	52,464	274,870	(10,471)
Adjustment to reconcile result before tax to net cash flows:					
Non-cash:					
Valuation (gain) loss, net	11	14,727	(1,236)	-	-
Depreciation and amortisation	10, 12	10,261	10,415	83	102
Loss (gain) on disposal of property, plant and equipment		(4)	128	-	(43)
Realized and unrealized loss (gain) on investments	5.1	83,876	4,486	37,951	(3,337)
Loss (gain) on disposal of subsidiaries and associates	3, 7	(296,363)	(15,350)	(318,438)	18,013
Share of net loss (profit) of associates and joint ventures	3	(1,865)	(26,244)	-	-
Interest income	5.3	(6,749)	(1,822)	(12,883)	(8,030)
Interest expenses	5.4	12,375	17,407	8,216	13,144
Deferred taxes	6	(15,906)	(1,796)	(15,773)	(1,190)
Current income tax expenses	6	2,156	1,919	170	-
Allowances	5.2	18,841	5,686	30,677	(9,666)
Change in provisions	25	(129)	(1,271)	(250)	(1,216)
Share based payment	21	770	352	-	-
Dividend income	5.3	-	-	(11,314)	(300)
Profit (loss) from bargain purchase	3	(1,484)	-	-	-
Loss (gain) from other financial activities		(123)	(996)	1,224	-
		36,926	44,142	(5,467)	(2,994)
Working capital adjustments:					
Decrease (increase) in inventories		3,333	(252)	-	-
Decrease (increase) in trade and other receivables		(5,949)	(4,818)	967	(2)
Decrease (increase) in other current assets		712	440	(97)	3
Increase (decrease) in trade payables		3,254	2,485	(683)	5
Increase (decrease) in other current liabilities		778	(481)	802	226
Cash flows from (to) operating activities		**39,054**	**41,516**	**(4,478)**	**(2,762)**
Income tax paid		(1)	(6,759)	**(1)**	**-**
Net cash flows from (to) operating activities		**39,053**	**34,757**	**(4,479)**	**(2,762)**

(cont'd on the next page)

Consolidated and Company's statements of cash flows (cont'd)

		Group		Company	
		2011	**2010**	**2011**	**2010**
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(8,122)	(3,610)	(24)	(157)
Proceeds from sale of non-current assets (except for investment properties)		183	127	-	66
Acquisition of investment properties	11	(6,902)	(746)	-	-
Proceeds from sale of investment properties	11	990	484	-	-
Acquisition and establishment of subsidiaries, net of cash acquired	3	(7,557)	(2,092)	(109)	(60)
Proceeds from sales of subsidiaries, net of cash disposed	3	-	46	-	57
Acquisition of associates and joint ventures	3	(1,489)	-	(6)	-
Proceeds from sales of associates and joint ventures	7	369,280	-	369,280	-
Expenses related to sell of associates	7	(20,510)	-	(20,510)	-
Loans granted		(80,399)	(10,995)	(169,677)	(25,478)
Repayment of granted loans		13,673	13,114	46,310	27,048
Transfer to/from term deposits		(118,505)	-	(68,339)	-
Dividends received		-	-	-	300
Interest received		5,815	333	4,547	48
Additional investments into existing subsidiaries		-	-	-	-
Proceeds from sale (acquisition) of held-for-trading and available-for-sale investments	14	26,045	4,986	36,396	4,689
Net cash flows from (to) investing activities		**172,504**	**1,647**	**197,870**	**6,513**
Cash flows from (to) financing activities					
Cash flows related to company shareholders:					
Dividends paid to equity holders of the parent		(59)	(59)	(59)	(59)
(Acquisition) and changes of non – controlling interest	3	(1,045)	-	(173)	-
Dividends paid to non – controlling interest		(3,884)	-	-	-
		(4,988)	(59)	(232)	(59)
Cash flows related to other sources of financing:					
Proceeds from loans		12,582	13,950	18,403	29,179
Repayment of loans		(187,119)	(30,831)	(185,801)	(20,933)
Interest paid		(17,178)	(18,020)	(13,856)	(11,830)
Finance lease payments		(342)	(294)	-	-
Transfer to/from restricted cash		2,361	56	-	-
Other cash outflows from financing activities		-	-	-	-
		(189,696)	(35,139)	(181,254)	(3,584)
Net cash flows to financial activities		**(194,684)**	**(35,198)**	**(181,486)**	**(3,643)**
Impact of currency exchange on cash and cash equivalents		**(219)**	**-**	**(219)**	**-**
Net increase (decrease) in cash and cash equivalents		**16,654**	**1,206**	**11,686**	**108**
Cash and cash equivalents at the beginning of the year	18	**4,692**	**3,486**	**202**	**94**
Cash and cash equivalents at the end of the year	18	**21,346**	**4,692**	**11,888**	**202**

(the end)

Notes to the financial statements

1 General information

AB Invalda (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania on 20 March 1992. The address of its registered office is:

Šeimyniškių str. 1A,
Vilnius,
Lithuania.

The Company is incorporated and domiciled in Lithuania. AB Invalda is one of the major Lithuanian investment companies with primary objective is to steadily increase the investor equity value. For the purpose of achieving this objective the Company actively manages its investments, exercising control or significant influence over target businesses. The Company has concentrated on the priority investments, such as pharmaceutical (sold in the 3rd quarter of 2011), road and bridge construction (sold in the 2nd quarter of 2011), furniture manufacturing, real estate, facilities management, agriculture (acquired in the 4th quarter of 2011) and IT infrastructure segments during 2011.

In respect of each business the Company defines its performance objectives, sets up the management team, participates in the development of the business strategy and monitors its implementation. The Company plays an active role in making the decisions on strategic and other important issues that have an effect on the value of the Group companies.

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

As at 31 December 2011 and 2010 the shareholders of the Company were (by votes)*:

	2011		2010	
	Number of votes held	Percentage	Number of votes held	Percentage
Mrs. Irena Ona Mišeikiene	13,185,706	25.52%	13,185,706	25.52%
Mr. Vytautas Bučas	9,585,803	18.56%	9,585,803	18.56%
UAB Lucrum Investicija	5,363,865	10.38%	5,363,865	10.38%
Mr. Darius Šulnis	4,071,762	7.88%	4,071,762	7.88%
Mr. Algirdas Bučas	3,424,119	6.63%	3,424,119	6.63%
Mr. Alvydas Banys	2,029,624	3.93%	2,029,624	3.93%
Mrs. Daiva Banienė	1,836,234	3.55%	1,836,234	3.55%
Other minor shareholders	12,162,645	23.55%	12,162,645	23.55%
Total	51,659,758	100.00%	51,659,758	100.00%

* Major shareholders have sold part of shares under repo agreement (so do not hold the legal ownership title of shares), but they retained the voting rights of transferred shares.

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2011 and 2010. Subsidiaries, joint ventures and associated companies did not hold any shares of the Company as at 31 December 2011 and 2010. The Company did not hold its own shares.

As at 31 December 2011 the number of employees of the Group was 994 (as at 31 December 2010 – 806). As at 31 December 2011 the number of employees of the Company was 13 (as at 31 December 2010 – 12).

The financial statements were approved and signed by the Management and the Board of Directors on 6 April 2012.

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

1 General information (cont'd)

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

		As at 31 December 2011		As at 31 December 2010		
Company	Registration country	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Main activities
Furniture production segment:						
AB Vilniaus Baldai	Lithuania	72.14	13.900	72.01	13,727	Furniture manufacturing
UAB Ari-Lux**	Lithuania	72.14	17	72.01	17	Fitting packing
Real estate segment:						
AB Invaldos Nekilnojamojo Turto Fondas	Lithuania	100.00	116,908	100.00	116,908	Real estate investor
UAB Naujoji Švara	Lithuania	100.00	13,828	100.00	13,828	Real estate investor
UAB INTF Investicija**	Lithuania	100.00	4,282	100.00	4,282	Real estate investor
UAB Sago	Lithuania	100.00	6,972	100.00	6,972	Real estate investor
UAB Ineturas	Lithuania	100.00	8,500	100.00	7,800	Real estate investor
UAB Elniakampio Namai	Lithuania	100.00	725	100.00	25	Real estate investor
UAB IBC Logistika	Lithuania	100.00	12,500	100.00	10,400	Real estate investor
UAB Saistas	Lithuania	100.00	2,897	100.00	2,897	Real estate investor
UAB Dizaino Institutas	Lithuania	100.00	2,677	100.00	2,677	Real estate investor
UAB Riešės Investicija	Lithuania	100.00	6,500	100.00	6,500	Real estate investor
UAB Minijos Valda*	Lithuania	100.00	600	-	-	Real estate investor
UAB Rovelija	Lithuania	100.00	200	100.00	10	Real estate investor
UAB BNN	Lithuania	100.00	3,090	-	-	Real estate investor
UAB Trakų Kelias	Lithuania	100.00	512	100.00	512	Real estate investor
UAB Perspektyvi Veikla*,**	Lithuania	100.00	180	-	-	Real estate investor
UAB Aikstentis	Lithuania	76.00	108	76.00	108	Dormant
UAB Wembley Neringa**	Lithuania	64.24	400	64.24	400	Dormant
UAB Ekotra	Lithuania	100.00	1,750	100.00	1,050	Agricultural land investor
UAB Šimtamargis	Lithuania	100.00	300	100.00	300	Agricultural land investor
UAB Žemvesta	Lithuania	100.00	800	100.00	600	Agricultural land investor
UAB Agrobitė**	Lithuania	100.00	700	100.00	230	Agricultural land investor
UAB Puškaitis**	Lithuania	100.00	1	-	-	Agricultural land investor
UAB Žemynėlė**	Lithuania	100.00	900	-	-	Agricultural land investor
UAB Žemėpatis*,**	Lithuania	100.00	610	-	-	Agricultural land investor
UAB IŽB 1**	Lithuania	100.00	430	-	-	Agricultural land investor
UAB Inreal	Lithuania	100.00	3,801	100.00	3,801	Intermediation in operation with real estate, property valuation
UAB Inreal valdymas (former UAB Invalda Nekilnojamojo Turto Valdymas)	Lithuania	100.00	10,049	100.00	10,049	Real estate management and administration
UAB Inreal Geo*	Lithuania	100.00	10	-	-	Geodesy, cadastral measurements and territory planning
Facilities management segment:						
UAB Inreal Pastatų Priežiūra (former UAB Invalda Service)	Lithuania	100.00	500	100.00	500	Facilities management
UAB Cmanagement	Lithuania	100.00	367	100.00	367	Maintenance services
UAB Priemiestis**	Lithuania	100.00	2,157	100.00	2,251	Facilities management
UAB Jurita**	Lithuania	100.00	2,519	-	-	Facilities management
UAB Naujosios Vilnios Turgavietė**	Lithuania	100.00	94	-	-	Market place management

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2011		31 December 2010		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
Information technology segment:						
UAB BAIP Grupė	Lithuania	80.00	4,003	80.00	4,003	Information technology solutions
UAB Informatikos Pasaulis**	Lithuania	80.00	699	80.00	699	Information technology solutions
UAB Vitma**	Lithuania	80.00	7,825	80.00	7,809	Information technology solutions
UAB BAIP**	Lithuania	80.00	3,942	80.00	3,942	Information technology solutions
UAB Acena**	Lithuania	80.00	137	80.00	137	Information technology solutions
Norway Registers Development AS**	Norway	80.00	4,298	-	-	Information technology solutions
UAB NRD**	Lithuania	56.58	846	-	-	Information technology solutions
Other production and services segment:						
UAB Kelio Ženklai	Lithuania	100.00	6,554	100.00	6,554	Road signs production, wood manufacturing
UAB Lauko Gėlininkystės Bandymų Stotis**	Lithuania	100.00	1,411	-	-	Cultivation and trade of ornamental plants, flowers
VšĮ Iniciatyvos Fondas	Lithuania	100.00	10	100.00	10	Social initiatives activities
UAB Finansų Rizikos Valdymas	Lithuania	100.00	3,357	100.00	3,357	Investment activities
UAB Fortina***	Lithuania	100.00	4,350	100.00	3,275	Investment activities
UAB Ente	Lithuania	100.00	320	100.00	16	Investment activities
UAB Aktyvo	Lithuania	100.00	940	100.00	940	Management of bad debt
UAB Investicijų Tinklas	Lithuania	100.00	1,850	100.00	1,850	Investment activities
UAB Aktyvus Valdymas	Lithuania	100.00	1,500	100.00	100	Investment activities
UAB Inreal Pastatų Priežiūros Grupė (former UAB Volo)	Lithuania	100.00	1,350	100.00	650	Investment activities
UAB Cedus Invest (former UAB Rizikos Kapitalas)	Lithuania	100.00	10,000	100.00	10	Investment activities
AB Invetex**	Lithuania	83.90	5,624	77.46	5,253	Investment activities

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2011 Share of the stock held by the Group (%)	31 December 2011 Size of investment (acquisition cost)	31 December 2010 Share of the stock held by the Group (%)	31 December 2010 Size of investment (acquisition cost)	Main activities
Other production and services segment (cont'd):						
UAB MGK Invest	Lithuania	100.00	10	100.00	10	Dormant
UAB MBGK**	Lithuania	100.00	4,720	100.00	4,720	Dormant
UAB RPNG	Lithuania	100.00	10	100.00	10	Dormant
UAB Regenus	Lithuania	100.00	10	100.00	10	Dormant
UAB Consult Invalda	Lithuania	100.00	10	100.00	10	Dormant
UAB Cedus	Lithuania	100.00	10	-	-	Dormant
UAB Via Solutions*	Lithuania	100.00	10	-	-	Dormant
Invalda Lux S.A.R.L*	Luxembourg	100.00	69	-	-	Dormant
			283,649		249,576	
Less indirect ownership			(45,042)		(32,991)	
Less impairment			(139,000)		(129,187)	
Investments into subsidiaries (Company)			99,607		87,398	

(the end)

*These companies were newly established in 2011.
**These companies are owned indirectly by the Company as at 31 December 2011.
***The Company has invested LTL 1,100 thousand directly and LTL 3,250 thousand indirectly.

In 2011 and 2010 investments in real estate segment subsidiaries were impaired by LTL 130,625 thousand and LTL 120,756 thousand, in other companies by LTL 8,375 thousand and LTL 8,431 thousand, respectively.

Associates of the Group as at 31 December 2011 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting Year*	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	29.27	4,042	(1,303)	45,892	5,630	40,262	69,075	Production and services
UAB Litagra*	36.88	38,575	(2,518)	259,078	88,334	170,744	338,467	Agriculture
UAB ŽVF Projektai	21.46	2	(77)	444	(127)	571	3	Investment property
		42,619						
Less indirect ownership		(38,575)						
Less impairment		(297)						
Less assets held for sale		(3,745)						
Investment into associates (Company)		2						

*The associate is owned indirectly by the Company as at 31 December 2011.

1 General information (cont'd)

Associates of the Group as at 31 December 2010 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting Year*	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	19.42	2,686	(3,088)	44,498	2,570	41,928	46,870	Production and services
AB Sanitas	26.53	109,558	53,314	641,361	378,452	262,909	339,372	Pharmacy
Tiltra Group AB**	44.78	67	10,555	341,967	50,429	291,538	687,256	Road and bridge construction
AB Kauno Tiltai**	43.36	24,937	15,462	402,703	129,367	273,336	527,406	Road and bridge construction
UAB ŽVF Projektai	21.46	2	(10)	321	(50)	371	-	Investment property
		137,250						
Less impairment		(1,505)						
Less assets held for sale		(25,004)						
Investment into associates (Company)		110,741						

* Profit (loss) for the reporting year is an estimate of the net profit (loss) attributable to the equity holders of the parent company of the respective group (excluding non-controlling interest).

**The financial year of these associates is from 1 April until 31 March. Amounts, presented in the table above, are estimates used for the application of the equity method in the preparation of the consolidated financial statements of the Group and do not correspond with figures presented in the annual consolidated financial statements of these associates.

All investments into associates are above 20 %. After reorganisation, Group share in AB Umega decreased below 20 %, but the entity holds its own shares, therefore the voting rights amount to 21.22 %, i.e. above 20 %.

The Group has a 50 % interest in the following jointly controlled entities as at 31 December 2011:

Joint venture	Registration country	Description
UAB DOMMO Nerija	Lithuania	Real estate investor

The Group has a 50 % interest in the following jointly controlled entities as at 31 December 2010:

Joint venture	Registration country	Description
UAB Laikinosios Sostinės Projektai	Lithuania	Real estate investor
UAB DOMMO Nerija	Lithuania	Real estate investor

In January 2011 the bankruptcy was instituted in UAB Laikinosios Sostinės Projektai, therefore, the Group has lost the joint control. The carrying amount of the investment was nil as at 31 December 2010, and the Group has not recognised any losses from the investment in 2011 and 2010 (accumulated impairment of LTL 505 thousand).

The Company's interest in joint ventures as at 31 December 2011 and 2010 amounted to LTL 722 thousand (after impairment of LTL 328 thousand) and LTL 175 thousand (after impairment of LTL 1,280 thousand), respectively.

1 General information (cont'd)

The share of the assets, liabilities, income and expenses of the jointly controlled entities as at 31 December 2011 and 2010 and for the years then ended are as follows (amounts stated relate to 100 % of these entities):

	2011	2010
Current assets	95	90
Non-current assets	6,947	19,754
Total assets	**7,042**	**19,844**
Current liabilities	5,571	31,294
Non-current liabilities	27	-
Total liabilities	**5,598**	**31,294**
Revenue	1,782	262
Expenses	(860)	(1,422)
Profit (loss) before income tax	922	(1,160)
Income tax	(27)	-
Net profit (loss)	**895**	**(1,160)**

2 Summary of significant accounting policies

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year ended 31 December 2011 are as follows:

2.1. Basis of preparation

These financial statements have been prepared on a historical cost basis, except for investment properties, financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and available-for-sale investments that have been measured at fair value. The financial statements are presented in Litas (LTL) and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

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

Basis of consolidation

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

Subsidiaries are all entities (including special purpose 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Basis of consolidation (cont'd)

Total comprehensive income (losses) within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance from 1 January 2010. Losses absorbed by the parent company prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

Functional and presentation currency

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

At the end of each reporting period the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Company (LTL) at the year-end exchange rate and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity and are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the gain or loss on sale.

