AB Vilniaus Vingis

Annual Accounts for the year 2006

Contents

Company details

AB Vilniaus Vingis

Telephone	+ 370 5 239 25 00
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Registered office:	Savanorių pr. 176, Vilnius, LT-03154 Lithuania

Board of Directors

Nerijus Dagilis (Chairman)
Darius Janulevičius
Dmitrijus Dutovas
Marija Leitonienė
Valdas Petrauskas

Management

Neringa Menčiūnienė - Managing director (from 09 May 2006)
Asta Dagilienė - Personnel director
Juozas Markauskas - Director of Vilniaus Vingio Geba UAB
Svetlana Ivanova - Chief accountant

Auditors

KPMG Baltics, UAB

Bankers

AB SEB Vilniaus Bankas
Nordea Bank PLC Vilnius branch
Snoras Bank
Hansabankas
Bayerische Hypo-und Vereinsbank AG Vilnius branch

Annual report

The Board of Directors and the Management have today discussed and authorized for issue the annual accounts and the annual report and have signed the annual accounts and report on behalf of the Company.

The accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the annual accounts thus give a true and fair view.

We recommend the accounts to be approved at the Annual General Meeting.

Vilnius, 6 April 2006

Management:

Neringa Menčiūnienė
Managing director

Board of Directors:

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Nerijus Dagilis (Chairman)	Darius Janulevičius	Dmitrijus Dutovas
------------------------	------------------------	
Marija Leitonienė	Valdas Petrauskas	

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Independent auditor's report to the shareholders of AB Vilniaus Vingis

To the shareholders of AB Vilniaus Vingis

We have audited the accompanying separate financial statements of AB Vilniaus Vingis (the Company), which comprise the balance sheet as at 31 December 2006, the related income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 6 to 41.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Įmonės kodas 111494971
PVM kodas LT114949716
Juridinių asmenų registras

KPMG

Basis for qualified opinion

Non-current assets of the company as at 31 December 2006 among others include equipment and tools amounting to 6,862 tLitas and investment in subsidiary UAB Vilniaus Vingio Geba amounting to 906 tLitas. The Company incurred significant losses for the year 2006 and the volume of production decreased considerably compared to previous years. In our opinion, this indicates that the above mentioned assets may be impaired; however, no calculation of the recoverable amount was prepared by the Company. The calculation of the recoverable amount should have been prepared in order to calculate possible impairment losses. The adjustments to tangible assets, investment in subsidiary and result for the year, which would have resulted from the recognition of impairment losses, have not been determined.

Trade debtors include receivable from former subsidiary UAB Vilniaus Vingio Gija amounting to 2,771 tLitas at 31 December 2006. The debtors did not follow repayment schedule in 2007 indicating that the receivable may be impaired. In our opinion, the calculation of the recoverable amount should have been prepared in order to calculate possible impairment losses. The adjustments to amounts receivable and result for the year, which would have resulted from the recognition of impairment losses, have not been determined.

Qualified opinion

In our opinion therefore, except for the possible impact of the matters referred to in the preceding paragraphs, the separate financial statements give a true and fair view of the financial position of AB Vilniaus Vingis as at 31 December 2006, and of the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 29 to the separate financial statements which describes that the Company's production activities are dependent on the orders from two customers. The orders are decreasing and should the customers continue decreasing purchases of deflection yokes, the Company considers to discontinue production of these items.

Furthermore, as disclosed in Note 13 to the separate financial statements, the Company signed a real estate sales agreement to sell buildings located in Savanorių pr. 176, Vilnius. Upon completion of the sales transaction the Company will discontinue generating rent income, which amounted to 5,129 tLitas in 2006.

These conditions indicate existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Report on legal and other regulatory requirements

Furthermore, we have read the annual report for the year ended 31 December 2006 set out on pages 42-44 and have not identified any material inconsistencies between the financial information for the year 2006 included in the annual report and the separate financial statements for the year ended 31 December 2006.

Vilnius, 6 April 2007
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorised
Public Accountant

Domantas Dabulis
Certified Auditor

Profit and loss account for the year

Litas	Note	2006	2005
Revenue	4	48,377,558	84,184,452
Cost of sales		-49,794,163	-79,136,842
Gross profit		-1,416,605	5,047,610
Distribution expenses	5	-946,097	-1,867,292
Administrative expenses	6	-9,819,090	-9,446,618
Other operating income	8	9,669,507	2,442,197
Other operating expenses	8	-12,659,752	-1,835,468
Operating loss/ profit before financing costs		-15,172,037	-5,659,571
Increase in fair value of derivative financial instruments	24	-864,028	1,349,387
Financial income	9	48,958	1,817
Financial expenses	9	-9,002,592	-937,668
Loss before tax		-24,989,699	-5,246,035
Corporate income tax	10	2,118,000	-348,340
Net loss for the year		-22,871,699	-5,594,375
Loss/ earnings per share	21	-2.64	-0.65

The notes set out in pages 11 to 41 form an integral part of these financial statements.

Balance sheet

Litas	Note	2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	13	22,806,023	34,528,718
Intangible assets	14	265,277	473,913
Investments	15	906,000	60,000
Prepayment for the increase of share capital of the subsidiaries	15	0	6,691,057
Deferred tax	11	2,118,000	0
Total non-current assets		26,095,300	41,753,688
Current assets			
Inventories	16	3,129,704	10,653,983
Trade receivables	17	3,588,730	11,053,793
Income tax receivable	12	501,765	1,422,466
Derivative financial instrument	24	0	1,349,387
Other receivables	18	1,347,577	812,089
Cash and cash equivalents	19	836,273	1,230,240
Total current assets		9,404,049	26,521,958
TOTAL ASSETS		35,499,349	68,275,646

The notes set out in pages 11 to 41 form an integral part of these financial statements.