Starting from 2 February 2002 Lithuanian Litas is pegged to euro at the rate of 3.4528 Litas for 1 euro. The Group uses the exchange rate of 4.91289 Litas for 1 Latvian Latas (is calculated from Litas and Latas official exchange rate for euro) in the consolidated financial statements. The exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

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

2 Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2011:

– IAS 24 *Related Party Disclosures (Revised)* effective 1 January 2011
– IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* effective 1 July 2010
– Improvements to IFRSs (May 2010) effective 1 January 2011 (with exceptions stated below effective 1 July 2010)

The principal effects of these changes are as follows:

IAS 24 *Related Party Disclosures (Revised)*

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard did not have an impact on the Group's financial statements for the year ended 31 December 2011.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation did not have an impact on the Group's financial statements for the year ended 31 December 2011.

Improvements to IFRSs (May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments are generally applicable for annual periods beginning on or after 1 January 2011 unless otherwise stated. The important amendments for the Group are:

- IFRS 3 *Business combinations*. The amendment clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The amendment is applicable to annual periods beginning on or after 1 July 2010 and applied prospectively from the date the entity applies IFRS 3.
  The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards. The amendment is applicable to annual periods beginning on or after 1 July 2010 and applied prospectively.
  The amendments did not have an impact on the Group's financial statements for the year ended 31 December 2011.
- IFRS 7 *Financial instruments: Disclosures*. The amendment clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period, and (v) by clarifying that only financial assets with carrying amounts that do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk. It applied retrospectively. The Group reflects the revised disclosure requirements in Notes 15, 17, 18, 28.
- IAS 1 *Presentation of financial statements*. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. It applied retrospectively. The amendment did not have an impact on the Group's financial statements for the year ended 31 December 2011, because the Group has presented this analysis in the statement of changes in equity in its prior year's financial statements already.
- IAS 34 *Interim financial reporting*. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around (i) the circumstances likely to affect fair values of financial instruments and their classification; (ii) transfers of financial instruments between different levels of the fair value hierarchy; (iii) changes in classification of financial assets; and (iv) changes in contingent liabilities and assets. It applied retrospectively. The Group reflects the revised disclosure requirements in its interim condensed financial statements in 2011.

2 Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the Group's financial statements and on the accounting policies:

- IFRS 1 *First-time adoption of International Financial Reporting Standards.*
- IFRS 3 *Business combinations*. Clarifies that contingent consideration arising from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005).
- IAS 27 *Consolidated and separate financial statements*. The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21, IAS 28 and IAS 31 apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier.
- IFRIC 13 *Customer loyalty programmes.* The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programmes.

For the Group are not relevant the mentioned below standard's amendments, which has to apply from 1 January 2011:

- Amendment to IFRS 1 *Limited exemption from comparative IFRS 7 disclosures for first-time adopters* effective 1 July 2010.
- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirements* effective 1 January 2011.

Standards adopted by the EU but not yet effective

IFRS 7 *Disclosures - Transfers of Financial Assets* (effective for annual periods beginning on or after 1 July 2011)

The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment affects disclosure only and would have no impact on the Group's financial position or performance. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

Standards not yet adopted by the EU

Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012 once adopted by the EU)

The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The amendment would have no impact on the Group's financial position or performance.

Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012 once adopted by the EU),

The amendments change the disclosure of items presented in other comprehensive income. It require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on the Group's financial position or performance..

IAS 19 *Employee Benefits (Amendment)* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU)

The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group has to recognise all actuarial gains and losses in other comprehensive income, not in the profit or loss as currently, and to present service cost and net interest in separate line in the income statement. The Group is currently assessing the full impact of the remaining amendments.

2 Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Standards not yet adopted by the EU (cont'd)

IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU)

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and separate financial statements* and SIC-12 *Consolidation - special purpose entities*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU)

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Ventures*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group has used equity accounting for the interests in joint ventures already. The Group is currently assessing the full impact of the other changes regarding of the new standard on its financial statements.

IFRS 12 *Disclosure of Interest in Other Entities* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU)

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. A number of new disclosures are also required. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 13 *Fair value measurement* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU)

IFRS 13 aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

IAS 27 *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU)

IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 *Consolidated Financial Statements*. The Group is currently assessing the impact of the amended standard on its financial statements.

IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU)

The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group is currently assessing the impact of the amended standard on its financial statements.

Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014 once adopted by the EU)

The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is currently assessing the impact of the amended standard on its financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2013 once adopted by the EU).

The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

2 Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Standards not yet adopted by the EU (cont'd)

IFRS 9 *Financial Instruments Part 1: Classification and Measurement* (effective for financial years beginning on or after 1 January 2015 once adopted by the EU)

IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

In subsequent phases, the IASB will address classification and measurement of hedge accounting and impairment of financial assets. The completion of this project is expected in 2013. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

For the Group are not relevant the mentioned below standard's amendments:

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU)
– IFRIC 20 *Striping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU)
– Amendments to IFRS 1 *Government Loans* (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU)

2 Summary of significant accounting policies (cont'd)

2.2. Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method over the following estimated useful lives.

Buildings	8–66 years
Machinery and equipment	5–10 years
Vehicles	4–10 years
Other non-current assets	2–8 years

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

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

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

2.3. Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the consolidated Group, are classified as investment properties. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Land is not presented separately from the buildings as these assets cannot be acquired or sold separately.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement within "Net gains (losses) from fair value adjustments on investment property" in the year of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

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

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

2 Summary of significant accounting policies (cont'd)

2.4. Intangible assets other than goodwill

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

Contracts and customer relationship

Contracts include information technology solution service contracts acquired during information technology solutions entities acquisition and the dwelling-houses facilities management and the market management contracts acquired during dwelling-houses facilities management's entity acquisition. Customer relationship was acquired during information technology solutions entities acquisition.

Contracts and customer relationship assured on the acquisition of subsidiaries are capitalised at the fair value established on acquisition and treated as an intangible asset. Following initial recognition, contracts are carried at cost less any accumulated impairment losses. The information technology solution service contracts and customer relationship are amortised during 2 - 10 years, the dwelling-houses facilities management contracts are amortised during 2.5 - 5 years, the market management contract – 11 years.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 3-4 years.

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

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised during 4 years.

2.5. Business combinations and goodwill

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. from 1 January 2010 (until that they were included in the acquisition cost). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. In the business combinations, which was incurred prior to 1 January 2010, subsequent adjustments to the contingent consideration were recognised as part of goodwill.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2 Summary of significant accounting policies (cont'd)

2.5. Business combinations and goodwill (cont'd)

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

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

2.6. Investments in associates (the Group)

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

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

2.7. Investments in joint ventures (the Group)

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

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

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

2 Summary of significant accounting policies (cont'd)

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

Investments in subsidiaries, associates and joint ventures in the Company's stand-alone financial statements are carried at cost, less impairment. The Company assesses at each reporting date whether there is an indication that investments in subsidiaries, associates and joint ventures may be impaired. If any such indication exists, the Company makes an estimate of the investment's recoverable amount. The impairment test is performed as outlined in Note 2.11, and in addition the market value of debt is deducted from the recoverable amount.

2.9. Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) 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.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.10. Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the income statement within "impairment and allowance", except for property previously revaluated where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

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

<u>Goodwill</u>

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

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

2 Summary of significant accounting policies (cont'd)

2.11. Financial assets

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

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

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

<u>Financial assets at fair value through profit or loss</u>

The Group classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception.

(i) Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separable embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

(ii) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy requires the Management Board to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Gains or losses on financial assets at fair value through profit or loss are recognized in profit and loss within "Net change in fair value of financial instruments at fair value through profit or loss". Interest on debt securities at fair value through profit or loss is recognized within finance income based on the effective interest rate. Dividends earned on investments are recognised in the income statement as other income when the right of payment has been established. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through amortisation process. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'loans granted', 'trade and other receivables', 'deposits', 'restricted cash' and 'cash and cash equivalents' in the statement of financial position (see Notes 15, 17, 18, 19).

<u>Available-for-sale financial instruments</u>

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised as other comprehensive income in the net unrealised gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as other income when the right of payment has been established. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 Summary of significant accounting policies (cont'd)

2.11. Financial assets (cont'd)

Fair value

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12. Derivative financial instruments and hedge accounting

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

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

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

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

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

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

As at 31 December 2010, the Group had an interest rate swap used as a hedge for the exposure to the changes in the variable interest rate of loans only. It is expired in 2011 and as at 31 December 2011 the Group has not any derivative financial instruments.

<u>Cash flow hedges</u>

The effective portion of the gain or loss on the hedging instrument is recognised directly in as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement.
Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

2 Summary of significant accounting policies (cont'd)

2.12. Derivative financial instruments and hedge accounting (cont'd)

Current versus non-current classification

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

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

2.13. Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each reporting date whether is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:
- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss within "impairment, write-down, allowances and provisions".

The Group assesses whether objective evidence of impairment exists individually for financial assets. When financial asset is assessed as uncollectible and all collateral has been realised or has been transferred to the Group the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to pay to creditors, the debtor could not be found.

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

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

2 Summary of significant accounting policies (cont'd)

2.13. Impairment of financial assets (cont'd)

Available-for-sale financial investments

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.14. Inventories

Raw materials, finished goods and work in progress

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are valued at the lower of cost and net realisable value, after impairment evaluation for obsolete and slow – moving items. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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

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

Residential real estate

Properties initially acquired for development and subsequent resale are initially recognised at the cost of purchase. The cost of residential real estate comprises construction costs and other direct cost related to property development, including borrowing costs. Investment properties that are being developed for future sale are reclassified as inventories at their deemed cost, which is the carrying amounts at the date of reclassification. Inventories are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses. Residential real estate include assets that are sold as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date.

2.15. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16. Cash and cash equivalents

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

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

The cash or short-term deposits, which use is restricted, are presented in caption 'restricted cash' in the statement of financial position (see Note 19).

2 Summary of significant accounting policies (cont'd)

2.17. Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as follows:

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18. Derecognition of financial assets and liabilities

Financial assets

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

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

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

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2 Summary of significant accounting policies (cont'd)

2.19. Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.20. Lease

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

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

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

<u>Financial lease</u>

Group as a lessee

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

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

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

<u>Operating lease</u>

Group as a lessee

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

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

Group as a lessor

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

2 Summary of significant accounting policies (cont'd)

2.21. Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

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

Disposal of investments

Gain (loss) from sale of investment is recognised when the significant risk and rewards of ownership of the investment have passed to the buyer and are recognised within operating activity, as the parent company treats the securities trading as its main activity.

Long-term contracts

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over lease term, on a straight-line basis, as a reduction of rental income.

Interest income

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

Dividends income

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

2.22. Dividends distribution

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

2.23. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.24. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (cont'd)

2.24. Current and deferred income tax (cont'd)

The standard income tax rate in Lithuania was 15 % in 2011 and in 2010. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15 % income tax rate has been established for indefinite period starting 1 January 2010. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

The standard income tax rate in Norway is 28 %. In Luxembourg the standard income tax rate is 28.80 % with a minimum flat corporate income tax of LTL 5 thousand.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

By Lithuanian Income Tax Law shall be not taxed sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or will be met by judgement of the management of the Company, there are not recognised any deferred tax liabilities or assets in respect of temporary differences associated with this investments.

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

Deferred tax asset are not recognised:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.25. Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The amount of the grants related to assets is recognized as deferred income and released to income in equal annual amounts over the expected useful life of related asset. In the income statement, depreciation expense account is decreased by the amount of grant amortisation.

2.26. Provisions

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

Contingent liabilities recognised in a business combination (applicable as of 1 January 2010)
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:
- the amount that would be recognised in accordance with the general guidance for provisions above (IAS 37) or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (IAS 18).

2.27. Segments

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

2.28. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2 Summary of significant accounting policies (cont'd)

2.29. Employee benefits

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 payroll expenses.

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 and 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 reporting date are discounted to present value.

Bonus plans

The Company and 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.

Pension and anniversary obligations

The Group's company AB Vilniaus Baldai has collective labour agreement. According to the agreement each employee has right to receive age and seniority anniversary benefit and 2 – 3 month an amount on retirement subject to years of service. This is the unfunded defined benefit pension plan. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The cost of providing benefits under this plan is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the income statement. Past-service costs are recognised immediately as expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. All expenses related to the pension and anniversary obligations are recognised within "employee benefits expenses".

2.30. Share - based payments

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee benefits expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 Summary of significant accounting policies (cont'd)

2.30. Share - based payments (cont'd)

Share - based payments – modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.31. Significant accounting judgements and estimates

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

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

Judgements

In the process of applying the Group accounting policies, management has made the following judgement, which has most significant effect on the amounts recognised in the consolidated financial statements:

Financial assets designated at fair value through profit and loss on initial recognition

The shares of Trakcja - Tiltra S.A. were designated at fair value through profit or loss on initial recognition because the Management believes that this presentation represents best the way this investment is managed and its performance is evaluated and provides more relevant information to the users of financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2 Summary of significant accounting policies (cont'd)

2.31. Significant accounting judgements and estimates (cont'd)

The significant areas of estimation used in the preparation of these financial statements are discussed below.

Fair value of investment properties

Investment properties have been valued on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics or on the sales comparison approach method which refers to the prices of the analogues transactions in the market or on the basis of their highest and best use which are subject to uncertainty. The highest and best use concept considers in the valuation not only the existing use but any possible use of the asset, determined from the market evidence. Accordingly, fair value is the highest value by consideration of any use which is financially feasible and justifiable and reasonably probable. A use that is not legally permissible or physically possible was not considered a highest and best use. Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The fair value of the investment properties as at 31 December 2011 was LTL 248,597 thousand (as at 31 December 2010 – LTL 240,573 thousand) (described in more details in Note 11).

Impairment of loans granted and trade receivables

The impairment loss of trade receivable and loans granted was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables and loans. These accounting estimates require significant judgement. Judgement is exercised based on net assets value for subsidiaries, on significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates could change significantly as a result of change in situation in the market and the economy as a whole. Carrying amounts of loans and receivables are disclosed in Notes 15 and 17.

Deferred income tax assets

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and amount of future taxable profits together with future tax planning strategies.

Deferred income tax asset is recognized on separate company basis taking into account future performance plans of those companies. For the loss making Group entities other than the Company, deferred tax asset is recognized only to the extent deferred tax liability was available and the realization period allows offsetting. No deferred tax asset is recognized from tax losses carry forward of LTL 20,951 thousand as 31 December 2011 (as at 31 December 2010 – LTL 13,632 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2011 in the total deferred tax asset balance of the Group the amount of LTL 4,973 thousand (as at 31 December 2010 – LTL 4,327 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and only LTL 2,936 thousand (as at 31 December 2010 – LTL 4,538 thousand) was recognized from the taxable losses of other group entities, net of transferred tax losses within the Group (Note 6).

Tax legislation

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

Other areas involving estimates include useful lives of property, plant and equipment, intangible assets, inventory write-down and allowances for accounts receivable, provisions, share-based payments, fair value of derivatives, post-employment and other long term employee benefits liabilities. According to the management, these estimates do not have significant risk of causing a material adjustment.

2 Summary of significant accounting policies (cont'd)

2.32. Contingencies

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

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

2.33. Events after the reporting period

Events after the reporting period that provide additional information about the Group's position as at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.34. Comparative figures

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year (see Note 4 and 7).

3 Business combinations and acquisition of non-controlling interests

The movement of investments in associates and joint ventures was as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
At 1 January	**125,512**	**169,436**	**110,916**	**136,450**
Share of (loss)/ profit	1,865	26,244	-	-
Share of exchange differences	(992)	1,590	-	-
Share of cash flow hedge reserves	677	1,355	-	-
Acquisition of non-controlling interest in subsidiary held by associate	-	1,074	-	-
Increase of share capital	1,450	850	1,450	850
Acquisition	38,581	-	6	-
Disposals of real estate companies	-	-	-	(3,725)
Disposals (Note 7)	(126,116)	(2,287)	(109,558)	(705)
Reversal of impairment due to disposals	-	-	1,655	3,725
Impairment	-	-	-	-
Reclassification of allowance on loans capitalized within share capital of associates	-	(675)	-	(675)
Reclassification to assets held for sale (Note 7)	(1,708)	(72,075)	(3,745)	(25,004)
At 31 December	**39,269**	**125,512**	**724**	**110,916**

The movement of investments in subsidiaries in the Company was as follows:

	Company	
	2011	**2010**
At 1 January	**87,398**	**81,311**
Acquisition	10	10
Acquisition of non-controlling interest	173	-
Establishment of subsidiaries and increase of share capital (nominal amount of loans capitalised)	21,839	22,585
Reclassification of allowance on loans capitalized within share capital of subsidiaries	(16)	(10,089)
Disposals of real estate companies	-	(16,006)
Reversal of impairment due to disposals	-	16,006
Reversal of impairment due to increase of recoverable amount of the investments	2,889	4,343
Additional impairment charge for the year	(12,686)	(10,725)
Other	-	(37)
At 31 December	**99,607**	**87,398**

Analysis of cash flows on acquisition:

	2011	**2010**
Consideration paid in cash	(8,688)	(2,350)
Cash acquired with the subsidiary	1,131	258
Acquisition of subsidiaries, net of cash acquired	**(7,557)**	**(2,092)**

If the acquisition of the subsidiaries in 2011 had occurred on 1 January 2011, the consolidated revenue would have been LTL 323,435 thousand and consolidated net profit would have been LTL 215,403 thousand for the year of 2011.

If the acquisition of the subsidiaries in 2010 had occurred on 1 January 2010, the consolidated revenue would have been LTL 270,110 thousand and consolidated net profit would have been LTL 50,250 thousand for the year of 2010.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2011

UAB Lauko Gėlininkystės Bandymų Stotis

On 4 January 2011, the Group acquired 51 % of shares of UAB Lauko Gėlininkystės Bandymų Stotis for LTL 911 thousand (all amount paid in cash) from Valstybės Turto Fondas (the State Property Fund). Acquisition-related cost was equal to nil.