Balance sheet

Litas	Note	2006	2005
EQUITY AND LIABILITIES			
Equity			
Issued capital	20	36,492,420	36,492,420
Share premium		2,211,200	2,211,200
Own shares	20	-3,946,668	-3,946,668
Legal reserve	20	2,085,956	2,085,956
Other reserves (distributable)	20	6,565,901	4,546,943
Retained earnings		-18,575,912	6,314,745
Total equity		24,832,897	47,704,596
Non-current liabilities			
Interest bearing loans and borrowings	22	0	7,167,553
Total non-current liabilities		0	7,167,553
Current liabilities			
Interest bearing loans and borrowings	22	1,852,706	3,053,500
Derivative financial instrument	24	1,721,324	0
Trade payables		1,566,197	8,244,776
Other payables	23	5,526,225	2,105,221
Total current liabilities		10,666,452	13,403,497
Total liabilities		10,666,452	20,571,050
TOTAL EQUITY AND LIABILITIES		35,499,349	68,275,646

The notes set out in pages 11 to 41 form an integral part of these financial statements.

Statement of changes in shareholders' equity for the year

Litas	Share capital	Share premium	Own shares	Legal reserve	Other reserves	Retained earnings	Total
Equity at 31 December 2004	36,492,420	2,211,200	-3,946,668	1,905,278	14,719,117	1,917,624	53,298,971
Transfer to reserves				180,678	-10,172,174	9,991,496	0
Net loss for 2005						-5,594,375	-5,594,375
Equity at 31 December 2005	36,492,420	2,211,200	-3,946,668	2,085,956	4,546,943	6,314,745	47,704,596
Transfer of reserves					2,018,958	-2,018,958	0
Net loss for 2006						-22,871,699	-22,871,699
Equity at 31 December 2006	36,492,420	2,211,200	-3,946,668	2,085,956	6,565,901	-18,575,912	24,832,897

The notes set out in pages 11 to 41 form an integral part of these financial statements.

Statement of cash flows for the year

Litas	2006	2005
Cash flow from operating activities		
Result before tax	-24,989,699	-5,246,035
Adjustments for:		0
Depreciation and amortisation	6,518,730	8,858,430
Impairment losses on property, plant and equipment	439,009	0
Gain/loss on revaluation of derivatives to fair value, recognised in profit and loss account	3,070,711	-1,349,387
Result on disposals of non current assets	3,978,969	-3,330
Result on sale of investment	4,804,057	0
Write down on inventories	0	610,422
Write down of amounts receivable from subsidiaries	3,838,948	0
Impairment of doubtful receivables	-1,364,913	-3,120
Net interest costs	286,416	595,786
Operating profit before changes in working capital	-3,417,772	3,462,766
Change in trade and other receivables	4,455,536	5,979,351
Change in inventories	7,524,279	5,243,078
Change in trade creditors and other creditors	-3,257,575	-584,731
Cash generated from the operations	5,304,468	14,100,464
Interest received	24,772	0
Interest paid	-311,188	-595,786
Corporate income tax paid / returned	920,701	255,312
Net cash from operating activities	5,938,753	13,759,990
Cash flow from investing activities		
Proceeds from sale of plant and equipment	369,033	17,357
Proceed from sale of subsidiaries	2,447,000	0
Acquisition of subsidiaries, net of cash acquired	-550,000	-60,000
Acquisition of property, plant and equipment	-230,406	-935,181
Capitalisation of intangible fixed assets	0	-71,540
Net cash from investing activities	2,035,627	-1,049,364
Cash flows from financing activities		
Repayment of borrowings	-36,999,757	-14,226,920
Repayment of finance lease liabilities	-260,202	-102,164
Proceeds of borrowings	28,891,612	2,793,298
Net cash from financing activities	-8,368,347	-11,535,786
Net increase in cash and cash equivalents	-393,967	1,174,840
Cash and cash equivalents at 1 January	1,230,240	55,400
Cash and cash equivalents at 31 December	836,273	1,230,240

The notes set out in pages 11 to 41 form an integral part of these financial statements.

Notes to the annual accounts

1 Summary of significant accounting policies

The joint stock company AB Vilniaus Vingis (the Company) is a publicly listed company domiciled in Lithuania. The Company's shares are traded on the Current List of the Vilniaus Stock Exchange. As at 31 December 2006 the major shareholders were as follows:

	Shares	Shareholding
UAB Hermis Capital	3,379,961	37.05%
MP Fjarfestingarbanki HF clients	1,552,561	17.02%
AB Šiaulių bankas	906,400	9.94%
Finasta investicijų valdymas CEE fond	793,440	8.70%
AB Vilniaus Vingis	475,817	5.22%
Other shareholders widely held, no more than 5%	2,014,926	22.07%
	9,123,105	100%

As at 31 December 2006, the Company's Board includes two members from Hermis capital UAB, one from Finasta investicijų valdymas, one member representing previous company's shareholder East Capital Asset Management and one from previous AB Vilniaus Vingis management.

The Company is involved in the manufacture of electronic components. The main products are deflection yokes and transformers. The production facilities are located at Savanorių av. 176, Vilnius.