The acquiree operates in field of growing and trading of ornamental trees and shrubs. Operations of the company acquired are meant to be continued also developing the owned real estate.

The fair values of the identifiable assets and liabilities of UAB Lauko Gėlininkystės Bandymų Stotis were:

	Fair values recognised on acquisition
Property, plant and equipment	1,437
Inventories	597
Trade and other receivables	11
Other current assets	29
Cash and cash equivalents	275
Total assets	**2,349**
Deferred tax liabilities	(158)
Other current liabilities	(63)
Total liabilities	**(221)**
Total identifiable net assets	**2,128**
Non-controlling interests measured at fair value	(500)
Acquired net assets	1,628
Profit from bargain purchases	(717)
Total consideration transferred	**911**

On 22 July 2011, the Group acquired 49 % of shares of UAB Lauko Gėlininkystės Bandymų Stotis for LTL 500 thousand. Now the Group owns 100 % of the shares of UAB Lauko Gėlininkystės Bandymų Stotis. The value of the additional interest acquired was LTL 542 thousand. The positive difference equal to LTL 42 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

Acquired business contributed revenues of LTL 1,448 thousand and suffered the net loss of LTL 59 thousand to the Group during the year of 2011.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2011 (cont'd)

UAB Jurita

On 4 August 2011 the Group acquired 100 % of the shares of UAB Jurita from Vilnius municipality for LTL 2,519 thousand (the total acquisition price paid in cash). The acquiree manages dwelling-houses in Vilnius district Justiniškės. The acquisition is expected to increase the Group's market share in a facility management and reduce cost through a synergy. Acquisition-related cost was equal to nil.

The fair values of the identifiable assets and liabilities of UAB Jurita were:

	Fair values recognised on acquisition
Intangible assets (were not recognised in the financial statements of the acquiree)	150
Investment property	2,578
Property, plant and equipment	33
Inventories	32
Trade and other receivables	294
Other current assets	11
Term deposits and restricted cash	1,103
Cash and cash equivalents	586
Total assets	**4,787**
Deferred tax liabilities	(184)
Non - current liabilities	(955)
Other current liabilities	(361)
Total liabilities	**(1,500)**
Total identifiable net assets	**3,287**
Profit from bargain purchases	(768)
Total consideration transferred	**2,519**

Acquired business contributed revenues of LTL 1,142 thousand and net profit of LTL 319 thousand to the Group for the period from 1 August 2011 to 31 December 2011.

The fair value of acquired trade receivables is LTL 294 thousand. The gross contractual amount for the acquired trade receivables due is LTL 542 thousand, of which LTL 248 thousand is expected to be uncollectible.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2011 (cont'd)

Acquisition of Norway Registers Development, AS

On 28 November 2011, UAB BAIP Grupė (the Group owns 80 % of the shares of this company) acquired 100 % of the shares of Norwegian company Norway Registers Development, AS, owning 70.73 % of the shares of UAB NRD in Lithuania. The total consideration was LTL 4,298 thousand. Acquisition-related costs were LTL 181 thousand and were included in other operating expenses. The contract on acquiring of 100% of shares of Norway Registers Development, AS was signed by the Group on 20 October 2011.

The acquired company specializes in the programming of register systems including legislation development, project implementation and support. As a result of the acquisition, the Group is expected to enter into new international markets and to expand the portfolio of services in the critical infrastructure field. The goodwill of LTL 1,600 thousand arising from acquisition is attributable to assembled workforce and economies of scale expected from combining the operations of the companies of the information technology segment and Norway Registers Development, AS. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Norway Registers Development, AS, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, based on preliminary assessment:
Consideration:

Cash	4,143
Contingent consideration	155
Total consideration	**4,298**

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value recognised on acquisition
Intangible assets (assets with fair value of LTL 2,026 thousand were not recognised in the financial statements of acquiree)	2,052
Property, plant and equipment	977
Deferred income tax asset	130
Trade and other receivables	576
Prepaid income tax	32
Prepayments and deferred charges	1,656
Financial assets held for trading	261
Cash and cash equivalents	175
Total assets	**5,859**
Deferred tax liabilities	(344)
Non current bank borrowings and lease liabilities	(724)
Income tax liabilities	(73)
Other current liabilities	(1,113)
Total liabilities	**(2,254)**
Total identifiable net assets	**3,605**
Non-controlling interest, measured as a proportion of net assets acquired	(907)
Acquired net assets	2,698
Goodwill arising on acquisition	1,600
Total consideration transferred	**4,298**

The contingent consideration arrangement requires the group to pay the former owners of Norway Registers Development, AS 50% of the positive difference between the total EBITDA for the years 2011–2013 and EUR 900 thousand (LTL 3,108 thousand). The maximum undiscounted amount of the payment is unlimited. The fair value of the contingent consideration arrangement of LTL 155 thousand was estimated by applying the income approach. The fair value estimates are based on a discount rate of 7 % and assumed probability-adjusted profit in the acquiree of LTL 967 thousand to LTL 1,554 thousand and the maximum undiscounted amount of the payment of LTL 452 thousand. There are no changes in the fair value estimates between acquisition date and reporting date.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2011 (cont'd)

Acquisition of Norway Registers Development, AS (cont'd)

The fair value of trade and other receivables is LTL 576 thousand and is equal to gross contractual amount.

Acquired business contributed revenues of LTL 1,462 thousand and net profit of LTL 417 thousand to the Group for the period from 1 December 2011 to 31 December 2011.

UAB Puškaitis, UAB Žemynėlė and UAB IŽB 1

On 30 September 2011, the Group acquired 100 % of the shares of UAB Puškaitis and UAB Žemynėlė. On 22 December 2011, the Group acquired 100 % of the shares of UAB IŽB 1. The total consideration was LTL 1,115 thousand (the total acquisition price paid in cash). The companies are investing in agricultural land. Acquisition-related cost was equal to nil.

The fair value of assets and liabilities of UAB Puškaitis, UAB Žemynėlė and UAB IŽB 1 were:

	Fair values recognised on acquisition
Investment properties	9,627
Trade receivables	397
Deferred tax assets	38
Other current assets	11
Cash and cash equivalents	95
Total assets	**10,168**
Deferred tax liabilities	(78)
Non current bank borrowings	(2,509)
Short-term borrowings and other liabilities refinanced by the Group	(6,654)
Other current liabilities	(31)
Total liabilities	**(9,272)**
Total identifiable net assets	**896**
Fair value adjustment on investment properties	219
Total consideration transferred	**1,115**

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2010

UAB Priemiestis

On 2 August 2010 the Group acquired 100 % shares of UAB Priemiestis from the municipality of Vilnius for LTL 2,251 thousand (the total amount paid in cash). The acquiree manages dwelling-houses in Vilnius district Naujoji Vilnia. The acquisition is expected to increase the Group's market share in a facilities management segment and reduce cost through a synergy. Acquisition-related cost was nil.

The fair values of the identifiable assets and liabilities of UAB Priemiestis at the acquisition date were:

	Fair values recognised on acquisition
Intangible assets (were not recognised in the financial statements of acquiree)	2,497
Property, plant and equipment	687
Inventories	29
Trade receivables	723
Other current assets	27
Restricted cash	44
Cash	249
Total assets	**4,256**
Non-current liabilities	(304)
Deferred income tax liability	(374)
Current liabilities	(1,327)
Total liabilities	**(2,005)**
Total identifiable net assets at fair value	**2,251**
Goodwill	**-**
Total consideration transferred	**2,251**

Acquired business contributed revenues of LTL 1,562 thousand and the net profit of LTL 117 thousand to the Group for the period from 1 August 2010 to 31 December 2010.

The fair value of acquired trade receivables is LTL 723 thousand. The gross contractual amount for the acquired trade receivables due is LTL 921 thousand, of which LTL 166 thousand is expected to be uncollectible.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Establishment of companies (increase of share capital) in 2011 and 2010

During the year of 2011 the Group has established these new companies: UAB Inreal GEO, Invalda Lux S.a.r.l, UAB Perspektyvi Veikla, UAB Via Solutions, UAB Minijos Valda. UAB Naujosios Vilnios Turgavietė was separated from UAB Priemiestis. Also a dormant company UAB Cedus was acquired. The total amount of these investments is LTL 119 thousand (from this amount the Company has invested LTL 109 thousand).

In December 2011 the Company and the Group invested LTL 21,740 thousand and LTL 22,810 thousand additionally to increase share capital of subsidiaries, mainly converting loans granted to shares.

In December 2010 the Company established five new subsidiaries for the total contribution of LTL 50 thousand. Subsidiaries should be used for the development of new projects, in case such occur. The Group has also established UAB Agrobitė for the contribution of LTL 230 thousand. It is used for investment in agricultural land.

In December 2010 the Company invested LTL 22,510 thousand to increase share capital of subsidiaries, mainly converting loans granted to shares. The Company has acquired UAB Elniakampio Namai from the Group company UAB Aikstentis for LTL 1 and then has invested LTL 25 thousand to increase its share capital.

The Group has invested LTL 4,042 thousand to increase share capital of UAB Fortina and UAB Vitma converting loans granted to shares.

Other acquisitions and disposals in 2011 and 2010

The Group has acquired back the real estate company UAB BNN, which owns the investment property with carrying amount of LTL 1,400 thousand, when the debt owed by UAB BNN was obtained from UAB Nerijos Būstas as collateral of trade receivables of the Group. The obtained debt was capitalized into share capital of UAB BNN. The Group has recognised profit of LTL 173 thousand in other income in the profit (loss) statement from the acquisition.

In the 2nd Quarter of 2010 the Company and the Group earned profit of LTL 57 thousand for the increase of price of mandatory sale of SEB shares (the shares were sold by a liquidated subsidiary in the past).

During the second half year of 2010 the group structure of UAB MBGK was changed by transaction meant to separate from and to reckon with the other shareholder of UAB MBGK. One part of the transaction was an acquisition of 77.46 % of AB Invetex owned by the above mentioned company for LTL 5,253 thousand. The Group has paid LTL 99 thousand in cash and rest LTL 5,154 thousand was set-off. The Group has acquired cash LTL 9 thousand with AB Invetex, so net of cash acquired is equal to LTL (90) thousand. The main assets of AB Invetex are loans granted to the Group, so the acquisition reduced Group liabilities by LTL 4,213 thousand. Due to the acquisition non-controlling interests increased by LTL 1,505 thousand (measured at the non-controlling interest's proportionate share of the net assets).

During the second part of the transaction the Company sold owned 50 % of shares of UAB MBGK for LTL 2,365 thousand to UAB MGK Invest, but later these companies was reacquired by the Group as a subsidiaries (the Company has acquired for LTL 10 thousand 100 % of shares of UAB MGK invest, which has acquired 100% of shares of UAB MBGK). The Company and the Group earned profit LTL 1,665 thousand and LTL 45 thousand, respectively.

Non – controlling interest acquisition in 2011

The Group acquired 0.13 % of the shares of AB Vilniaus baldai and 6.41 % of the shares of AB Invetex for LTL 544 thousand. The value of the additional interest acquired was LTL 548 thousand. The positive difference equal to LTL 4 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

Non – controlling interest acquisition in 2010

There were no non – controlling interest acquisitions in 2010.

Additional acquisition of associates and joint ventures in 2011

In August 2011 the Group acquired additionally shares for LTL 6 thousand. Also in September 2011 the Company invested LTL 1.350 thousand additionally to increased share capital of AB Umega converting loans granted to shares. As consequence the share of stock held by the Group was increased from 19.42 until 29.27 percent. The value of the additional interest acquired was LTL 1.418 thousand and in the income statements has been recognised profit of LTL 62 thousand. See Note 7 and 31, where information about the sale of shares of AB Umega after the reporting period is described.

In December 2011 Group invested additionally LTL 100 thousand to share capital of UAB Dommo Nerija converting granted loan to shares.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Additional acquisition of associates and joint ventures in 2011 (cont'd)

Investment to UAB Litagra

On 7 November 2011, the Group signed an agreement to invest into UAB Litagra shares of. The share capital increase of UAB Litagra was concluded on 15 December 2011, when a permission of the Competition Council was received. The Group invested a total of LTL 38,575 thousand into shares of UAB Litagra: LTL 37.092 thousand was invested into new share issue by converting before granted loans and existing shares were acquired from the current shareholders for LTL 1,483 thousand in cash. After the transaction the Group owns 36.88% shares of UAB Litagra, the chairman of the board of UAB Litagra Mr. Gintaras Kateiva - 37%, investment fund Amber Trust II – 18%, Mr. Dziugas Grigaliunas and Mr. Adomas Grigaitis, managers of Litagra Group, - 6.4% and 1.7% respectively.

The companies of Litagra Group are engaged in the primary crop and livestock (milk) production, grain processing and agricultural services. Group companies trade in plant protection products, fertilizers, seeds, compound feed, feed supplements, veterinary products. Moreover, companies trade grain, provide grain and other raw materials drying, cleaning, loading and storage services. Group companies provide agricultural services in Lithuania, Latvia and Estonia.

The Company also signed Shareholders Agreement regarding the management of Litagra with other shareholders of UAB Litagra: Mr. Gintaras Kateiva, investment fund Amber Trust II, Mr. Dziugas Grigaliunas and Mr. Adomas Grigaitis.

UAB Litagra is accounted as an associate in the financial statements using equity method. The acquisition of UAB Litagra is reflected in the financial statements according to the data of UAB Litagra financial position statement for the year ended 31 December 2011. Therefore, it would not have any impact to the Group net profit for the year 2011. The valuation of fair value of the identifiable assets acquired and liabilities assumed is not yet completed. Therefore, the amounts of the identifiable assets acquired and liabilities assumed are not shown in this financial statement. Based on a provisional assessment, the amount of acquired net assets is approximate to the consideration paid.

Additional acquisition of associates and joint ventures in 2010

In 2010 there were no new acquisitions of associates and joint ventures, except for investment of LTL 850 thousand to share capital of UAB Dommo Nerija converting granted loan to shares.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Disposals in 2011

Net gains (losses) on disposal of subsidiaries, associates and joint ventures are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
Net gain (loss) on sale of subsidiaries	-	15,272	-	(15,948)
Net gain (loss) on sale of associates and joint ventures	-	78	338,948	(2,065)
Direct costs of disposal of subsidiaries, associates and joint ventures	-	-	(20,510)	-
	-	15,350	318,438	(18,013)

Disposals in 2010

Disposal of companies attributable to the Real estate segment

On 31 March 2010 the Group sold shares of Lithuanian real estate investors UAB Broner, UAB Nerijos būstas, UAB Saulės Investicija (all mentioned ones are the subsidiaries) and Latvian SIA Dommo Grupa (latter mentioned is the associate). Each company was sold for 1 LTL. All of these companies were in the process of being filed for bankruptcy. The projects became unfeasible because of the change in market situation, bank's decision to cease financing and its refusal to search for constructive solutions in regard to realization of the assets. On 31 May 2010 the Group sold shares of a subsidiary UAB BNN for 1 LTL (the subsidiary is related with a project, which was developed by the above mentioned companies). The Company suffered loss of LTL 19,731 thousand, but there was reversal of impairment of the same amount (LTL 19,731 thousand), which was recognised in 2008 and 2009 for these investments. Therefore, overall impact on profit or loss of the Company, as a result of the sale of these companies, was equal to nil.

The carrying values of sold companies' identifiable assets and liabilities as at the date of disposal and impact to Group profit or loss were:

	Carrying value
Investment property	24,700
Residential real estate	14,465
Loans granted	4,168
Other current assets	1,334
Cash	11
Total assets	**44,678**
Borrowings	(47,605)
Trade and other receivables	(10,081)
Deferred tax liability	(412)
Other payables	(1,802)
Total liabilities	**(59,900)**
Group's net assets sold	**(15,222)**
Non-controlling interests	**7**
Group's net assets attributed to equity holders of the parent	**(15,215)**
Profit from sale	15,215
Allowance for Group receivables from sold companies	(10,739)
Net loss of sold companies for the year ended 31 December 2010	(972)
Overall impact of sold companies to Group's net profit (loss) for the year ended 31 December 2010	**3,504**
Proceeds from sale	**-**
Cash sold	(11)
Net cash received	**(11)**

3 Business combinations and acquisition of non-controlling interests (cont'd)

Disposals of associates and joint ventures in 2011

See Note 7 for detailed information of sale of shares of AB Kauno Tiltai, Tiltra Group AB, AB Sanitas.

Disposals of associates and joint ventures in 2010

During the second half year of 2010 the Group sold joint venture UAB RGJ Investicija. The Company has suffered loss of LTL 5 thousand and the Group has earned profit of LTL 33 thousand. The above is mentioned about sales of SIA Dommo Grupa and UAB MBGK.

4 Segment information

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocations and performance assessment. Segment performance is evaluated based on net profit or loss and it is measured on the same basis as net profit or loss in the financial statements. Group financing (including finance costs and finance revenue) and income taxes are allocated between segments as they are identified on basis of separate legal entities. Consolidation adjustments and eliminations are not allocated on a segment basis. Segment assets are measured in a manner consistent with that of the financial statements. All assets are allocated between segments, because segments are identified on basis of separate legal entities.

For management purposes, the Group is organised into following operating segments based on their products and services:

Furniture production

The furniture segment includes flat-pack furniture mass production and sale.

Real estate

The real estate segment is involved in investment in real estate, real estate management and administration, intermediation in buying, selling and valuation of real estate, in the geodesic measurement of land.

Facilities management (newly separated)

The facilities management segment is involved in facilities management of dwelling-houses, commercial and public real estate properties, and construction management. This segment is separated from real estate segment. After in 2010 incurred acquisition the operating results of the segment are presented to the Board of Directors of the Company and is analysed by it separately. The management of the segment is no longer accountable to the management of real estate segment. Respectively, the comparative figures were adjusted.

Agriculture

Agricultural activities include the primary crop and livestock (milk) production, grain processing and agricultural services. The segment's companies sell plant protection products, fertilizers, seeds, compound feed, feed supplements, veterinary products, buying grain, providing grain and other raw materials drying, cleaning, handling and storage services.

Information technology infrastructure

The information technology infrastructure segment is involved in offering IT infrastructure strategy, security and maintenance solutions and supplies of all hardware and software needed for IT infrastructure solutions of any size.

Other production and service segments

The other production and service segment is involved in hardware articles production, road signs production, wood manufacturing and other activities.

In the segment Note is no longer disclosed the road and bridge construction segment, which was reclassified to assets held-for-sale in the financial statements for the year ended 31 December 2010, and was disposed on 19 April 2011 and pharmacy segment, which was reclassified to assets held-for-sale on 30 June of 2011 and was disposed on 19 August of 2011.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation. Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

4 Segment information (cont'd)

The granted loans from the Company are allocated to other production and services segment. The impairment losses for these loans are allocated to a segment to which the loan are granted initially.

The following table presents revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2011:

	Furniture production	Real estate	Facility management	Agriculture	Information technology infrastructure	Other production and service	Elimination	Total continuing operations
Year ended 31 December 2011								
Revenue								
Sales to external customers	238,368	25,106	8,390	-	34,400	11,103	-	317,367
Inter-segment sales	-	1,577	2,320	-	130	5	(4,032)	-
Total revenue	**238,368**	**26,683**	**10,710**	**-**	**34,530**	**11,108**	**(4,032)**	**317,367**
Results								
Interest income	1,450	10	158	-	-	12,502	(7,371)	6,749
Other income	1,425	213	1,642	-	355	808	(1,082)	3,361
Net gain from fair value adjustment on investment property	-	(15,647)	160	-	-	760	-	(14,727)
Net gains on disposal of subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
Net changes in fair value of financial assets	-	-	-	-	8	(83,884)	-	(83,876)
Impairment, write-down, allowances and provisions	113	1,497	(128)	-	(7)	(20,187)	-	(18,712)
Employee benefits expense	(24,453)	(3,013)	(4,290)	-	(6,523)	(5,525)	-	(43,804)
Raw materials and consumables used	(155,917)	(91)	(1,033)	-	(20,416)	(6,833)	5	(184,285)
Depreciation and amortization	(6,390)	(262)	(558)	-	(2,012)	(1,039)	-	(10,261)
Interest expenses	(181)	(9,366)	(239)	-	(778)	(9,182)	7,371	(12,375)
Other expenses	(23,484)	(20,343)	(5,342)	-	(5,645)	(5,166)	5,109	(54,871)
Share of profit (loss) of the associates and joint ventures	-	448	-	-	-	(201)	-	247
Profit (loss) before income tax	30,931	(19,871)	1,080	-	(488)	(106,839)	-	(95,187)
Income tax credit (expenses)	(4,119)	2,021	(50)	-	(217)	16,115	-	13,750
Net profit for the year	**26,812**	**(17,850)**	**1,030**	**-**	**(705)**	**(90,724)**	**-**	**(81,437)**
Attributable to:								
Equity holders of the parent	19,314	(17,846)	1,030	-	(661)	(90,771)	-	(88,934)
Non-controlling interest	7,498	(4)	-	-	(44)	47	-	7,497
As at 31 December 2011								
Assets and liabilities								
Segment assets	116,061	271,516	12,152	-	26,951	305,965	(127,189)	605,456
Investment in associates and joint ventures	-	722	-	38,575	-	1,680	-	40,977
Total assets	**116,061**	**272,238**	**12,152**	**38,575**	**26,951**	**307,645**	**(127,189)**	**646,433**
Segment liabilities	**32,025**	**226,196**	**6,736**	**-**	**24,034**	**69,270**	**(127,189)**	**231,072**
Other segment information								
Capital expenditure:								
• Property, plant and equipment	5,921	366	181	-	1,428	2,197	-	10,093
• Investment properties	-	20,648	2,578	-	-	-	-	23,226
• Intangible assets	10	224	91	-	4,109	-	-	4,434

4 Segment information (cont'd)

The following table presents revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2010:

	Furniture production	Real estate	Facility manage-ment	Information technology infrastructure	Other production and service	Elimination	Total continuing operations
Year ended 31 December 2010							
Revenue							
Sales to external customers	197,214	31,197	4,554	27,554	7,508	-	268,027
Inter-segment sales	-	1,215	3,617	131	86	(5,049)	-
Total revenue	**197,214**	**32,412**	**8,171**	**27,685**	**7,594**	**(5,049)**	**268,027**
Results							
Interest income	1,773	176	124	-	8,531	(8,782)	1,822
Other income	1,250	97	265	232	1,658	(838)	2,664
Net gain from fair value adjustment on investment property	-	1,236	-	-	-	-	1,236
Net gains on disposal of subsidiaries, associates and joint ventures	-	15,215	-	-	135	-	15,350
Net changes in fair value of financial assets	-	-	-	-	(4,486)	-	(4,486)
Impairment, write-down, allowances and provisions	(72)	(10,995)	(176)	(5)	6,833	-	(4,415)
Employee benefits expense	(22,257)	(2,348)	(2,197)	(5,079)	(3,860)	-	(35,741)
Raw materials and consumables used	(121,584)	(34)	(636)	(16,663)	(4,546)	18	(143,445)
Depreciation and amortization	(6,397)	(604)	(233)	(1,819)	(1,362)	-	(10,415)
Interest expenses	(776)	(11,008)	(156)	(746)	(13,504)	8,783	(17,407)
Other expenses	(16,401)	(25,327)	(4,844)	(4,190)	(1,953)	5,868	(46,847)
Share of profit (loss) of the associates and joint ventures	-	1,226	-	-	(557)	-	669
Profit (loss) before income tax	32,750	46	318	(585)	(5,517)	-	27,012
Income tax credit (expenses)	(4,895)	2,864	128	(44)	1,824	-	(123)
Net profit for the year	**27,855**	**2,910**	**446**	**(629)**	**(3,693)**	**-**	**26,889**
Attributable to:							
Equity holders of the parent	20,057	597	446	(503)	(3,722)	-	16,875
Non-controlling interest	7,798	2,313	-	(126)	29	-	10,014
As at 31 December 2010							
Assets and liabilities							
Segment assets	108,717	266,740	8,347	16,285	101,583	(101,996)	399,676
Investment in associates and joint ventures	-	175	-	-	555	-	730
Total assets	**108,717**	**266,915**	**8,347**	**16,285**	**102,138**	**(101,996)**	**400,406**
Segment liabilities	**35,946**	**212,001**	**6,361**	**14,342**	**230,558**	**(101,996)**	**397,212**
Other segment information							
Capital expenditure:							
• Property, plant and equipment	2,303	694	109	923	390	-	4,419
• Investment properties	-	746	-	-	-	-	746
• Intangible assets	247	2,505	4	345	18	-	3,119

4 Segment information (cont'd)

Reconciliation the segment's assets to total assets in the statement of financial position:

	Group	
	2011	2010
Segment assets	646,433	525,188
Road and bridge construction segment assets (discontinued operations)	-	72,075
Total assets	**646,433**	**597,263**

In 2011 employee benefits expense included LTL 9,294 thousand social security contribution paid by employer (2010: LTL 7,818 thousand) and LTL 2,698 thousand social security contribution paid by employee (2010: 2,269 LTL thousand)

Analysis of revenue by category:

	Group	
	2011	2010
Sales of goods		
Furniture production	238,366	197,209
Sales of residential real estate	1,433	7,426
IT sector revenue	21,328	20,261
Sales of other production	10,967	7,451
Total	**272,094**	**232,347**
Revenue from services		
Rent and other real estate income	23,673	23,771
IT sector revenue	13,072	7,293
Facilities management revenue	8,390	4,554
Furniture sector revenue	2	5
Other services revenue	136	57
Total	**45,273**	**35,680**
Total revenue	**317,367**	**268,027**

The entity is domiciled in the Lithuania. The result of its revenue from external customers in the Lithuania is LTL 79,184 thousand (2010: LTL 69,964 thousand), and the total of revenue from external customers from other countries is LTL 238,183 thousand (2010: LTL 198,063 thousand).

Analysis of revenue from external customers by group of countries other than Lithuania:

	Group	
	2011	2010
European Union countries	211,016	164,395
Other than European Union countries	27,167	33,668
Total	**238,183**	**198,063**

The following table presents non-current assets other than financial instruments and deferred tax assets regarding Group's geographical distribution for the years ended 31 December 2011 and 2010:

	Lithuania	EU countries	Total continuing operations
Year ended 31 December 2011	299,967	323	300,290
Year ended 31 December 2010	289,939	-	289,939

Revenues of LTL 232,379 thousand (2010: LTL 193,074 thousand) are derived from a single external customer and these revenues are attributable to the furniture productions segments. Revenues of LTL 22,290 thousand (2010: LTL 18,287 thousand) are derived from another single external customer and the majority of these revenues are attributable to the information technology segments.

5 Other revenues and expenses

5.1. Net changes in fair value on financial instruments

	Group		Company	
	2011	**2010**	**2011**	**2010**
Gain (loss) from shares of Trakcja – Tiltra S.A.	(76,564)	-	(76,564)	-
Net gain (loss) from financial assets designated upon initial recognition at fair value through profit or loss, total	*(76,564)*	-	*(76,564)*	-
Gain (loss) from bonds of Trakcja – Tiltra S.A.	(5,507)	-	(5,507)	-
Gain (loss) from derivative representing the share sale price adjustment of AB Sanitas according to the agreement (in the Group is included in the discontinued operations)	-	-	43,715	-
Other	(1,805)	(4,706)	405	3,337
Net gain (loss) from financial assets held for trading, total	*(7,312)*	*(4,706)*	*38,613*	*3,337*
Net gain (loss) from financial assets at fair value through profit or loss, total	*(83,876)*	*(4,706)*	*(37,951)*	*3,337*
Realised gain from available-for-sale investments	-	*220*	-	-
	(83,876)	(4,486)	(37,951)	3,337

5.2. Impairment, write-down, allowances and provisions

	Group		Company	
	2011	**2010**	**2011**	**2010**
Change in provision for impairment of loans granted	2,303	778	(2,435)	(3,683)
Change in provision for impairment for trade receivables	(786)	(6,345)	-	-
Impairment as consequence of AB Bankas Snoras insolvency	(20,100)	-	(20,100)	-
Impairment on financial assets, total	*(18,583)*	*(5,567)*	*(22,535)*	*(3,683)*
Impairment (reversal of impairment) of investments in subsidiaries	-	-	(8,142)	13,349
Change in write-down of inventories	125	(35)	-	-
Provisions	129	1,271	250	1,216
Other impairment losses on non-financial assets	(383)	(84)	-	-
Impairment on non-financial assets and provisions, total	*(129)*	*1,152*	*(7,892)*	*14,565*
	(18,712)	(4,415)	(30,427)	10,882

In 2011 was recognised allowance for impairment for the deposit certificate of AB Bankas Snoras due insolvency of it (see Note 18). The Group and the Company has reversed part of impairment losses of loan granted to early owned Latvian real estate entities because due returning part of loans. In 2011 on the Company level was recognised additionally impairment losses to granted loans to subsidiaries operated in real estate segment due decreased carrying amount of assets of these subsidiaries. In 2010 the main reason for reversal of impairment was disposal of investments, which were impaired in 2009. In 2009 impairment of investments of the Group comprise impairment of investment into joint ventures engaged in real estate business, the Company – mainly impairment of investments into subsidiaries, associated, jointly controlled companies engaged in real estate businesses (to Note 1).

5.3. Other income

	Group		Company	
	2011	2010	2011	2010
Interest income from loans, term deposit and cash	3,486	1,822	9,620	8,030
Interest income from held-for-trading	3,263	-	3,263	-
Dividend income	-	-	11,314	300
Profit from bargain purchases	1,484	-	-	-
Other income	1,877	2,664	23	67
	10,110	4,486	24,220	8,397

In 2011 the Company recognised LTL 2,325 thousand interest income on impaired loans (2010: LTL 3,618 thousand). In 2011 the Group recognised LTL 446 thousand interest income on impaired loans (2010: 242).

5.4. Finance costs

	Group		Company	
	2011	2010	2011	2010
Interest expenses of convertible bonds	(3,212)	(3,430)	(3,212)	(3,430)
Other interest expenses	(9,163)	(13,977)	(5,004)	(9,714)
Other finance costs	(1,345)	(627)	(1,005)	(16)
	(13,720)	(18,034)	(9,221)	(13,160)

6 Income tax

	Group		Company	
	2011	2010	2011	2010
Components of the income tax credit (expenses)				
Current year income tax	(2,289)	(1,931)	(170)	-
Prior year current income tax correction	133	12	-	-
Deferred income tax credit (expenses)	15,906	1,796	15,773	1,190
Income tax credit (expenses) charged to the income statement	13,750	(123)	15,603	1,190

	Group	
	2011	2010
Consolidated statement of comprehensive income		
Deferred income tax on cash flow hedge	(25)	(29)
Deferred tax effect of net gains (loss) on available-for-sale investments	-	42
Income tax credit (expenses) recognised in statement of comprehensive income	(25)	13

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2011	2010	2011	2010
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	21,638	6,393	19,828	4,335
Deferred tax assets to be recovered within 12 months	734	250	113	-
	22,372	6,643	19,941	4,335
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	15,165	(14,685)	-	-
Deferred tax liability to be recovered within 12 months	13	(49)	-	-
	15,178	(14,734)	-	-

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2011.

The movement in deferred income tax assets and liabilities during 2011 is as follows:

	Balance as at 31 December 2010	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2011
Deferred tax asset					
Tax loss carry forward for indefinite period of time	9,983	(506)	(25)	202	9,654
Tax loss carry forward till 2014 – 2016	927	471	-	-	1,398
Property, plant and equipment	78	(37)	-	68	109
Investment properties	1,929	(22)	-	360	2,267
Receivables	147	442	-	12	601
Investments at fair value through profit and loss	-	15,318	-	-	15,318
Inventories	103	1	-	-	104
Accruals	105	222	-	23	350
Intangible assets	5	1	-	47	53
Other	311	189	-	-	500
Deferred tax asset available for recognition	13,588	16,079	(25)	712	30,354
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(2,045)	(1,073)	-	(25)	(3,143)
Less: unrecognised deferred tax asset due to future uncertainties	(1,746)	(295)	-	(331)	(2,372)
Recognised deferred income tax asset, net	9,797	14,711	(25)	356	24,839
Asset netted with liability of the same legal entities	(3,154)	753	-	(66)	(2,467)
Deferred income tax asset, net	**6,643**	**15,464**	**(25)**	**290**	**22,372**
Deferred tax liability					
Property, plant and equipment	(303)	215	-	(208)	(296)
Intangible assets	(348)	49	-	(366)	(665)
Investment properties	(16,522)	854	-	(378)	(16,046)
Investments available-for-sale	-	-	-	-	-
Investments held for trading	(137)	60	-	-	(77)
Inventories	-	(38)	-	-	(38)
Other	(578)	55	-	-	(523)
Deferred income tax liability	(17,888)	1,195	-	(952)	(17,645)
Liability netted with asset of the same legal entities	3,154	(753)	-	66	2,467
Deferred income tax liability, net	**(14,734)**	**442**	**-**	**(886)**	**(15,178)**
Deferred income tax, net	**(8,091)**	**15,906**	**(25)**	**(596)**	**7,194**

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2010.

The movement in deferred income tax assets and liabilities during 2010 is as follows:

	Balance as at 31 December 2009	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2010
Deferred tax asset					
Tax loss carry forward for indefinite period of time	11,961	342	(29)	(2,291)	9,983
Tax loss carry forward till 2014	927	-	-	-	927
Property, plant and equipment	61	17	-	-	78
Investment properties	2,400	243	-	(714)	1,929
Receivables	208	(91)	-	30	147
Inventories	355	10	-	(262)	103
Accruals	71	(1)	-	35	105
Intangible assets	10	(5)	-	-	5
Other	94	217	-	-	311
Deferred tax asset available for recognition	16,087	732	(29)	(3,202)	13,588
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(4,809)	1,777	-	987	(2,045)
Less: unrecognised deferred tax asset due to future uncertainties	(2,553)	(54)	-	861	(1,746)
Recognised deferred income tax asset, net	8,725	2,455	(29)	(1,354)	9,797
Asset netted with liability of the same legal entities	(3,762)	(746)	-	1,354	(3,154)
Deferred income tax asset, net	**4,963**	**1,709**	**(29)**	**-**	**6,643**
Deferred tax liability					
Property, plant and equipment	(196)	(14)	-	(93)	(303)
Intangible assets	-	27	-	(375)	(348)
Investment properties	(16,745)	(1,636)	-	1,859	(16,522)
Investments available-for-sale	(42)	-	42	-	-
Investments held for trading	(303)	166	-	-	(137)
Inventories	(10)	10	-	-	-
Other	(1,366)	788	-	-	(578)
Deferred income tax liability	(18,662)	(659)	42	1,391	(17,888)
Liability netted with asset of the same legal entities	3,762	746		(1,354)	3,154
Deferred income tax liability, net	**(14,900)**	**87**	**42**	**37**	**(14,734)**
Deferred income tax, net	**(9,937)**	**1,796**	**13**	**37**	**(8,091)**

6 Income tax (cont'd)

The movement in deferred income tax assets and liabilities for the Company during 2011 is as follows:

	Balance as at 31 December 2010	Recognised in the income statement	Transfer of tax losses within group	Balance as at 31 December 2011
Deferred tax asset				
Tax loss carry forward for indefinite period of time	3,400	7		3,407
Investments at fair value through profit and loss	-	15,032	-	15,032
Tax loss carry forward till 2014 - 2016	927	471	-	1,398
Accruals	8	96	-	104
Deferred tax asset available for recognition	4,335	15,606	-	19,941
Asset netted with liability of the same legal entities	-	-	-	-
Deferred income tax asset, net	**4,335**	**15,606**	**-**	**19,941**
Deferred tax liability				
Investments held for trading	-	-	-	-
Deferred income tax liability	-	-	-	-
Liability netted with asset of the same legal entities	-	-	-	-
Deferred income tax liability, net	**-**	**-**	**-**	**-**
Deferred income tax, net	**4,335**	**15,606**	**-**	**19,941**

The movement in deferred income tax assets and liabilities for the Company during 2010 is as follows:

	Balance as at 31 December 2009	Recognised in the income statement	Transfer of tax losses within group	Balance as at 31 December 2010
Deferred tax asset				
Tax loss carry forward for indefinite period of time	3,403	996	(999)	3,400
Tax loss carry forward till 2014	927	-	-	927
Accruals	3	5	-	8
Deferred tax asset available for recognition	4,333	1,001	(999)	4,335
Asset netted with liability of the same legal entities	(189)	189	-	-
Deferred income tax asset, net	**4,144**	**1,190**	**(999)**	**4,335**
Deferred tax liability				
Investments held for trading	(189)	189	-	-
Deferred income tax liability	(189)	189	-	-
Liability netted with asset of the same legal entities	189	(189)	-	-
Deferred income tax liability, net	**-**	**-**		**-**
Deferred income tax, net	**4,144**	**1,190**	**(999)**	**4,335**

6 Income tax (cont'd)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Accounting profit before tax from continuing operations	(95,187)	27,012	259,267	(11,661)
(Loss) profit before tax from a discontinued operation	297,980	25,575	-	-
(Loss) profit before income tax	**202,793**	**52,587**	**259,267**	**(11,661)**
Tax calculated at the tax rate of 15 %	(30,419)	(7,888)	(38,890)	1,749
Disposal of shares of AB Sanitas, AB Kauno Tiltai and Tiltra Group AB not subject to tax	44,454	-	54,323	-
Tax non-deductible (expenses) / non taxable income	994	6,030	340	(555)
Deferred tax expenses arising from write-down or reversal of previous write-down	(1,368)	1,723	-	(4)
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce deferred tax expense	103	-	-	
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce current tax expense	10	-	-	
Tax loss carry forward expiry (derecognition)	-	-	-	-
Withholding income tax	(137)	-	(137)	-
Correction of prior year current income tax	133	12	(33)	-
Change in income tax rate	(20)	-	-	-
Income tax credit (expenses) recorded in the income statement	13,750	(123)	15,603	1,190
Income tax attributable to a discontinued operation	-	-	-	-
Income tax attributable to a continuing operation	13,750	(123)	15,603	1,190

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Non-current assets classified as held-for-sale				
AB Umega	1,708	-	3,745	-
Road and bridge construction segment	-	72,075	-	25,004
	1,708	72,075	3,745	25,004

Tiltra Group AB and AB Kauno Tiltai

On 18 November 2010, the Company signed an agreement regarding the sale 44.78 % shares of Tiltra Group AB and 43.36 % shares of AB Kauno Tiltai, if the conditions precedent set out in the Agreement is fulfilled. The mentioned companies comprise the road and bridge construction segment. The Buyer of the shares is Trakcja Polska S. A. (current name – Trakcja – Tiltra S.A.), whose main activity is a rail infrastructure construction. Therefore the investments were classified as assets held for sale in the statement of financial position as at 31 December 2010 and presented as discontinued operations in the income statement.

On 19 April 2011, AB Invalda and other shareholders of Tiltra Group AB and AB Kauno Tiltai (further – Tiltra Group) executed an agreement with the Polish listed railway infrastructure construction market leader Trakcja Polska S.A. and it's largest shareholder Comsa Emte (Spain) group and agreed to restore the effectiveness of the agreement (further - "Agreement") regarding merger of activities of Trakcja Polska and Tiltra Group, which was signed on 18 November 2010. Concurrently, the parties agreed to amend the terms and conditions of the transaction provided for in the Agreement and completed the deal on the same day.
The total value of Tiltra Group in the agreement – PLN 777,536 thousand (LTL 679,528 thousand).

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

Tiltra Group AB and AB Kauno Tiltai (cont'd)

Amounts provided below are based on the agreement signed and attributable only to the Company in proportion to its participation in the deal.
The Company sold to Trakcja Polska S.A. 44.78% stake in Tiltra Group AB and 43.36% stake in AB Kauno Tiltai for total amount of PLN 314,120 thousand (LTL 274,525 thousand) and subsequently, the Company acquired:
(i) 29,017,087 newly issued Trakcja Polska S.A. shares for PLN 132,318 thousand (LTL 115,639 thousand) (PLN 4.56 (LTL 3.99) per share), amounting to 12.5% in share capital of Trakcja Polska S.A.
(ii) 59,892 bonds of Trakcja Polska S.A. with par value PLN 1000 (LTL 873.95) each, annual interest rate – 7% (paid out on 30 June and 31 December of each year), maturity date – 12 December 2013, for PLN 59,892 thousand (LTL 52,343 thousand).
(iii) 59,891 bonds of Trakcja Polska S.A. with par value PLN 1000 (LTL 873.95) each, annual interest rate – 7% (paid out on 30 June and 31 December of each year), maturity date – 12 December 2014, for PLN 59,891 thousand (LTL 52,342 thousand).
Remaining PLN 62,019 thousand (LTL 54,202 thousand) was paid to the Company in cash.
Amounts in PLN are converted to LTL at the actual currency exchange rate ruling at 19 April 2011.

Acquired financial assets through the sale of road and bridge construction segment were measured at fair value on transaction date and gain on disposal excluding transaction expenses was calculated as follows:

	Group	Company
Shares of Tiltra – Trakcja S.A.	92,055	92,055
Bonds of Tiltra – Trakcja S.A.	97,049	97,049
Cash received	54,202	54,202
The carrying amount of investments sold	(72,075)	(25,004)
Foreign currency translation reserve of associates sold	(40)	-
Price reduction due to Tiltra Group's failure to achieve the agreed results	(40,193)	(40,193)
Gain on disposal of associates without transaction expenses	**130,998**	**178,109**

In the Company the gain on sale of associates was calculated as follows:

	2011
Gain on sale of associates without related expenses	178,109
Direct expenses related to sale	(20,510)
Profit of sales of associates	**157,599**

The total consideration transferred to the Company for the shares of Tiltra Group AB and AB Kauno Tiltai might have been reduced depending on the financial results of the companies after the transaction. The following targets were agreed:
(i) the aggregated net profit for the financial year ended 31 March 2011 would equal at least to PLN 63 million (approximately LTL 55 million), aggregated EBITDA – PLN 109 million (approximately LTL 95 million);
(ii) the aggregated net profit for the financial year ended 31 March 2012 would equal at least to PLN 67.5 million (approximately LTL 59 million), aggregated EBITDA – PLN 119 million (approximately LTL 104 million).
If the net profit would have been lower than the respective amount mentioned above by at least PLN 1 million (approximately LTL 0.87 million), the price would have been reduced by PLN 4 for each PLN 1 difference, and if EBITDA would have been lower than the respective amount mentioned above by at least PLN 1 million (approximately LTL 0.87 million), the price would have been reduced by PLN 3 for each PLN 1 difference. The price would have been reduced by the higher of the mentioned adjustments. According to this rule the price could not have been reduced more than PLN 150 million (approximately LTL 131 million) for the entire transaction. PLN 60.6 million (approximately LTL 53 million) from this amount was attributable to the Company.
Amounts in PLN are converted to LTL at the currency exchange rate at 19 April 2011.

In addition, the Company had a liability in respect of representations and warranties provided to Trakcja Polska, and regarding a title to sold shares. In general, total liability of AB Invalda might not have exceeded total proceedings from the transaction. The Company was obliged for at least 12 months not to sell Trakcja Polska shares acquired and also provided other guarantees for fulfilment of the liabilities.

The parties had also agreed that in connection with the statement of claim filed by Mr. J. Jurek, the former shareholder of Tiltra Group AB subsidiary Poldim S.A., for the transaction involving the acquisition by Silentio Investments (the subsidiary of AB Tiltra Group) of shares in Poldim to be declared invalid, the Tiltra Price would have been reduced accordingly. After the peaceful settlement had been reached with Mr. J. Jurek, the claim was withdrawn.

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

Tiltra Group AB and AB Kauno Tiltai (cont'd)

On 21 December 2011, the Company and other former shareholders of Tiltra Group executed an agreement with Trakcja – Tiltra S. A. and its shareholder Comsa S. A. regarding the amendment to an agreement of 18 November 2010. Because it was unlikely that Tiltra Group achieves planned results for the financial year ending 31 March 2012 it was agreed to reduce Tiltra Group sale price and settle finally. Consideration attributable to the Company was reduced by LTL 40,193 thousand, measured at fair value. The Company sold back to Trakcja - Tiltra S. A. 54,652 bonds issued by Trakcja – Tiltra S. A. with par value PLN 1000 (LTL 771.10) each, annual interest rate – 7%, maturing on 12 December 2014 (bonds' fair value at settlement date was LTL 39,647 thousand). In addition PLN 707 thousand (LTL 546 thousand) were paid in cash. Amounts in PLN are converted to LTL at the currency exchange rate at 21 December 2011.

AB Sanitas

The Company and other AB Sanitas shareholders, all together controlling 87.2% shares, on 23 May 2011, have signed a definitive share sale and purchase agreement for the sale of their entire shareholding in AB Sanitas to Valeant Pharmaceuticals International, Inc. ("Valeant"). Pursuant to the agreement, the Company sold 26.5% shares in AB Sanitas. Therefore the investments were classified as assets held for sale in the statement of financial position for the 6 months ended 30 June 2011 and presented as discontinued operations in the income statement.

The Company and other AB Sanitas shareholders, all together controlling 87.2% shares, on 19 August 2011, have closed the transaction regarding the sale of their entire shareholding in AB Sanitas to Valeant Pharmaceuticals International, Inc. According to the agreement signed on 23 May 2011, Invalda AB has sold 26.5% shareholdings in AB Sanitas, for LTL 286,690 thousand or 10.06 EUR (34.74 LTL) per share. In addition, the Company had to pay LTL 16,293 thousand for the shares acquired from business partners in January 2009, as the final acquisition price of those shares was dependant on the sales price of AB Sanitas shares to the end buyer.

Taking into account share the price adjustment mechanism set out in the agreement signed on 24 October, 2008 with Baltic Pharma Limited, (regarding sale of 20.3 % of the share capital of Sanitas AB in 2008) and analogous mechanism set out in the agreements with some investors, from which AB Sanitas shares were acquired in the end of 2008, total proceedings of the Company from previously sold shares of AB Sanitas less payments to business partners for previously acquired shares amounted to LTL 45,227 thousand. This way the derivative was realised, which represented the probable share price adjustment for shares.

The gain on sale of AB Sanitas shares was calculated as follows:

	Group	Company
Sales price, received in cash	286,690	286,690
Additional price adjustment for shares acquired in January 2009	(16,293)	(16,293)
The carrying amount of investments sold	(126,116)	(109,558)
Cash flow hedge reserve of associates sold	(266)	-
Foreign currency translation reserve of associates sold	(1,856)	-
Profit from sales of associates	**142,159**	**160,839**

Cash flows related to the sales of associates:

	Group	Company
Cash received for the sale of road and bridge construction segment	54,202	54,202
Sales price of AB Sanitas, received in cash	286,690	286,690
Additional price adjustment for shares acquired in January 2009	(16,293)	(16,293)
Additional net cash flows related to sales of AB Sanitas shares according to the agreement signed on 24 October 2008 with Baltic Pharma Limited	45,227	45,227
Cash paid for Tiltra Group shares price reduction	(546)	(546)
Total cash flows related to sale of associates	**369,280**	**369,280**

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

Discontinued operations

	2011	2010
Share of profit of associates (road and bridge construction)	-	11,431
Gain on sale of road and bridge construction segment	130,998	-
Direct expenses related to transaction	(20,510)	-
Total discontinued operations (road and bridge construction)	**110,488**	**11,431**
Share of profit of associates (pharmacy segment)	1,618	14,144
Gain from derivative representing the share sale price adjustment of AB Sanitas according to the agreement	43,715	-
Gain on sale of pharmacy segment	142,159	-
Total discontinued operations (pharmacy segment)	**187,492**	**14,144**
Total discontinued operations	**297,980**	**25,575**

Earnings per share:	2011	2010
Basic from discontinued operations	5.77	0.50
Diluted from discontinued operations	5.18	0.45

AB Umega

On 30 November 2011, the Company signed the agreement regarding sale of 29.27 % shares of AB Umega, which activity is metal processing. The deal was completed in January 2012, when the permission of the Competition Council was received (see Note 31). The investment was classified as assets held for sale in the statement of financial position for the year ended 31 December 2011. Because the investment has not comprised separate operating segment, it is not presented as discontinued operations in the income statement.

8 Earnings per share

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

The weighted average number of shares for 2011 and 2010 were as follows:

Calculation of weighted average for 2011	**Number of shares (thousand)**	**Par value (LTL)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2010	51,660	1	365/365	51,660
Shares issued as at 31 December 2011	51,660	1	-	51,660

Calculation of weighted average for 2010	**Number of shares (thousand)**	**Par value (LTL)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2009	42,569	1	365/365	42,569
3 February 2010	9,091	1	331/365	8,244
Shares issued as at 31 December 2010	51,660	1	-	50,813

In the Company diluted earnings per share are equal to basic earnings per share in 2011 and in 2010.

9 Earnings per share (cont'd)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Net profit (loss), attributable to the equity holders of the parent from continuing operations	(88,934)	16,875	274,870	(10,471)
Net profit, attributable to the equity holders of the parent from discontinued operation	297,980	25,575	-	-
Net profit (loss), attributable to equity holders of the parent for basic earnings	209,046	42,450	274,870	(10,471)
Weighted average number of ordinary shares (thousand)	51,660	50,813	51,660	50,813
Basic earnings (deficit) per share (LTL)	4.05	0.84	5.32	(0.21)

The following table reflects the share data used in the diluted earnings per share computations in 2011:

	Number of shares (thousand)	Issued/365 (days)	Weighted average (thousand)
Weighted average number of ordinary shares for basic earnings per share	-	-	51,660
Potential shares from convertible bond of LTL 25 million (issued on 1 December 2008)	4,545	365/365	4,545
Potential shares from convertible bond of LTL 7.44 million (issued on 8 January 2010)	1,353	365/365	1,353
Weighted average number of ordinary shares for diluted earnings per share	-	-	57,558

The following table reflects the share data used in the diluted earnings per share computations in 2010:

	Number of shares (thousand)	Issued/365 (days)	Weighted average (thousand)
Weighted average number of ordinary shares for basic earnings per share	-	-	50,813
Potential shares from convertible bond of LTL 25 million (issued on 1 December 2008)	4,545	365/365	4,545
Potential shares from convertible bond of LTL 7.44 million (issued on 8 January 2010)	1,353	357/365	1,323
Weighted average number of ordinary shares for diluted earnings per share	-	-	56,681

The following table reflects the income data used in the diluted earnings per share computations in 2010 and 2011:

	Group	
	2011	**2010**
Net profit (LTL thousand), attributable to the equity holders of the parent for basic earnings	209,046	42,450
Interest on convertible bond, net of tax effect	3,212	2,716
Net profit (LTL thousand), attributable to equity holders of the parent for diluted earnings	212,258	45,166
Weighted average number of ordinary shares (thousand)	57,558	56,681
Diluted earnings(deficit) per share (LTL)	3.69	0.79

9 Dividends per share

In 2011 and 2010 dividends were not declared.

10 Property, plant and equipment

Group	Buildings	Machinery and equipment	Vehicles	Construction in progress	Other property, plant and equipment	Total
Cost:						
Balance as at 31 December 2009	31,727	63,645	1,040	499	7,847	104,758
Additions	-	1,552	484	126	1,570	3,732
Disposals and write-offs	(17)	(2,399)	(471)	-	(486)	(3,373)
Disposals of subsidiaries	-	-	-	-	(3)	(3)
Transfers between groups	101	47	-	(125)	(23)	-
Acquisition of subsidiaries	630	-	45	-	12	687
Balance as at 31 December 2010	32,441	62,845	1,098	500	8,917	105,801
Additions	986	3,050	237	562	2,810	7,645
Disposals and write-offs	(3)	(2,101)	(57)	-	(656)	(2,817)
Disposals of subsidiaries	-	-	-	-	-	-
Transfers between groups	100	1,665	24	(463)	(1,326)	-
Transfers to/from investment properties	(2,255)	-	-	-	-	(2,255)
Acquisition of subsidiaries	2,145	-	124	-	179	2,448
Balance as at 31 December 2011	33,414	65,459	1,426	599	9,924	110,822
Accumulated depreciation:						
Balance as at 31 December 2009	13,250	42,301	638	-	4,860	61,049
Charge for the year	1,356	5,761	109	-	1,697	8,923
Disposals and write-offs	(12)	(2,266)	(303)	-	(463)	(3,044)
Disposals of subsidiaries	-	-	-	-	(3)	(3)
Transfers between groups	-	30	-	-	(30)	-
Balance as at 31 December 2010	14,594	45,826	444	-	6,061	66,925
Charge for the year	1,154	5,653	147	-	1,539	8,493
Impairment	383	-	-	-	-	383
Disposals and write-offs	(2)	(1,951)	(57)	-	(628)	(2,638)
Transfers to/from investment properties	(600)	-	-	-	-	(600)
Balance as at 31 December 2011	15,529	49,528	534	-	6,972	72,563
Net book value as at 31 December 2010	**17,847**	**17,019**	**654**	**500**	**2,856**	**38,876**
Net book value as at 31 December 2011	**17,885**	**15,931**	**892**	**599**	**2,952**	**38,259**

10 Property, plant and equipment (cont'd)

Company	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:			
Balance as at 31 December 2009	323	408	731
Additions	154	20	174
Disposals and write-offs	(323)	(14)	(337)
Balance as at 31 December 2010	154	414	568
Additions	-	25	25
Disposals and write-offs	-	(14)	(14)
Balance as at 31 December 2011	154	425	579
Accumulated depreciation:			
Balance as at 31 December 2009	243	276	519
Charge for the year	33	66	99
Disposals and write-offs	(274)	(14)	(288)
Balance as at 31 December 2010	2	328	330
Charge for the year	26	53	79
Disposals and write-offs	-	(14)	(14)
Balance as at 31 December 2011	28	367	395
Net book value as at 31 December 2010	**152**	**86**	**238**
Net book value as at 31 December 2011	**126**	**58**	**184**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2011 amounts to LTL 8,493 thousand and LTL 79 thousand, respectively (in the year 2010 LTL 8,923 thousand and LTL 99 thousand, respectively). Amounts of LTL 8,493 thousand and LTL 79 thousand for the year 2011 (LTL 8,923 thousand and LTL 99 thousand for the year 2010) have been included into operating expenses of continuing operations in the Group's and the Company's income statement, respectively. The depreciation charge for the Group is decreased by LTL 82 thousand of amortization of grants related to assets in 2011 (2010: 0).