In October 2005, the Company established two 100% owned subsidiaries UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika with a registered capital of Litas 30 thousand each. There were no activities in the companies in 2005. The subsidiaries have assumed the activities of former AB Vilniaus Vingis departments, which were producing plastic elements (UAB Vilniaus Vingio Gija) and tools and equipment (UAB Vilniaus Vingio Mechanika). Non-current assets, related to the activities of both subsidiaries were transferred to the subsidiaries on 13 December 2005 (for more details see note 15). The capital of the subsidiaries was increased by the non-current assets as at 15 January 2006. In 2006 year both subsidiaries has been sold to formed AB Vilnaius Vingis directors (for more details see note 26).

Employees, who were working in the former departments of AB Vilniaus Vingis, were employed by the established subsidiaries as of 1 January 2006 UAB Vilniaus Vingio Gija – 276, UAB Vilniaus Vingio Mechanika – 136 employees.

In November 2006, the Company established 100% owned subsidiary UAB Vilniaus Vingio Geba with registered capital of Litas 906 thousand. Litas 856 thousand has been paid in by non-current asset contribution (for more details see note 15). The subsidiary has assumed the activities of former AB Vilniaus Vingis department, which has been producing deflection yokes and transformers.

Notes to the annual accounts

Employees, who were working in the former department of AB Vilniaus Vingis, were employed by the established subsidiary as of 1 December 2006 in UAB Vilniaus Vingio Geba-258.

In 2006 March the company has established new subsidiary UAB Filmpakas which was 100% owned by the Company. Share capital amounted to Litas 500 thousand and was fully paid by the company in cash. In 2006 June the subsidiary has been sold. The subsidiary had no activities till it was sold.

Statement of compliance

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

Basis of preparation

The financial statements are presented in Litas. They are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value and for the property, plant and equipment, which are presented at deemed cost.

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates. Refer to Note 24, 25 and 29 for description of key judgment areas, estimates and underlying assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies of the Company as set out below have been applied consistently and are consistent with those of the preceding year, except for the change described in Note 2.

Notes to the annual accounts

Financial instruments

Derivative financial instruments

In 2005 and 2006 year, the Company holds derivative financial instruments (copper swaps) for trading purposes.

Derivative financial instruments are recognised initially at fair value. As at the date of financial statements, derivative financial instruments are revaluated to the fair value as at that date, the gain or loss on their subsequent measurement at fair value is recognised immediately in profit or loss. The fair value is arrived at by reference to broker quotes.

Other financial instruments

Receivables originated by the Company are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, receivables originated by the Company are measured at amortised cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less impairment, if any.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the fair value was determined.

Notes to the annual accounts

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

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

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs

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

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

The estimated useful lives are as follows:

- buildings 8 - 60 years
- plant, machinery and equipment 2 - 15 years
- motor vehicles 5 - 6 years
- other assets 2 - 8 years

Depreciation methods, residual values and useful lives are reassessed annually.

Notes to the annual accounts

Intangible assets

Intangible assets, comprising computer software and software licences that are acquired by the Company are stated at cost less accumulated amortisation. The assets are amortised using the straight-line method over a 1 -3 years' period. Depreciation methods, residual values and useful lives are reassessed annually.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Investments

Investment in subsidiaries in separate financial statements of the company are accounted at its cost less impairment loss.

Inventories

Inventories sold in the ordinary course of business are stated at the lower of cost and net realisable value. Other inventories are stated at the lower of cost and fair value less cost to sell. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, if it complies with the cash management policy.

Notes to the annual accounts

Impairment

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

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

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

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Notes to the annual accounts

Dividends

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

Liabilities

Liabilities are initially recognised at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortised cost on an effective interest method basis. Short-term liabilities are not discounted.

Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the annual accounts

Expenses (cont'd)

Net financing costs

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

Interest income is recognised in the profit and loss account as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date when it is declared and the entity's right to receive payments is established.

Corporate income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the annual accounts

2 Change in accounting policies

In 2006 year the company has changed its accounting policy and has presented rent activity as main activity. In 2005 year rent income and costs were presented as other activity items. After accounting policy has been changed, to maintain comparability principal, the company has made appropriate reclassification in 2005 year financial statements balance and profit loss account: rent income and rent costs have been reclassified form other activity to main activity, receivable and payable amounts related to rent activity have been reclassified to trade debts and trade creditors accordingly.

3 Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these financial statements:

- IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Company's 2007 financial statements, will require extensive additional disclosures with respect to Company's financial instruments and share capital. The standards are not expected to have any impact on the financial statements.

- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has not yet completed its analysis of the impact of the new Standard.

Notes to the annual accounts

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Company's 2007 financial statements, is not expected to have any impact on the financial statements.

- IFRIC 8 Scope of IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Company's 2007 financial statements, with retrospective application required. IFRIC 8 is not relevant to the Company's operations as the Company has not entered into any share-based payments arrangements.

- IFRIC 9 Reassessment of Embedded Derivatives requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 becomes mandatory for the Company's 2007 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Company's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Company first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e., 1 January 2004). The company did not determine the impact of this interpretation.

- IFRIC 11 IFRS 2 – Company and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Company's operations as the Company has not entered into any share-based payments arrangements.

- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations.

Notes to the annual accounts

4 Segment reporting

Segments information is presented in respect of the Company's business and geographical segments.

The company comprises the following main business segments:
- Production activity. The manufacture of electronic components
- Rent activity. The rent of business and other premises.

Other operations include transportation and other services provided for the Company's clients.

Results for 2006 by business segment can be specified as follows:

LTL'000	Production activity	Rent activity	Other operations	Un-allocated	Total
Revenue	42,961	5,129	287		48,377
Expenses	46,347	3,168	279		49,794
Gross profit	-3,386	1,961	8		-1,417
Operating expenses				-10,765	-10.765
Other activity result				-2,990	-2,990
Operating result before financing costs	-3,386	1,961	8	-13,755	-15,172
Decrease in fair value of derivatives				-864	-864
Net financing items	-8,953				-8,953
Result before tax	-12,339	1,961	8	-14,619	-24,989
Income tax expenses				2,118	2,118
Net segment result for the year	-12,339	1,961	8	-12,501	-22,871
Total asset	19,744	7,681		8,074	35,499
Total liabilities	1,448	439		8,779	10,666
Capital expenditure		25		205	230
Depreciation	5,486	375		401	6,262
Amortization of intangible asset	58			199	257
Impairment losses on intangible assets and property, plant and equipment	439				439

Notes to the annual accounts

Results for 2005 by business segment can be specified as follows:

LTL'000	Production activity	Rent activity	Other operations	Un-allocated	Total
Revenue	81,243	2,941			84,184
Expenses	77,687	1,450			79,137
Gross profit	3,556	1,491			5,047
Operating expenses				-11,314	-11,314
Other activity result				607	607
Operating result before financing costs	3,556	1,491		-10,707	-5,660
Increase in fair value of derivatives				1,349	1,349
Net financing items	-935				-935
Result before tax	2,621	1,491		-9,358	-5,246
Income tax expenses				-348	-348
Net segment result for the year	2,621	1,491		-9,706	-5,594
Total asset	57,283	4,660		6,332	68,275
Total liabilities	9,568	428		10,575	20,571
Capital expenditure	738	254		15	1,007
Depreciation	7,869	147		407	8,423
Amortization of intangible asset	72			293	365
Impairment losses on intangible assets and property, plant and equipment	70				70

Notes to the annual accounts

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Results for 2006 by geographical segment can be specified as follows:

LTL'000	Lithuania	Hungary	Poland	Unallocated	Total
Revenue	18,260	24,172	5,945		48,377
Expenses	15,985	27,550	6,259		49,794
Gross profit	2,275	-3,378	-314	0	-1,417
Operating expenses	-10,765				-10,765
Other activity results	-2,990				-2,990
Operating result financing costs	-11,480	-3,378	-314	0	-15,172
Decrease in fair value of derivatives	-864				-864
Net financing expenses	-8,953				-8,953
Result before tax	-21,297	-3,378	-314	0	-24,989
Income tax expense	2,118				2,118
Net segment result for the year	-19,179	-3,378	-314	0	-22,871
Total assets	35,230	264	5	0	35,499
Total liabilities	10,373			293	10,666
Capital expenditure	230				230

Notes to the annual accounts

Results for 2005 by geographical segment can be specified as follows:

LTL'000	Lithuania	Germany	Hungary	England	Unallocated	Total
Revenue	39,907	11,425	15,027	9,902	7,923	84,184
Expenses	35,967	11,259	14,794	9,835	7,282	79,137
Gross profit	3,940	166	233	67	641	5,047
Operating expenses	-11,314					-11,314
Other activity results	607					607
Operating result	-6,767	166	233	67	641	-5,660
Increase in fair value of derivatives	1,349					1,349
Net financing expenses	-935					-935
Result before tax	-6,353	166	233	67	641	-5,246
Income tax expense					-348	-348
Net segment result for the year	6,353	166	233	67	293	-5,594
Total assets	65,801	1,129	182	2	1,161	68,275
Total liabilities	17,352	79		29	3,111	20,571
Capital expenditure	1,007					1,007

Litas	2006	2005

5 Distribution expenses

Salaries and social insurance	378,797	695,978
Transportation	287,250	545,195
Commissions	109,430	71,568
Depreciation	13,598	20,317
Credit insurance	0	212,800
Other	157,022	321,434
	946,097	1,867,292

Notes to the annual accounts

Litas	2006	2005
6 Administrative expenses		
Salaries and social insurance	3,563,726	3,581,748
Impairment for amounts receivable	1,364,913	0
Depreciation	929,316	882,526
Territory guards and cleaning	744,505	996,241
Repairs	469,868	459,967
Intermediary services	467,867	0
Impairment for non current asset	439,009	70,000
Write down of inventories	0	610,422
Utilities	279,785	395,605
Real estate tax	232,440	222,225
Cars exploitation	153,570	311,262
Business trips	58,015	89,510
Employee training	5,509	29,606
Road tax	0	236,001
Other	1,110,567	1,561,505
	9,819,090	9,446,618

7 Personnel expenses

Wages and salaries	9,946,369	18,732,956
Compulsory social security contributions	3,070,541	5,807,217
	13,016,910	24,540,173

Staff costs include wages and salaries and emoluments (including social security contributions) for the management of 1,173 tLitas (2005: 1,590 tLitas).

The Company had 48 employees at the end of 2006 (2005: 857 employees). In 2006: 599 employees were dismissed, and redundancy payments amounted to 3,633 tLitas, including social security contributions (In 2005: 915 employees and 1,466 tLitas redundancy payments)

Notes to the annual accounts

	Litas	2006	2005
8	**Other operating income and expenses**		
	Service resale to subsidiaries	746,755	0
	Sales of raw materials and goods for resale	8,500,643	2,114,480
	Gain from unclaimed trade liabilities	8,269	286,674
	Proceeds from sales of property, plant and equipment	369,033	17,357
	Other gains	44,807	23,686
	Other operating income	9,669,507	2,442,197
	Cost of sales of raw materials and goods for resale	8,521,415	1,821,441
	Book value of disposed property, plant and equipment	4,109,746	14,027
	Other costs	28,591	
	Other operating expenses	12,659,752	1,835,468
	Other activity result	-2,990,245	606,729
9	**Financing income and expenses**		
	Interest income	24,772	0
	Fines and delays	22,144	1,817
	Profit from sale of subsidiary	2,000	0
	Other financial income	42	0
	Financial income	48,958	1,817
	Loss from sale of subsidiaries	4,806,058	
	Amounts receivable from subsidiaries written off	3,838,948	0
	Interest expense on bank borrowings and lease	311,188	595,786
	Foreign exchange loss	12,711	285,466
	Bank commission	31,466	52,363
	Other financial expenses	2,221	4,053
	Financial expenses	9,002,592	937,668
	Financial items, net	-8,953,634	-935,851

In 2006 year the Company has sold 3 of its subsidiaries: UAB Vilniaus Vingio Gija, UAB Vilniaus Vingio Mechanika and UAB Filmpakas.