In 2nd quarter of 2011 from owned-occupied property to investment property was transferred asset located at A. Juozapavičiaus g. 7. The carrying amount of asset was bigger as fair value (LTL 2,000 thousand), therefore in the income statement was recognised the impairment loss of LTL 383 thousand.

Property, plant and equipment of the Group with a net book value of LTL 18,939 thousand as at 31 December 2011 (LTL 23,100 thousand as at 31 December 2010) was pledged to the banks as a collateral for the loans (Note 22).

There were no borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset for the year 2011 and 2010.

11 Investment properties

	Group	
	2011	**2010**
Balance at the beginning of the year	**240,573**	**263,775**
Additions	9,402	746
Additions through acquisition of subsidiaries	13,824	-
Disposals	(990)	(484)
Transfer from other property, plant and equipment	2,000	-
Transfer to other property, plant and equipment	(345)	-
Transfer to inventories	(780)	-
Disposals of subsidiaries	-	(24,700)
Gain from fair value adjustment	4,630	8,372
Loss from fair value adjustment	(19,357)	(7,136)
Balance at the end of the year	**248,957**	**240,573**

Investment properties of the Group include office buildings, warehouses, land and flats. The majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 10,790 thousand in 2011 (LTL 12,141 thousand in 2010). The direct operating expenses arising from investment properties that generated rental income during the year 2011 amounted to LTL 9,252 thousand (LTL 7,603 thousand in 2010).

Investment properties are stated at fair value, which has been determined based on the joint valuations performed by the accredited valuers: independent valuer UAB OBER-HAUS Nekilnojamasis Turtas, and UAB Inreal (the Group company) as at 31 December 2011 and UAB Verslavita and UAB Inreal as at 31 December 2010. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using the sales comparison approach and income approach method. Sales comparison approach method refers to the prices of the analogues transactions in the market or on the basis of their highest and best use which are subject to uncertainty. The highest and best use concept considers in the valuation not only the existing use but any possible use of the asset, determined from the market evidence. Accordingly, fair value is the highest value by consideration of any use which is financially feasible and justifiable and reasonably probable. Income approach method is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Capitalisation rate used to determine fair value as at 31 December 2011 was 8 – 11 % and at 31 December 2010 was 8 - 9 %.

The main addition in 2011 was investment in agriculture land through directly acquisition and through acquisition of subsidiaries (LTL 15,629 thousand). The Group has obtained also an investment property for LTL 2,500 thousand from bankrupted company UAB Nerijos Būstas, so was offset part of trade receivable from this company. The investment property will be further developed. The Group has acquired the investment properties in Vilnius district Justiniškės through acquisition of UAB Jurita and an investment property in Neringa through acquisition of UAB BNN (see Note 3)

In 1st quarter asset located at Elniakampio 7, Vilnius with carrying value of LTL 700 thousand was reclassified from investment property to inventories. There are started the construction of residential apartments.

In 2010 the real estate subsidiaries UAB Broner, UAB Nerijos Būstas, UAB Saulės Investicija were sold and as result the Group's investment properties have decreased by LTL 24,700 thousand (see Note 3).

As at 31 December 2011 investment properties with carrying amount of LTL 171,369 thousand (LTL 229,518 thousand as at 31 December 2010) were pledged to the banks as collateral for the loans (Note 22).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2011 and 2010, except the Group has signed future sale agreement regarding investment property in Vilnius district Justiniškės. If sale condition would be met, the Group would sell the investment property in two years for LTL 1,900 thousand. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end except as stated above.

12 Intangible assets

Group	Goodwill	Contracts and customer relationship	Software	Other intangible assets	Total
Cost:					
Balance as at 31 December 2009	-	10,698	1,586	100	12,384
Additions	-	-	277	345	622
Acquisition of subsidiaries	-	2,497	-	-	2,497
Disposals and write-offs	-	-	(672)	(9)	(681)
Balance as at 31 December 2010	-	13,195	1,191	436	14,822
Additions	-	-	399	233	632
Acquisition of subsidiaries	1,600	2,176	26	-	3,802
Disposals and write-offs	-	-	(388)	(2)	(390)
Transfers between groups	-	-	415	(415)	-
Balance as at 31 December 2011	1,600	15,371	1,643	252	18,866
Accumulated amortisation:					
Balance as at 31 December 2009	-	2,293	1,207	21	3,521
Charge for the year	-	1,227	261	4	1,492
Disposals and write-offs	-	-	(672)	(9)	(681)
Balance as at 31 December 2010	-	3,520	796	16	4,332
Charge for the year	-	1,495	343	12	1,850
Disposals and write-offs	-	-	(388)	(2)	(390)
Balance as at 31 December 2011	-	5,015	751	26	5,792
Net book value as at 31 December 2010	**-**	**9,675**	**395**	**420**	**10,490**
Net book value as at 31 December 2011	**1,600**	**10,356**	**892**	**226**	**13,074**

12 Intangible assets (cont'd)

Company	**Software**	**Other intangible assets**	**Total**
Cost:			
Balance as at 31 December 2009	16	2	18
Additions	15	-	15
Disposals and write-offs	-	-	-
Balance as at 31 December 2010	31	2	33
Additions	-	-	-
Disposals and write-offs	(4)	(2)	(6)
Balance as at 31 December 2011	27	-	27
Accumulated amortisation:			
Balance as at 31 December 2009	15	2	17
Charge for the year	4	-	4
Disposals and write-offs	-	-	-
Balance as at 31 December 2010	19	2	21
Charge for the year	5	-	5
Disposals and write-offs	(4)	(2)	(6)
Balance as at 31 December 2011	20	-	20
Net book value as at 31 December 2010	**12**	**-**	**12**
Net book value as at 31 December 2011	**7**	**-**	**7**

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

The amortisation charge of the Group's and the Company's intangible assets for the year 2011 amounts to LTL 1,850 thousand and LTL 5 thousand, respectively (in the year 2010 LTL 1,492 thousand and LTL 4 thousand, respectively) and have been included into operating expenses of continuing operations in the Group's and the Company's income statement.

13 Financial instruments by category

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2011				
Assets as per statement of financial position				
Investments available-for-sale	2,859	-	-	2,859
Non-current loans granted	-	12,041	-	12,041
Trade and other receivables excluding tax receivables	-	30,920	-	30,920
Financial assets at fair value through profit and loss	-	-	47,599	47,599
Current loans granted	-	31,233	-	31,233
Restricted cash	-	2,915	-	2,915
Term deposits	-	99,137	-	99,137
Cash and cash equivalents	-	21,346	-	21,346
Total	**2,859**	**197,592**	**47,599**	**248,050**

13 Financial instruments by category (cont'd)

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2010				
Assets as per statement of financial position				
Investments available-for-sale	1,818	-	-	1,818
Trade and other receivables excluding tax receivables	-	27,100	-	27,100
Financial assets at fair value through profit and loss	-	-	8,446	8,446
Current loans granted	-	22,303	-	22,303
Restricted cash	-	4,173	-	4,173
Cash and cash equivalents	-	4,692	-	4,692
Total	**1,818**	**58,268**	**8,446**	**68,532**

Group	Financial liabilities at amortised cost	Derivatives used for hedging	Total
31 December 2011			
Liabilities as per statement of financial position			
Borrowings	126,304		126,304
Finance lease liabilities	648		648
Trade payables	34,485		34,485
Derivative financial instruments	-	-	-
Convertible bonds	34,059		34,059
Other liabilities excluding tax payables and employee benefit payables	4,445		4,445
Total	**199,941**		**199,941**

Group	Financial liabilities at amortised cost	Derivatives used for hedging	Total
31 December 2010			
Liabilities as per statement of financial position			
Borrowings	304,171	-	304,171
Finance lease liabilities	678	-	678
Trade payables	31,172	-	31,172
Derivative financial instruments	-	163	163
Convertible bonds	32,440	-	32,440
Other non-current financial liabilities	330	-	330
Other current payables excluding tax payables and employee benefit payables	4,702	-	4,702
Total	**373,493**	**163**	**373,656**

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2011				
Assets as per statement of financial position				
Investments available-for-sale	1,817	-	-	1,817
Non-current loan granted	-	4,143	-	4,143
Trade and other receivables excluding receivables for tax loss transfer	-	218	-	218
Financial assets at fair value through profit and loss	-		33,298	33,298
Current loans granted	-	174,648	-	174,648
Term deposits	-	48,621	-	48,621
Cash and cash equivalents	-	11,888	-	11,888
Total	**1,817**	**239,518**	**33,298**	**274,633**

13 Financial instruments by category (cont'd)

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2010				
Assets as per statement of financial position				
Investments available-for-sale	1,817	-	-	1,817
Non-current loan granted	-	1,192	-	1,192
Trade and other receivables excluding receivables for tax loss transfer	-	3	-	3
Financial assets held-for-trading	-	-	1,512	1,512
Current loans granted	-	73,360	-	73,360
Cash and cash equivalents	-	202	-	202
Total	**1,817**	**74,757**	**1,512**	**78,086**

Company	**31 December 2011**	**31 December 2010**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	359	185,205
Trade payables	630	739
Convertible bonds	34,059	32,440
Other current payables excluding tax payables and employee benefit payables	2,155	2,222
Total	**37,203**	**220,606**

14 Financial assets available-for-sale and at fair value through profit and loss

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
Available-for-sale				
Ordinary shares – unquoted (carried at cost)	2,859	1,818	1,817	1,817
	2,859	1,818	1,817	1,817
Held-for-trading				
Ordinary shares	15,530	6,934	2,539	-
Bonds	15,268	-	15,268	-
Derivative	-	1,512	-	1,512
Investment funds	1,310	-	-	-
	32,108	8,446	17,807	1,512
Designated at fair value through profit and loss on initial recognition				
Shares of Trakcja – Tiltra S.A	15,491	-	15,491	-
	15,491	-	15,491	-
Total financial assets at fair value through profit and loss	47,599	8,446	33,298	1,512

The shares of Trakcja - Tiltra S.A. were designated at fair value through profit or loss on initial recognition because the Management believes that this presentation represents best the way this investment is managed and its performance is evaluated and provides more relevant information to the users of financial statements.

The fair value of the quoted ordinary shares is determined by reference to published price quotations in the active market The unquoted ordinary shares are measured at cost. The derivative value is determined by using valuation method. None of these financial assets is either past due or impaired. The fair value of unquoted ordinary shares has not been disclosed because the fair value cannot be measured reliably. The Company, as a non-controlling shareholder, is getting only limited information about these investments. There is only a limited number of comparable companies in Europe. No liquid market for these securities exists, only small deals are noticed in recent years. The Company intends to dispose of these shares in case majority stake of the company is sold to another investor or if current shareholders will offer attractive price.

14 Financial assets available-for-sale and at fair value through profit and loss (cont'd)

After the additional share acquisitions during 2011, the Group holds 20,27% of AB Vernitas shares as at 31 December 2011 and classifies those as financial instruments available for sale. The Group has no significant influence over this entity, therefore this entity is not presented as an associate in the financial statements. The entity is controlled by a group interrelated persons. The entity has Management Board and Supervisory Council, the Group has only 1 representative at the Supervisory Council and none at Management Board. The Board manages the entity.

Cash flows

Cash flows related to held-for-trading and available-for-sale investments are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
Sale of bonds of Trakcja – Tiltra S.A	53,473	-	53,473	-
(Acquisition) and sale of held-for-trading investments	(26,386)	4,986	(17,077)	4,689
(Acquisition) and sale of available-for-sale investments	(1,042)	-	-	-
	26,045	4,986	36,396	4,689

15 Loans granted

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Loans granted to third parties	63,978	43,785	60,102	38,947
Loans granted to related parties	18,697	22,974	162,775	79,543
	82,675	66,759	222,877	118,490
Less: long-term loans	(12,041)	-	(4,143)	(1,192)
Less: allowance for impairment to third parties	(33,593)	(38,648)	(29,873)	(35,005)
Less: allowance for impairment to related parties	(5,808)	(5,808)	(14,213)	(8,933)
Total allowance for impairment	(39,401)	(44,456)	(44,086)	(43,938)
	31,233	22,303	174,648	73,360

As at 31 December 2011 the Group and the Company had loans granted to third parties with the maturity term till 2012 (as at 31 December 2010 – till 2011). The major part of impaired loans granted to third parties is overdue and are granted to the companies, which are filled for bankruptcy. The annual interest rate of loans granted to third parties is fixed and varies from 5 % to 11 %. Loans granted to related parties are disclosed in more details in Note 30. The loans granted is unsecured, except stated hereinafter. The Group has acquired loans from AB bankas Finasta according to share's sale agreement. The loans have collaterals, but the recovery from them is restricted.

As at 31 December 2011 the Group's and the Company's loans granted at nominal value of LTL 39,782 thousand and LTL 46,176 thousand, respectively, were impaired (as at 31 December 2010 LTL 44,487 thousand and LTL 55,479 thousand, respectively). The net amounts of LTL 381 thousand and LTL 2,090 thousand, respectively, are recognised in the statement of financial position of the Group and the Company (LTL 31 thousand and LTL 11,541 thousand in 2010, respectively).

15 Loans granted (cont'd)

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

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2009	45,909	51,019
Charge for the year	6,928	5,609
Write-offs charged against the allowance	-	-
Recoveries of amounts previously written-off	(7,706)	(1,926)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	(675)	(10,764)
Balance as at 31 December 2010	44,456	43,938
Charge for the year	694	7,644
Write-offs charged against the allowance	(2,735)	(2,270)
Recoveries of amounts previously written-off	(2,997)	(5,209)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	(17)	(16)
Balance as at 31 December 2011	39,401	44,087

Changes in allowance for impairment of loans granted for the year 2011 and 2010 have been included within impairment and allowance expenses in the income statement (Note 5.2.). The Group and the Company has reversed part of impairment losses of loan granted to early owned Latvian real estate entities because due returning part of loans. In previous the loans were impaired to nil. In 2011 on the Company level was recognised additionally impairment losses to granted loans to subsidiaries operated in real estate segment due decreased carrying amount of assets of these subsidiaries.

The ageing analysis of loans granted of the Group as at 31 December 2009 and 2010 is as follows:

		Granted loans past due but not impaired				
	Granted loans neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2011	42,893	-	-	-	-	42,893
2010	22,272	-	-	-	-	22,272

The ageing analysis of loans granted of the Company as at 31 December 2009 and 2010 is as follows:

		Granted loans past due but not impaired				
	Granted loans neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2011	176,701	-	-	-	-	176,701
2010	62,940	71	-	-	-	63,011

All granted loans neither past due nor impaired as at 31 December 2011 and 2010 have no history of counterparty defaults.

16 Inventories

	Group					
	2011			2010		
	Acquisitions costs	Write-down	Carrying value	Acquisitions costs	Write-down	Carrying value
Raw materials	8,248	(79)	8,169	10,719	(192)	10,527
Work in progress	2,479	-	2,479	2,229	-	2,229
Finished goods	5,380	(18)	5,362	8,039	(30)	8,009
Residential real estate	7,871	-	7,871	5,532	-	5,532
Goods for resale	1,938	-	1,938	1,321	-	1,321
	25,916	(97)	25,819	27,840	(222)	27,618

The acquisition cost of the Group's inventories excluding residential real estate accounted for at net realisable value as at 31 December 2011 amounted to LTL 138 thousand (LTL 444 thousand as at 31 December 2010). Changes in the allowance for inventories for the years 2011 and 2010 have been included within impairment and allowance expenses in the income statement (Note 5.2.).

The advance payments received for the residential real estate as at 31 December 2011 amounted to LTL 578 thousand (31 December 2010: LTL 50 thousand). The Group expects to realise these apartments within 12 months.

As disclosed in Note 22, inventories of the Group with the carrying value of LTL 9,000 thousand as at 31 December 2011 (LTL 14,532 thousand as at 31 December 2010) were pledged to banks as collateral for the loans.

17 Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
Trade and other receivables, gross	39,103	34,457	838	1,622
Taxes receivable, gross	2,517	2,440	-	-
Less: allowance for doubtful trade and other receivables	(8,183)	(7,357)	(620)	(620)
	33,437	29,540	218	1,002

Changes in allowance for doubtful trade and other receivables for the year 2011 and 2010 have been included within impairment and allowance expenses in the income statement (Note 5.2.).

Trade and other receivables are non-interest bearing and are generally on 10–60 days terms.
Receivables from related parties in more details are described in Note 30.

As at 31 December 2011 the Group's and the Company's trade and other receivables at nominal value of LTL 8,218 thousand and LTL 620 thousand, respectively, were impaired (as at 31 December 2010 LTL 7,577 thousand and LTL 620 thousand, respectively). The net amounts of LTL 35 thousand and LTL nil, respectively, are outstanding in the statement of financial position of the Group and the Company (as at 31 December 2010 LTL 220 thousand and LTL nil).

The Group has obtained from UAB Nerijos Būstas, bankrupted company, the investment property valued at LTL 2,500 thousand (see Note 11) and debt owed by UAB BNN, valued at LTL 1,000 thousand.

17 Trade and other receivables (cont'd)

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

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2009	958	620
Charge for the year	6,345	-
Write-offs charged against the allowance	(365)	-
Recoveries of amounts previously written-off	-	-
Acquisition of subsidiaries	419	-
Balance as at 31 December 2010	7,357	620
Charge for the year	805	-
Write-offs charged against the allowance	(262)	-
Recoveries of amounts previously written-off	(19)	-
Acquisition of subsidiaries	302	-
Balance as at 31 December 2011	8,183	620

The ageing analysis of trade and other receivables of the Group as at 31 December 2011 and 2010 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2011	25,401	3,623	1,116	251	494	30,885
2010	20,111	2,501	572	190	3,506	26,880

The ageing analysis of trade and other receivables of the Company as at 31 December 2011 and 2010 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2011	218	-	-	-	-	218
2010	1,002	-	-	-	-	1,002

Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2011 and 2010 have no history of counterparty defaults. With respect to trade and other receivables that are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group and the Company trades only with recognised, creditworthy third parties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security, except as mentioned above.