Sale of UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika has resulted in a loss amounting to Litas 4,806 tLitas. Furthermore, according to the decision of company's board of directors, amounts receivable for productions, services and materials provided during period from January 2006 to July 2006 to mentioned subsidiaries, were written off. Loss due amount receivable written off comprise 3,839 tLitas.

Notes to the annual accounts

Subsidiary UAB Fimplakas has been sold with 2 thousand Litas profit.

For more details about Company's subsidiaries refer to note 15 Investment in subsidiaries.

	Litas	2006	2005
10	**Corporate income tax expenses**		
	Current tax expense		
	Current tax	0	0
	Corporate income tax corrections for previous periods	0	3,734
		0	3,734
	Deferred tax expense		
	Deferred tax expense	0	-352,074
	Deferred tax income	2,118,000	0
		2,118,000	-352,074
	Total income tax expense	2,118,000	-348,340

The reconciliation of the effective tax rate is as follows:

Litas'000	2006		2005	
Result before tax		-24 989		-5 246
Income tax using effective tax rate	19.0%	-4,748	15.0%	637
Amounts receivable written off	-3.1%	782	0%	0
Impairment for non current asset	-0.3%	84	0%	0
Other non-deductible expenses	-0.1%	35	-1.2%	69
Utilisation of tax losses for which no deferred tax asset was recognised	0%	0	0.4%	-22
Unrecognised deferred tax asset on temporary deductible differences	-7.6%	1,902	-26.3%	1,378
Adjustment for effect of increased corporate income tax rate for unrecognised deferred tax asset	0.6%	-173	5.5%	-290
	8.5%	-2 118	-6.6%	348

Part of the deferred tax asset resulting from temporary non deductible differences and on tax losses carried forward has not been recognized due to uncertainty that future taxable profits will be available against which the tax benefits can be utilized. The deferred tax asset recognized in financial statements, has been recognized taking into consideration planned taxable profit for 2007 year. In 2007 the company plans to receive taxable profit, which mainly relates to buildings sales, for which sales agreement has been signed in October 2006 (for more details see note 13).

Notes to the annual accounts

11 Deferred tax

Litas'000	2006 Temporary diff.	2006 Deferred tax (15%)	2005 Temporary diff.	2005 Deferred tax (15%)
Difference between tax basis and carrying amount of non-current assets	0	0	1,236	235
Difference between tax basis and carrying amount of inventories	1 137	204	1,352	230
Impairment on other receivable	320	58	23	4
Impairment on trade receivable	836	150	54	10
Accrued expenses	116	21	0	0
Taxable loss carried forward	19 933	3 588	4,589	872
	22 342	4 021	7,254	1,378
Unrecognised deferred tax asset		-1 902		-1,378
Deferred tax asset as at 31 December		2 118		0

The movement in the deferred tax asset account is as follows:

Litas	2006	2005
Deferred tax asset at 1 January	0	352,074
Change in deferred tax asset	2,118,000	-352,074
Deferred tax asset at 31 December	2,118,000	0

12 Current tax assets and liabilities

The current tax asset of 501 tLitas (2005: 1,422 tLitas) represents the amounts of income tax overpaid in respect of current and prior periods.

Notes to the annual accounts

13 Property, plant and equipment

Litas	Buildings	Machinery and equipment	Tools, fixtures and fittings	Motor Vehicles	Construc-tion in progress	Total
Cost or deemed cost						
Balance at 1 January 2005	24,759,577	45,719,201	28,177,371	2,004,499	1,289,413	101,950,061
Additions		176,025	146,908		612,248	935,181
Disposals		-2,828,679	-2,051,887	-16,534		-4,897,100
Contribution to subsidiaries		-16,828,684	-1,971,774	-285,696		-19,086,154
Reclassifications	518,011	746,613	637,037		-1,901,661	0
Balance at 31 December 2005	25,277,588	26,984,476	24,937,655	1,702,269	0	78,901,988
Balance at 1 January 2006	25,277,588	26,984,476	24,937,655	1,702,269		78,901,988
Additions		1,914	34,787	145,677		182,378
Disposals	-263,774	-13,641,100	-11,300,141	-1,323,601		-26,528,616
Contribution to subsidiaries		-3,239,385	-2,091,558	-139,270		-5,470,213
Reclassifications	0	-2,632	2,632	0		0
Balance at 31 December 2006	25,013,814	10,103,273	11,583,375	385,075	0	47,085,537
Depreciation and impairment losses						
Balance at 1 January 2005	8,331,321	26,561,432	17,183,946	1,242,786	0	53,319,485
Depreciation for the year	436,054	4,602,208	3,182,874	201,721		8,422,857
Impairment loss	70,000					70,000
Disposals		-2,821,807	-2,044,735	-16,532		-4,883,074
Contribution to subsidiaries		-10,918,874	-1,463,740	-173,384		-12,555,998
Balance at 31 December 2005	8,837,375	17,422,959	16,858,345	1,254,591	0	44,373,270
Balance at 1 January 2006	8,837,375	17,422,959	16,858,345	1,254,591	0	44,373,270
Depreciation for the year	438,989	2,851,326	2,855,045	116,720	0	6,262,080
Impairment loss		76,202	379,620	-16,813		439,009
Disposals	-70,000	-11,255,747	-9,866,417	-988,468	0	-22,180,628
Contribution to subsidiaries		-2,706,606	-1,789,938	-117,669	0	-4,614,213
Reclassifications		-2,630	2,630			0
Balance at 31 December 2006	9,206,364	6,385,504	8,439,285	248,361	0	24,279,514
Carrying amounts						
At 1 January 2005	16,428,256	19,157,769	10,993,425	761,713	1,289,413	48,630,576
At 31 December 2005	16,440,213	9,561,517	8,079,310	447,678	0	34,528,718
At 1 January 2006	16,440,213	9,561,517	8,079,310	447,678	0	34,528,718
At 31 December 2006	15,807,450	3,717,769	3,144,090	136,714	0	22,806,023