18 Cash and cash equivalents, term deposits

	Group		Company	
	2011	**2010**	**2011**	**2010**
Cash at bank	19,846	4,507	11,888	202
Cash on hand	38	24	-	-
Cash in transit	85	161	-	-
Term deposits with the maturity up to 3 months	1,377	-	-	-
	21,346	4,692	11,888	202

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 December 2011 of the Group and the Company is LTL 21,346 thousand and LTL 11,888 thousand, respectively (LTL 4,692 thousand and LTL 202 thousand, respectively, as at 31 December 2010).

The Group's and the Company's foreign and local currency accounts in banks amounting to LTL 3,211 thousand and LTL nil as at 31 December 2011 (LTL 2,706 thousand and LTL 196 thousand as at 31 December 2010) are pledged to the banks as collateral in relation to the loan, respectively (Note 22).

On 31 December 2011, the Group and the Company have placed also with the banks term deposits and have invested in the banks bonds with the maturity more than 3 month.

	Group	Company
Deposits with the maturity between 3 and 6 months	59,283	48,339
Deposits with the maturity more than 6 months	39,223	-
Deposit's certificate of AB Bankas Snoras	20,000	20,000
Accumulated interest	731	382
Less allowance for impairment as consequence of AB Bankas Snoras insolvency	(20,100)	(20,100)
	99,137	**48,621**

On 24 November 2011, the Bank of Lithuania recognised AB Bankas Snoras as insolvent and revoked the licence. According to the public information about AB Bankas Snoras, most likely is that bank's assets was significantly less as liabilities already on 30 September 2011. So the management of the Company decided to recognise allowance for impairment of deposit's certificate for full amount.

The credit quality of cash can be assessed by reference to external credit ratings of the banks:

	Group		Company	
	2011	**2010**	**2011**	**2010**
Moody's ratings				
Prime-1	20,916	2,657	11,677	197
Prime-3	-	5	-	-
Not Prime	156	23	146	-
Not rated	151	1,822	65	5
	21,223	4,507	11,888	202

The credit quality of term deposits can be assessed by reference to external credit ratings of the banks:

	Group	Company
	2011	**2011**
Moody's ratings		
Prime-1	97,873	48,621
Prime-3	-	-
Not Prime	1,264	-
Not rated	-	-
	99,137	48,621

19 Restricted cash

Major part of restricted cash amounting to LTL 1,352 thousand as at 31 December 2011 (LTL 3,389 thousand as at 31 December 2010) represents the balance of cash received by the Group company AB Invalda Nekilnojamojo Turto Fondas for sold investment properties which were pledged to Nordea Bank Finland Plc Lithuania Branch. The subsidiary has no ability to use these funds except for repayment of the loan and payment of interest. In 2009 the amount of LTL 8,981 thousand was settled as repayment of loan. The remaining amount was deposited in to secure variation in future cash flows.

The other amount of restricted cash represents funds deposited at administrating entities by the residents of dwelling houses (LTL 1,113 thousand).

The remaining amount of restricted cash represents frozen cash in other banks deposited to secure future interest payments of various Group companies.

20 Share capital

The total authorised number of ordinary shares is 51,659,758 (as of 31 December 2010: 51,659,758 shares) with a par value of LTL 1 per share (as of 31 December 2010: LTL 1 per share). All issued shares are fully paid.

On 30 January 2010, the Company received an application of D. J. Mišeikis to convert 500,000 owned bonds (the nominal value of one bond was 100 LTL) to 9,090,909 ordinary registered AB Invalda shares (the nominal value of one share is 1 LTL). On 3 February 2010 new By-laws of AB Invalda were registered. According to the By-laws the share capital of the Company was increased by LTL 9,091 thousand, from LTL 42,569 thousand till LTL 51,660 thousand. The excess over the nominal amount (LTL 40,909 thousand) was recognized in share premium and the liabilities of the Company have decreased by LTL 50,000 thousand.

On 29 April 2011 shareholders of the Company decided to cover accumulated deficit of LTL 10,471 thousand by transferring LTL 10,471 thousand from share premium.

21 Reserves

The movements in legal and other reserves are as follows:

Group	Legal reserve	Reserve for acquisition of own shares	Share based payments reserve	Fair value reserve	Other reserves	Total
As at 31 December 2009	**6,530**	**69,126**	**289**	**(133)**	**678**	**76,490**
Net gain on available for sale investments	-	-	-	(168)	-	(168)
Net loss on cash flow hedge	-	-	-	162	-	162
Share based payments	-	-	-	-	-	-
Sale of subsidiaries	(211)	-	-	-	-	(211)
Transfer to reserves (a)	-	18,002	-	-	-	18,002
Transfer from reserves (b)	(5,047)	(69,126)	-	-	-	(74,173)
As at 31 December 2010	**1,272**	**18,002**	**289**	**(139)**	**678**	**20,102**
Net loss on cash flow hedge	-	-	-	139	-	139
Share based payments	-	-	-	-	-	-
Sale of subsidiaries	-	-	-	-	-	-
Transfer to reserves	58	-	-	-	-	58
As at 31 December 2011	**1,330**	**18,002**	**289**	**-**	**678**	**20,299**

(a) 29 April 2010 shareholders of subsidiary AB Vilniaus Baldai decided to transfer LTL 25,000 thousand from retained earnings to the reserve for the acquisition of own shares. The part of reserve amounting to LTL 18,002 thousand is attributable to the equity holders of the parent and is presented as a transfer to reserves in these financial statements.

(b) 30 April 2010 shareholders of the Company decided to cover accumulated deficit of LTL 120,204 thousand by transferring:
- LTL 46,821 thousand from share premium
- LTL 69,126 thousand from the reserve for the acquisition of own shares
- LTL 4,257 thousand from legal reserve

In addition, some other subsidiaries of the Group had accumulated deficit as at 31 December 2009, therefore the total amount of LTL 790 thousand was transferred from legal reserves to the retained earnings of these subsidiaries during 2010.

Fair value reserves

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

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses.

Reserve for the acquisition of own shares

Own shares reserve is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations.

Share based payments reserve

The share-based payment transactions reserve is used to recognise the value of equity-settled share-based payment transactions provided to key management personnel of information technology segment, as part of their remuneration in 2009. From 2010 all share-based payments are attributed fully to the non-controlling interest. The key management personnel has the right to share option subject to the information technology segment achieving its target of EBITDA for years 2009 – 2012 (year's and accumulated targets are used). In 2011 the agreement was changed after acquisition of Norway Registers Development AS and new target was set for 2012 - 2014. The share based payment for 2012 was replaced by share based payment for 2012 – 2014. For the year 2009 EBITDA target was not reached, but in 2010 and 2011 the target was reached. The value of share based payments was calculated using binominal method. Expenses of LTL 770 thousand were recognised within "employee benefits expenses" in 2011 (2010: LTL 352 thousand).

22 Borrowings

	Group		Company	
	2011	**2010**	**2011**	**2010**
Non-current:				
Non-current bank borrowings	119,281	127,260	-	94,350
Other borrowings	197	-	-	-
Borrowings from related parties	-	-	-	-
	119,478	127,260	-	94,350
Current:				
Current portion of non-current borrowings	6,254	119,062	6	-
Current bank borrowings	80	51,779	-	44,303
Other borrowings	492	6,070	-	-
Borrowings from related parties	-	-	353	46,552
Non-bank deposits	-	-	-	-
	6,826	176,911	359	90,855
Total borrowings	126,304	304,171	359	185,205

The significant amounts of the Company's borrowings are from related parties. Please refer to Note 30 for more details.

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

	Group		Company	
Borrowings denominated in:	**2011**	**2010**	**2011**	**2010**
EUR	123,772	246,511	-	137,794
LTL	2,532	57,660	353	47,411
	126,304	304,171	353	185,205

22 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group		Company	
	2011	2010	2011	2010
Property, plant and equipment	18,939	23,100	-	-
Investments held-for-trading	-	4,852	-	-
Investments into subsidiaries and associates	184	182,684	49,904	204,392
Investment properties	171,369	229,518	-	-
Inventories	9,000	14,532	-	-
Cash	3,211	2,706	-	196
Other current assets	265	4,173	-	-
Trade receivables	1,365	-	-	-
Assets held-for-sale	-	-	-	-
Granted loans	-	-	25,534	23,091

In addition to the above, as at 31 December 2010 bonds issued between group entities with carrying value of LTL 1,664 thousand and shares of Invalda AB were pledged to the banks as collateral for the Group loans. In 2011 these collateral was annulled due to covering associated debt.

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

	Group		Company	
	2011	2010	2011	2010
Borrowings	4.77%	4.86%	6.58%	5.95%

In 2011 all Group entities have complied with bank loan covenants. As at 31 December 2010 some Group entities (real estate business segment) have not complied with certain bank loan covenants. In 2010 the Company has not complied also with certain bank loan covenants.

On 31 March 2011, the Group has agreed with Nordea Bank on the extension of current financing of the real estate segment. Current loans, which mature in 2011, were extended for 3 years and the bank provided indemnify against non-compliance with covenants for the same period. As at 31 December 2011 loans of LTL 116,469 thousand (as at 31 December 2010 – LTL 7,032 thousand) were recognised as non-current in statement of financial position, and loans of LTL 1,532 thousand (as at 31 December 2010 – LTL 115,174 thousand) were recognised as current portion of non-current loans.

During the year of 2011, the Group and the Company refunded respectively LTL 187,119 thousand and LTL 185,801 thousand of loans (during the year of 2010 respectively LTL 30,831 thousand and LTL 20,933 thousand), mainly used the proceeds from sale of road and bridge construction and pharmacy segments and bonds. The Company's liabilities to AB Šiaulių Bankas, AB Bankas Snoras, AB DNB Bank and UAB Medicinos Bankas was fully covered (on the statement of financial position for the year ended 2010 – LTL 18,000 thousand, LTL 24,254 thousand, LTL 94,350 thousand and 2,048 thousand LTL, respectively). The Company's liabilities to the Group companies decreased from LTL 46,553 thousand to LTL 359 thousand.

During the year of 2011 the Group paid down liabilities to the bank before maturity. The amount of paid down liabilities of subsidiaries amounted to LTL 28,964 thousand in the statement of financial position for the year ended 2010.

In January 2010 an extension to loan agreement with AB DNB Bank was signed by the Company. It was agreed to postpone the maturity of loan until 30 June 2012 with AB DNB Bank for all amount (the non-current liability as of 31 December 2010 was LTL 94,350 thousand, as of 31 December 2009 current liability was LTL 101,046 thousand).

As at 31 December 2010 the part of loans of LTL 65,646 thousand (the total amount of loan is LTL 69,430 thousand), provided by banks to the real estate segment's companies, were classified nominally according to IAS 1 as current because formally it has not been suspended a complying of the loan covenants. However any notice on premature loan repayment was not received. Taking into account management's assessment of interaction with the bank's representatives, the actual loans maturity is later than 12 months after the end of the reporting period and equal to maturity determined in the loans agreements. Also during 1st quarter it was signed loan agreements' amendment regarding an extension of maturity terms of LTL 15,459 thousand loan until 2012 (the loan to a subsidiary of the real estate segment provided by AB DNB Bank) and the loan has been recognised as non-current.

23 Finance lease

The assets leased by the Group under finance lease contracts consist of vehicles and other fixtures, fittings, tools and equipment. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The remaining terms of financial lease are from 36 to 59 months. In 2011 the Group has acquired vehicles of LTL 88 thousand (2010: LTL 539 thousand) and other fixtures, fittings tools and equipment of LTL 67 thousand (2010: LTL 313 thousand) through finance lease. The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group	
	2011	**2010**
Machinery and equipment	-	-
Other fixtures, fittings, tools and equipment	275	478
Vehicles	462	349
	737	827

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

	Group	
Borrowings denominated in:	**2011**	**2010**
EUR	545	645
LTL	103	33
	648	678

As at 31 December 2011 and 2010 the interest rate on the financial lease liabilities in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin varying from 1.3 % to 4 %. As at 31 December 2011 and 2010 the interest rate on the financial lease liabilities in LTL are 6-month VILIBOR and the margin 4.5%, but not less 7 %.

Future minimal lease payments and its present value under the above mentioned financial lease contracts are as follows:

	Group			
	2011		**2010**	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	289	257	270	231
From one to five years	424	391	488	447
Total financial lease obligations	713	648	758	678
Interest	(65)	-	(80)	
Present value of financial lease obligations	648	648	678	678
Financial lease obligations are accounted for as:				
- current		257		231
- non-current		391		447

24 Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 30.

25 Provisions

	Group		
	Sale of Finasta Group	**Constructor claims**	**Total**
As of 1 January 2010	**1,466**	**630**	**2,096**
Changes during the year	(1,216)	(55)	(1,271)
As of 31 December 2010	**250**	**575**	**825**
Changes during the year	(250)	121	(129)
As of 31 December 2011	**-**	**696**	**696**
Non-current 2011	-	396	396
Current 2011	-	300	300
Non-current 2010	-	480	480
Current 2010	250	95	345

In 2010 Company's statement of financial position provisions include only provision related to sale of Finasta Group.

26 Convertible bonds

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

The main characteristics of convertible bonds:
- annual interest rate: 9.9 %;
- redemption day 1 July 2010;
- the bonds can be converted to the Company's shares. One bond with par value of LTL 100 has an option to be converted to ordinary shares at ratio 5.5 (one bond would be converted into 18.18 shares approximately; final result would be rounded by arithmetical rules).
- If the bond holder exercises the conversion option, he has to pay back the interest received previously and forfeit any interest unpaid.

During the General Shareholder Meetings which was held on 30 January 2010 it was decided to change the conditions of convertible bonds and to issue new emission of convertible bonds of LTL 7,440 thousand. After realizing the decision a maturity of convertible bonds of LTL 25,000 thousand was extended until 1 July 2012 and new emission of convertible bonds of LTL 7,440 thousand (maturity - 1 July 2012) was issued. According to the changed terms of bonds, the bond holders have to pay back on conversion all interest received in cash interest and forfeit any interest unpaid starting from 2010. Convertible bonds of LTL 50,000 thousand were converted into the Company's shares (see Note 20).

The liabilities of LTL 34,059 thousand (par value and accrued interest) arising from these bonds are classified as current liabilities as at 31 December 2011 and the liabilities of LTL 32,440 thousand arising from these bonds are classified as non-current liabilities as at 31 December 2010

See Note 31 regarding the conversion of the bonds after the end of the reporting period.

27 Other liabilities

The other current and non-current liabilities are presented in the table below:

	Group		Company	
	2011	**2010**	**2011**	**2010**
Financial liabilities				
Dividends payable	3,022	2,614	2,079	2,138
Liability incurred in relation to business combination	-	401	-	-
Other amounts payable	1,578	2,017	76	84
	4,600	5,032	2,155	2,222
Non – financial liabilities				
Salaries and social security payable	6,146	3,985	1,021	293
Tax payable	2,036	1,112	5	-
Pensions and anniversary obligation	997	771	-	-
Other amounts payable	1,999	-	-	-
	11,178	5,868	1,026	293
Total other current and non-current liabilities	15,778	10,900	3,181	2,515
Non-current liabilities	3,345	1,101	-	-
Current liabilities	12,433	9,799	3,181	2,515

The Group's company AB Vilniaus Baldai has collective labour agreement. According to the agreement each employee has right to receive age and seniority anniversary benefit and 2 – 3 month an amount on retirement subject to years of service. This is the unfunded defined benefit pension plan. The liability recognised in the statement of financial position is LTL 997 thousand as at 31 December 2011 and LTL 771 thousand as at 31 December 2010.

28 Financial risk management

28.1 Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

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

28 Financial risk management (cont'd)

28.1 Financial risk factors (cont'd)

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

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

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

The main risks arising from the financial instruments are market risk (including currency risk, cash flow and fair value interest rate risk and price risk, liquidity risk and credit risk. The risks are identified and disclosed below.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding trade receivables and loans granted.

The Group estimates the credit risk separately by the segments. The single furniture production segment has significant concentration of trading counterparties. The main customer of AB Vilniaus Baldai as at 31 December 2011 accounts for approximately 54 % (51 % as at 31 December 2010) of the total Group's trade and other receivables (Note 17). The single customer of real estate sector accounts approximately 10.7 % of the total Group's trade and other receivables as at 31 December 2010. In 2011 this debt was partly covered by obtaining the collateral (see Note 17)

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables, which are not overdue and not impaired, due to constant control of the Group for receivable balances. Also, in 2010 due to worsening of worldwide and Lithuanian economical conditions a decrease in real estate prices was noted. This factor had an impact to some related parties of the Group and Company which had significant investments into real estate. As it is further described in Note 15, this had impact to significant increase in impairment level of loans granted by the Group and the Company.

The Group and the Company trade only with recognised, creditworthy third parties. It is the Group's and the Company's policy, that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances of subsidiary companies are monitored on a monthly basis. The maximum exposure to credit risk is disclosed in Notes 15 and 17. There are no significant transactions of the Group or the Company that do not occur in the country of the relevant operating unit.

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

For banks and financial institutions, only independently rated parties with high credit ratings are accepted (Note 18).

28 Financial risk management (cont'd)

28.1 Financial risk factors (cont'd)

Cash flow and fair value interest rate risk

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

To manage the interest rate risk the Group's company UAB Naujoji Švara entered into interest rate swap in 2008, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge loan from Nordea Bank Finland Plc Lithuania Branch. In 2011 the contract was ended. The Group and the Company is prepared to enter into other interest rate swap agreements if this allows to further mitigate risk.

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

	Increase/decrease in basic points	Group	Company
		Effect on profit before tax	
2011			
EUR	100	(1,237)	-
LTL	100	(1)	-
EUR	-50	618	-
LTL	-50	1	-
2010			
EUR	100	(2,442)	(943)
LTL	100	(25)	-
EUR	-200	4,883	1,887
LTL	-200	49	-

28 Financial risk management (cont'd)

28.1 Financial risk factors (cont'd)

Liquidity risk

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

The aim of the short-term liquidity management is to meet daily needs for funds. Each business segment is independently planning its internal cash flows. Short-term liquidity for the Group and the Company is controlled through weekly monitoring of the liquidity status and needs of funds according to the Group's business segments.