Notes to the annual accounts

Depreciation has been allocated as follows:

Litas	2006	2005
Production costs	5,201,338	7,620,054
Rent costs	374,678	147,137
Administrative expenses	672,666	635,349
Distribution expenses	13,598	20,317
Total	6,262,280	8,492,857

Property plant and equipment with a book value of 856 tLitas has been transferred to the subsidiary as at 31 December 2006 (6,530 tLitas as at 31 December 2005) as non current asset contributions to its share capital, as explained in note 15 to the annual accounts.

On 24 October 2006, the company has signed real estate sales agreement, according to which, builings located in Savanorių pr. 176, Vilnius and which book value as at 31 December 2006 amounts to 15,807 tLitas will be sold on 5 April, 2007, after full payment from the buyer is received. Agreed sales price comprise 59,000 tLitas, excluding VAT. As at 31 December 2006, the company already received 5,000 tLitas advance payment for the buildings.

On 24 October 2006, the company has signed movable non current asset sales agreement, according to which, part of movable asset located in Savanorių pr. 176, Vilnius, and which book value as at 31 December 2006 amounts to 1,160 tLitas, will be sold on 5 April, 2007, after full payment from the buyer is received. Agreed sales price comprise 1,000 tLitas, excluding VAT.

Leased plant and machinery

As at 31 December 2006 the Company had repaid all financial leasing liabilities, therefore there are no assets under financial leasing agreements. As at 31 December 2005 net carrying amount of leased assets amounted to 363 tLitas.

Buildings of the Company with a book value of 15,807 tLitas are partly rented and partly owner occupied. The Company (as a lessor) leases 36,143 out of total 82,186 square metres to third parties (2005: 33,026 out of 81,638 square metres). The book value of the rented premises amounts to 7,161 tLitas as at 31 December 2006 (2005: 6,919 tLitas).

Security

At 31 December 2006, real estate with a carrying amount of 5,663 tLitas (in 2005 property, plant and equipment for 16,440 tLitas) are pledged to secure bank loan (refer to Note 22).

Notes to the annual accounts

14 Intangible fixed assets

Litas	Licences, certificates	Software	Total
Cost			
Balance at 1 January 2005	341,588	1,745,797	2,087,385
Additions	56,394	15,146	71,540
Disposals		-31,093	-31,093
Contribution to subsidiaries		-607,279	-607,279
Balance at 31 December 2005	397,982	1,122,571	1,520,553
Balance at 1 January 2006	397,982	1,122,571	1,520,553
Additions	24,528	23,500	48,028
Disposals	-255,010	-2,100	-257,110
Contribution to subsidiaries	0	0	0
Balance at 31 December 2006	167,500	1,143,971	1,311,471
Amortization and impairment losses			
Balance at 1 January 2005	240,667	917,870	1,158,537
Amortisation for the year	72,290	293,283	365,573
Disposals		-31,092	-31,092
Contribution to subsidiaries		-446,378	-446,378
Balance at 31 December 2005	312,957	733,683	1,046,640
Amortisation at 1 January 2006	312,957	733,683	1,046,640
Amortisation for the year	57,520	199,130	256,650
Disposals	-254,998	-2,098	-257,096
Contribution to subsidiaries	0	0	0
Amortisation at 31 December 2006	115,479	930,715	1,046,194
Carrying amounts			
At 1 January 2005	100,921	827,927	928,848
At 31 December 2005	85,025	388,888	473,913
At 1 January 2006	85,025	388,888	473,913
At 31 December 2006	52,021	213,256	265,277

Amortisation has been allocated as follows:

Litas	2006	2005
Production costs	0	118,396
Administrative expenses	256,650	247,177
Total	256,650	365,573

Notes to the annual accounts

A book value of 161 tLitas has been transferred to the subsidiaries as at 31 December 2005 as contribution to their share capital (see note 15). There were no intangible assets transferred to the subsidiaries as at 31 December 2006.

15 Investments in subsidiaries

During 2005 and 2006 year, the Company has established 4 subsidiaries, which were 100% owned by the Company:

- UAB Filmpakas
- UAB Vilniaus Vingio Geba
- UAB Vilniaus Vingio Gija
- UAB Vilniaus Vingio Mechanika

Three of the subsidiaries established have been sold in 2006 year.

In 2006 March the company has established subsidiary UAB Filmpakas. Share capital amounted to 500 tLitas and was fully paid by the company in cash. In 2006 June the subsidiary has been sold with 2 tLitas profit. The subsidiary had no activities till it was sold.