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

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2011 and 2010 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	2,829	43,754	127,232	49	173,864
Finance lease obligations	-	76	213	424	-	713
Trade and other payables	-	34,198	287	78	141	34,704
Other liabilities	3,022	1,226	24	158	-	4,430
Balance as at 31 December 2011	**3,022**	**38,329**	**44,278**	**127,892**	**190**	**213,711**
Interest bearing borrowings	-	29,008	89,682	236,142	1,302	356,134
Finance lease obligations	-	86	184	488	-	758
Trade and other payables	-	31,075	98	200	160	31,533
Derivative financial instruments and hedge agreements	-	57	108	-	-	165
Other liabilities	2,614	496	863	-	-	3,973
Balance as at 31 December 2010	**2,614**	**60,722**	**90,935**	**236,830**	**1,462**	**392,563**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2011 and 2010 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	6	36,033	-	-	36,039
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	630	-	-	-	630
Other current liabilities	2,079	76	-	-	-	2,155
Balance as at 31 December 2011	**2,079**	**712**	**36,033**	**-**	**-**	**38,824**
Interest bearing borrowings	-	2,008	98,192	131,938	-	232,138
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	739	-	-	-	739
Other current liabilities	2,138	60	24	-	-	2,222
Balance as at 31 December 2010	**2,138**	**2,807**	**98,216**	**131,938**	**-**	**235,099**

28 Financial risk management (cont'd)

28.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

In 2011 all Group entities have complied with bank loan covenants. Some of the Group's companies did not comply with loans covenants and accordingly such loans were classified as current in statement of financial position of the Group and the Company as at 31 December 2010. However, the banks have not demanded for early repayment of these loans. In 2010 one loan was reclassified from non-current to current liabilities because of non-compliance with bank covenants. In the table above these loans are presented according to their contractual maturity terms based on agreements. If these loans are classified as payable on demand, the "On demand" bucket of the Group would increase by LTL 69,430 thousand, "less than 3 months" bucket would decrease by LTL 1,104 thousand, "4 to 12 months" bucket would decrease by LTL 4,273 thousand, "2 to 5 years" bucket would decrease by LTL 71,002 thousand, but the Group agreed with Nordea bank on the extension of financing of the real estate segment in April 2011. The agreement with the bank was changed prolonging repayment terms of borrowings for 3 years (including reclassified loan) and the bank provided indemnify against non-compliance with covenants for the same 3 years.

The Group's liquidity ratio ((total current assets plus assets of disposal group classified as held-for-sale) / total current liabilities plus liabilities of disposal group directly associated with the assets classified as held-for-sale) as at 31 December 2011 was approximately 2.90 (0.77 as at 31 December 2010), the quick ratio ((total current assets – inventories) / total current liabilities) – 2.60 (0.32 as at 31 December 2010). The Company's liquidity ratio as at 31 December 2011 was approximately 7.13 (1.07 as at 31 December 2010), the quick ratio – 7.03 (0.81 as at 31 December 2010). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes actions to keep the favourable the situation.

Price risk

The Group and the Company are exposed to equity securities price risk because of investments held by the Group and the Company and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group and the Company are not exposed to commodity price risk. To manage their price risk arising from investments in equity securities, the Group and the Company diversify their portfolio.

The Group's and the Company's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: OMX Baltic Benchmark Gross Index (OMXBBGI), WSE sWIG80 equity indexes.

The table below summarises the impact of increases/decreases of the two equity indexes on the Group's and the Company"s profit before tax for the year. The analysis is based on the assumption that the equity indexes had increased/ decreased by 20 % with all other variables held constant and all the group's equity instruments moved according to the historical correlation with the index:

Index	**Group**		**Company**	
	2011	**2010**	**2011**	**2010**
OMXBBGI	2.774	1.394	2.774	-
SWIG80	4.852	-	4.852	-

Profit before tax for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Foreign exchange risk

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

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

28 Financial risk management (cont'd)

28.1 Financial risk factors (cont'd)

Foreign exchange risk (cont'd)

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

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2011			
PLN/LTL	+10 %	1,593	1,549
USD/LTL	+10 %	106	-
LVL/LTL	+10 %	15	15
PLN/LTL	-10 %	(1,593)	(1,549)
USD/LTL	-10 %	(106)	-
LVL/LTL	-10 %	(15)	(15)
2010			
PLN/LTL	+10 %	(56)	-
USD/LTL	+10 %	(14,494)	(14,467)
SEK/LTL	+10 %	(21)	-
PLN/LTL	-10 %	56	-
USD/LTL	-10 %	13,879	13,852
SEK/LTL	-10 %	21	-

28.2 Fair value estimation

The Group's and the Company's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, deposits at banks, trade and other receivables, trade and other payables, non-current and current borrowings.

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

The carrying amount of the financial assets and financial liabilities of the Group and the Company as at 31 December 2011 and 2010 approximated their fair value.

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

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

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

28 Financial risk management (cont'd)

28.2 Fair value estimation (cont'd)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2011:

	Level 1	Level 2	Level 3	Total balance
Assets				
Shares of Trakcja – Tiltra S.A	15,491	-	-	15,491
Held-for-trading securities	16,840	15,268	-	32,108
Total Assets	32,331	15,268	-	47,599
Liabilities	-	-		-

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2010:

	Level 1	Level 2	Level 3	Total balance
Assets				
Held-for-trading securities	6,934	-	-	6,934
Derivatives	-	-	1,512	1,512
Total Assets	6,934	-	1,512	8,446
Liabilities				
Cash flow hedge	-	163	-	163

During the year of 2011, there were no transfers between Level 1 and Level 2 fair value measurements. In August of 2011 has expired cash flow hedge. As at 31 December 2011 Level 2 represents acquired unlisted bonds of financial institution listed on OMX Vilnius. The derivative representing the share price adjustment of AB Sanitas according to the agreement realized after sale of AB Sanitas. Therefore are not any instruments in level 3.

During the reporting period ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements.

There were no changes in level 3 instruments for the year ended 31 December 2010.

The Group owned available-for-sale financial assets are measured at cost in accordance with IAS 39 because its fair value cannot be measured reliably, they have no quoted market price in an active market.

28 Financial risk management (cont'd)

28.3 Capital management

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

The Group's and the Company's capital comprise share capital, share premium, reserves and retained earnings.
The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2011 and 2010.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. Due to significant changes in investment property prices, turmoil in financial markets and economic crisis in Lithuania as of 31 December 2011 the 23 subsidiaries (real estate segment – 12, information technology segment – 3, facilities management – 2, other segment -6) did not comply with the above mentioned requirements (2010: 16; real estate segment – 11, information technology segment – 2, other segment -3) If subsidiaries, based on results of the current year, violate requirements required by laws, according to the order and terms provided for in laws the Company shall apply the appropriate means so that the aforementioned requirements on the capital would be met. It is expected that after the issuance of annual financial statements appropriate measures will be taken in order to increase share capitals of the above mentioned companies capitalising to equity the loans granted by the Company to subsidiaries.

Besides, some Group subsidiaries have obligations arising out of credit agreements concluded with banks, including capital. For the purpose of ensuring of bank credits it is required that the ratio of equity plus subordinated borrowings divided by total assets would be not less than specified in the appropriate agreements. Some banks, when calculating this ratio do not include in equity the revaluation reserve. Depending on risks related to projects and activities under development the ratio amount required by banks is 0.2–0.35. The Company, when subordinating credits, seeks to ensure that this ratio would be obeyed by the appropriate subsidiaries.

29 Commitments and contingencies

Operating lease commitments – Group as a lessee

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

The majority of the Group's operating lease expenses include lease of premises after the sale of investment property in 2007. The Group's company AB Invalda Nekilnojamojo Turto Fondas concluded the operating lease back agreement with an Irish private investor for the sold Group investment properties. Lease payments and the sale price of the investment properties are accounted for at fair value, therefore the profit of this transaction was recognised immediately at the transaction date. Operating lease back term – 10 years, but the agreement might be unilaterally terminated by the parties. AB Invalda Nekilnojamojo Turto Fondas paid a one time deposit in the amount of LTL 2,848 thousand corresponding to the 6 months amount of the lease fee which will be set-off against the last part of lease fee at the termination of the lease.

In 2011 and 2010, the lease expenses for lease of premises of the Group amounted to LTL 5,976 thousand and LTL 5,502 thousand, respectively. In 2011, other asset lease expenses of the Group and the Company amounted to LTL 1,612 thousand and LTL 237 thousand, respectively (LTL 2,295 thousand and LTL 246 thousand, respectively, in 2010).

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

		Group		Company	
		2011	**2010**	**2011**	**2010**
Within one year					
	- lease of premises	5,086	5,063	-	-
	- other lease	1,036	586	153	191
		6,122	5,649	153	191
From one to five years					
	- lease of premises	23,280	22,546	-	-
	- other lease	981	579	64	121
		24,261	23,125	64	121
After five years					
	- lease of premises	1,032	9,700	-	-
	- other lease	-	-	-	-
		1,032	9,700	-	-
		31,415	**38,474**	**217**	**312**
Denominated in:					
- EUR		29,589	37,495	100	39
- LTL		1,826	979	117	273
- Other currencies		-	-	-	-

29 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessor

The Group companies AB Invalda Nekilnojamojo Turto Fondas, UAB Naujoji Švara, UAB IBC Logistika, UAB Saistas, UAB Ineturas, and UAB Dizaino Institutas have entered into commercial property leases of the Group's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 1 and 10 years.

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

		2011	2010
Within one year			
	- non-cancellable	3,560	5,617
	- cancellable	4,475	3,909
		8,035	9,526
From one to five years			
	- non-cancellable	1,882	4,242
	- cancellable	2,571	2,051
		4,453	6,293
After five years			
	- non-cancellable	-	211
	- cancellable	-	-
		-	211
		12,488	**16,030**

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

		2011	2010
Within one year			
	- non-cancellable	622	781
	- cancellable	4,558	5,252
		5,180	6,033
From one to five years			
	- non-cancellable	653	612
	- cancellable	10,995	11,694
		11,648	12,306
After five years			
	- non-cancellable	-	-
	- cancellable	-	1,411
		-	1,411
		16,828	**19,750**

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

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

30 Related party transactions

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

The related parties of the Group in 2011 and 2010 were associates, joint ventures and the Company's shareholders (Note 1) and key management personnel. In 2011 UAB Laikinosios Sostinės Projektai, over which the Group was lost joint control, are attributed also to the related parties.

Receivables from related parties are presented in gross amount (without allowance, with interests, which are calculated according to the agreement on gross amount disregard the allowance).

Transactions of the Group with associates in 2011 and balances as at 31 December 2011 were as follows:

2011 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	48	-	-	-
Real estate income	40	-	3	-
Furniture segment	-	1,541	-	71
Roads and bridges construction segment	266	3,905	86	-
Other	197	8	26	-
	551	5,454	115	71

Transactions of the Group with joint ventures in 2011 and balances as at 31 December 2011 were as follows:

2011 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	60	-	6,687	-
Real estate income	1	-	40	-
Other	7	-	-	-
	68	-	6,727	-

Transactions of the Group with other related parties in 2011 and balances as at 31 December 2011 were as follows:

2011 Group	**Interest income**	**Purchases from related parties**	**Loans granted**	**Payables to related parties**
Shareholders and key management	882	-	12,041	-

The maturity of loans granted is 2012 - 2013, effective interest rate is 6 – 6.25 %. Loans hold no collateral.

30 Related party transactions (cont'd)

Transactions of the Group with associates in 2010 and balances as at 31 December 2010 were as follows:

2010 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	508	-	2,173	-
Real estate income	129	-	23	-
Furniture segment	-	590	-	162
Roads and bridges construction segment	273	57	109	-
Other	52	6	12	-
	962	653	2,317	162

Transactions of the Group with joint ventures in 2010 and balances as at 31 December 2010 were as follows:

2010 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	127	217	6,856	-
Real estate income	18	-	43	-
Other	-	-	-	-
	145	217	6,899	-

Transactions of the Group with other related parties in 2010 and balances as at 31 December 2010 were as follows:

2010 Group	**Interest income**	**Purchases from related parties**	**Loans granted**	**Payables to related parties**
Shareholders and key management	3,640	10	13,975	-

The maturity of loans granted is 2011, effective interest rate is 8 - 9 %, for borrowings received maturity is 2011, effective interest rate 6 %.

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

Transactions of the Company with subsidiaries in 2011 and balances as at 31 December 2011 were as follows:

2011 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	7,903	1,293	157,177	353
Real estate income	-	160	-	4
Transfer tax losses within Group	-	-	-	-
Dividends	-	-	-	-
Other	-	21	217	-
	7,903	1,474	157,394	357

30 Related party transactions (cont'd)

Transactions of the Company with associates in 2011 and balances as at 31 December 2011 were as follows:

2011 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	48	-	-	-
Roads and bridges construction segment	-	3,491	-	-
	48	3,491	-	-

Transactions of the Company with joint ventures in 2011 and balances as at 31 December 2011 were as follows:

2011 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	60	-	6,687	-

Transactions of the Company with other related parties in 2010 and balances as at 31 December 2011 were as follows:

2011 Company	Interest income	Purchases from related parties	Loans granted	Payables to related parties
Shareholders and key management	-	-	-	-

The maturity of loans granted is till 2012, effective interest rate 6 - 11 %, for borrowings received maturity is 2012, effective interest rate 5 %.

Transactions of the Company with subsidiaries in 2010 and balances as at 31 December 2010 were as follows:

2010 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	8,296	2,122	71,906	46,553
Real estate income	-	134	-	128
Transfer tax losses within Group	-	-	999	-
Dividends	300	-	-	-
Other	-	66	-	6
	8,596	2,322	72,905	46,687

Transactions of the Company with associates in 2010 and balances as at 31 December 2010 were as follows:

2010 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	508	-	2,173	-

30 Related party transactions (cont'd)

Transactions of the Company with joint ventures in 2010 and balances as at 31 December 2010 were as follows:

2010 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	127	127	6,856	-

Transactions of the Company with other related parties in 2010 and balances as at 31 December 2010 were as follows:

2010 Company	Interest income	Purchases from related parties	Loans granted	Payables to related parties
Shareholders and key management	916	2	-	-

The maturity of loans granted is from 2011 till 2017, effective interest rate 6– 8.5 %, for borrowings received maturity is 2011, effective interest rate 4.5 – 6.5 %.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash. In 2011 the Company has recognised additional impairment losses in respect of loans due from joint ventures and subsidiaries, amounting to nil and LTL 7,074 thousand, respectively (LTL 200 thousand and LTL 5,382 thousand, respectively in 2010. The Group recognised in 2011 and 2010 the same amount as the Company in respect of the loans granted to joint ventures. As at 31 December 2011 the impairment allowance for Company's loans granted to UAB Laikinosios Sostinės Projektai and subsidiaries, amounted to LTL 5,808 thousand and LTL 8,405 thousand, respectively (LTL 5,808 thousand and LTL 3,125 thousand, respectively, in 2010). As at 31 December 2011 the cumulative interest amount, which is not recognised in the financial statements, but is calculated according to the loans' agreements, for Company's loans granted to joint ventures and subsidiaries, amounted to LTL 2 thousand and 303 thousand (LTL 30 thousand and LTL 1,362 thousand, respectively, in 2010). The impairment allowance was increased in 2011 due to decrease of the carrying amount of assets of subsidiaries, operated in real estate segment. The impairment allowance was reduced in 2010 due to capitalization of loan to increased share capital and disposal of subsidiaries and joint ventures. Doubtful debts assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management compensation and other payments

The management remuneration contains short-term employees' benefits and share-based payments. Key management of the Company and the Group includes Board members and Chief accountant and the General Managers, which manage the Group's segment, (excluding associates and joint ventures), respectively.

	Group		Company	
	2011	2010	2011	2010
Wages, salaries and bonuses	1,901	1,935	805	771
Social security contributions	604	611	259	250
Bonus for the Board members	945	-	-	-
Share-based payments	309	164	-	-
Total key management compensation	3,759	2,710	1,064	1,021

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2011 and 2010 dividends were not paid.

31 Events after the reporting period

AB Umega

On 12 January 2011, the sale of 29.27% of shares of AB Umega according to the agreement signed on 30 November 2011 was completed. Price for the shares sold equal to LTL 3,745 thousand. The Group has earned a profit of LTL 2,037 thousand. In the Company statements, the price for the shares sold was equal to the carrying amount of the investments.

The conversion of the convertible bonds

The application from the bondholders to convert LTL 32,400 thousand par value bonds (par value of one bond is LTL 100) into the shares of the Company was received on 28 March 2012 (see Note 26). The bonds were converted into 5,898,182 shares of LTL 1 par value on 30 March 2012, when new By-laws of the Company were registered. After the conversion, share capital of the Company was increased by LTL 5,898 thousand up to LTL 57,558 thousand and divided into 57,557,940 shares of LTL 1 par value. The conversion price of new shares is LTL 5.50 per share. The bond holders have pay back of earlier received interest of LTL 4,788 thousand and forfeit the accrued interest of LTL 1,619 thousand as at 31 December 2011 and accrued interest in 2012. All these amounts were reversed through equity upon conversion.

After conversion the shareholders of the Company are (by votes):

	2011	
	Number of votes held	**Percentage**
Mrs. Irena Ona Mišeikienė	13,185,706	22.91%
Mr. Vytautas Bučas	9,585,803	16.65%
UAB Lucrum Investicija	5,363,865	9.32%
UAB RB Finansai	4,545,455	7.90%
Mr. Darius Šulnis	4,071,762	7.07%
Mr. Algirdas Bučas	3,424,119	5.95%
Mr. Alvydas Banys	2,029,624	3.53%
Mrs. Daiva Banienė	1,836,234	3.19%
UAB DIM Investment	1,352,727	2.35%
Other minor shareholders	12,162,645	21.13%
Total	57,557,940	100.00%