In November 2006, the company has established a subsidiary UAB Vilniaus Vingio Geba. The investment is stated at cost.

Litas	2006	2005
Share capital of UAB Vilniaus Vingio Geba	906,000	0
Share capital of UAB Vilniaus Vingio Gija	0	30,000
Share capital of UAB Vilniaus Vingio Mechanika	0	30,000
Total paid in share capital	906,000	60,000

The share capital of the subsidiary has been fully paid as at 31 December 2006. Share capital of subsidiary UAB Vilniaus Vingio Geba comprise 50 tLitas paid in cash and other 856 tLitas has been contributed by non current asset. Non current asset has been transferred as at 1 December 2006, and its book value could be specified as follows:

Litas	Net book value
Machinery and equipment	532,779
Tools, fixtures and fittings	301,620
Motor Vehicles	21,601
Total contribution	856,000

Notes to the annual accounts

In October 2005, the Company has established two subsidiaries UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika.

The share capital of both subsidiaries, each amounting to 30 tLitas, has been fully paid in as at 31 December 2005.

On 13 December 2005, certain non-current assets were transferred to the subsidiaries at net book value, as follows:

Litas	Vilniaus Vingio Gija	Vilniaus Vingio Mechanika	Total
Machinery	3,796,227	2,113,583	5,909,810
Vehicles	73,244	39,068	112,312
Other equipment	419,130	88,904	508,034
Property plant and equipment	4,288,601	2,241,555	6,530,156
Software	18,240	142,661	160,901
Total intangible assets	18,240	142,661	160,901
Total contribution	4,306,841	2,384,216	6,691,057

The contribution is presented as a prepayment for the increase of the share capital of the subsidiaries. The in-kind increase in the share capital of the subsidiaries was registered on 15 January 2006.

In 2006 June, agreements for the sale of both subsidiaries UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika has been signed. The ownership of UAB Vilniaus Vingio Gija shareholding has been transferred on 21 June 2006, UAB Vilniaus Vingio Mechanika on 27 October 2006.

Sale of the subsidiaries has resulted in a loss of 8,645 tLitas which is disclosed below:

Litas	Vilniaus Vingio Gija	Vilniaus Vingio Mechanika	Total
Cost of investments	4,336,841	2,414,217	6,751,058
Sales price	1,000,000	945,000	1,945,000
Sales result	-3,336,841	-1,469,217	-4,806,058
Amounts receivable from subsidiaries written off	-1,735,251	-2,103,697	-3,838,948
Final loss related to the sale of subsidiaries	-5,072,092	-3,572,914	-8,645,006

Notes to the annual accounts

	Litas	2006	2005
16	**Inventories**		
	Raw materials	1,699,118	5,107,608
	Work in progress	0	766,533
	Finished goods	1,430,586	1,884,254
	Goods for resale	0	1,729,519
	Spare parts and tools	0	1,166,069
	Net book value at 31 December	3,129,704	10,653,983

Raw materials consist of plastics, wires, metals and other materials used in production.

Inventories charged to profit and loss account are as follows:

Cost of sales (produced goods sold)	49,794,163	77,687,255
Administrative expenses (write down of inventories)	0	610,422
Other operating expenses (goods for resale sold)	1,750,966	1,315,177
Other operating expenses (raw materials, spare parts sold)	6,770,449	506,264
	58,315,578	80,119,118

Other operating expenses include goods for resale, raw materials, and other inventories sold, not in the ordinary course of business. The Company has purchased TV tubes in 2005 amounting to 3,045 tLitas. TV tubes amounting to 1,730 tLitas were sold during 2006 for 1,588 tLitas (during 2005, 1,315 tLitas has been sold for its acquisition value).

At 31 December 2006, there are no inventories pledged (in 2005 inventories up to a carrying amount of 13,000 tLitas were pledged).

17	**Trade receivables**		
	Trade receivables	3,910,341	11,130,821
	Accumulated impairment	-321,611	-77,028
	Net book value at 31 December	3,588,730	11,053,793

Notes to the annual accounts

Litas		2006	2005
18	**Other receivables**		
	Short term loans	1,000,000	0
	VAT and other tax overpayment	316,377	403,235
	Prepayments and deferred charges	18,650	383,181
	Other receivables	12,550	25,673
	Net book value at 31 December	1,347,577	812,089

On 24 October 2006 short term loan for the company UAB Astmaris was provided. Loan repayment date is 1 April 2007. Annual interest rate amounts to 5%. The loan has been repaid as at 6 April 2007.

VAT and other tax overpayments include receivable VAT of 239 tLitas, prepaid payroll of 44 tLitas, prepaid real estate tax of 30 tLitas and other taxes of 3 tLitas as at 31 December 2006.

		2006	2005
19	**Cash and cash equivalents**		
	Term deposits	547,756	576,540
	Cash at bank	256,062	620,264
	Cash in hand	32,455	33,436
	Cash and cash equivalents at the end of the year	836,273	1,230,240

A term deposit is pledged to the bank to secure obligations under copper swap contract (refer to Note 24). The term deposit has fixed interest rate of 4,05%.

20 Capital and reserves

Share capital

The share capital comprises 9,123,105 ordinary shares with a nominal value of 4 Litas each and the total share capital amounts to 36,492,420 Litas.

The holders of the ordinary shares are entitled to one vote per share in the meeting of the Company and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital.

Notes to the annual accounts

Reacquired own shares

The Company did not acquired any of its own shares on the Vilnius Stock Exchange in 2006 or 2005 year:

	2006		2005	
Litas	Number of shares	Number of shares	Number of shares	Treasury shares
At 1 January	475,817	475,817	475,817	971,668
Treasury shares acquired in the market	0	0	0	2,975,000
At 31 December	475,817	475,817	475,817	3,946,668

Reacquired own shares are shown as a deduction from the equity at their acquisition price.

Legal reserve

The legal reserve in the amount of 2,086 tLitas (2005: 2,086 tLitas) is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the profit available for distribution, are required until the legal reserve reaches 10% of the authorised capital.

Other reserves

Other distributable reserves in the amount of 6,566 tLitas (2005: 4,547 tLitas) were formed according to the shareholders decision and comprise the reserve for own shares acquisition.

Before profit allocation, all distributable reserves are transferred to retained earnings and re-distributed by the shareholders decision each year.

21 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The average number of ordinary shares reacquired by the Company is excluded from shares outstanding during the year.

Litas	2006	2005
Shares issued 1 January	9,123,105	9,123,105
Effect of own shares	-475,817	-475,817
Average weighted number of shares in issue	8,647,288	8,647,288
Net result for the year, Litas	-22,871,699	-5,594,375
Loss per share, Litas	-2.64	-0.65

Notes to the annual accounts

The Company has no dilutive potential shares or convertibles. The diluted loss per share is the same as the basic loss per share.

	Litas	2006	2005
22	**Interest bearing loans and other non-current liabilities**		
	Leasing obligations	0	0
	Long term, secured financing facility	0	7,167,553
	Net book value at 31 December	0	7,167,553
	Current liabilities		
	Leasing obligations	0	260,202
	Short term, secured financing facility	1,852,706	2,793,298
	Net book value at 31 December	1,852,706	3,053,500

Terms and repayment schedule

Financial liabilities are payable as follows:

Litas	Maturity	Payable in 2006
Credit facility of EUR 537 thousand, 1 month EURIBOR + 1.15%	13/04/2007	1,852,706
Total		1,852,706

The Company has pledged its real estate with the booked value of 5,663 tLitas as at 31 December 2006 to secure the bank loan.

23	**Other creditors**		
	Advances	5,006,519	61,163
	Collateral for the rent	210,926	293,046
	Vacation allowances	67,337	583,734
	Salaries and related taxes	35,963	471,104
	Taxes	0	319,743
	Payable to customs	4,094	138,092
	Other payables and accrued charges	201,386	238,339
		5,526,225	2,105,221

Advances received include 5,000 tLitas advance for the buildings, made according to buildings sale agreement signed on 24 October 2006 (for details see 13 note), and other advances of 7 tLitas as at 31 December 2006.

Notes to the annual accounts

24 Derivative financial instruments

On 28 November 2005, the Company entered into a copper swap transaction with a bank. The derivative financial instrument was designated as held for trading.

According to the contract, the Company agreed to exchange standard copper quantity of 100 tones at a fixed price for the same notional quantity at its average monthly price (by reference to the London Metal Exchange) at 15 monthly intervals, the first being set on 31 December 2005 and the last on 28 February 2007. The total notional quantity of copper under the contract is 1,500 tones.

On 31 December 2005, the Company realized USD 63 thousand or 184 tLitas gain on the first exchange of 100 tones notional quantity of copper. As at 31 December 2005, the outstanding not matured swap of 1,400 tones is stated at fair value, estimated by reference to a quotation of the contract market value received from the bank as at 31 December 2005. The fair value of the contract is USD 400 thousand or 1,165 tLitas. The fair value of the swap contract reflected in the balance sheet is USD 463 thousand or 1,349 tLitas (including the receivable for the matured part of the contract of USD 63 thousand or 184 tLitas).

On 19 January 2006, the swap contract was cancelled partially, i.e. except for 100 tones swap maturing on 31 January 2006. A gain of USD 539 thousand or 1,535 tLitas was realized on the cancellation. The amount was paid to the Company on 23 January 2006.

On maturity of the not cancelled part of the mentioned swap contract on 31 January 2006, the Company realized USD 79 thousand or 225 tLitas gain, which was paid to the Company on 2 February 2006.

On 16 January 2006, the Company entered into a copper swap transaction with a bank for a notional quantity of 2,250 tones of copper, maturing on 30 April 2007. The swap was cancelled on 25 January 2006. The Company realized a gain of USD 108 thousand or 303 tLitas on the cancellation, which was paid to the Company on 27 January 2006.

On 25 July 2006, the Company entered into a new copper swap transaction with a bank. According to the contract, the Company agreed to exchange standard copper quantity of 50 tones at a fixed price for the same notional quantity at its average monthly price (by reference to the London Metal Exchange) at 15 monthly intervals, the first being set on 2 August 2006 and the last on 31 October 2007. The total notional quantity of copper under the contract is 750 tones.

As at 31 December 2006, the Company suffered USD 18 thousand or 45 tLitas loss on the first exchange of 200 tones notional quantity of copper. As at 31 December 2006, the outstanding not matured swap of 500 tones is stated at fair value, estimated by reference to a quotation of the contract market value received from the bank as at 31 December 2006. The fair value of the contract is USD 611 thousand or 1,607 tLitas. The fair value of the swap contract reflected in the balance sheet is USD 654 thousand or 1,721 tLitas (including the payable for the matured part of the contract of USD 43 thousand or 114 tLitas).

On 1 March 2007, the swap contract was cancelled. A loss of USD 549 thousand or 1,442 tLitas was suffered on the cancellation. The amount was paid by the Company on 5 March

Notes to the annual accounts

2007. Till the swap was cancelled, the company has suffered additional loss of USD 187 thousand or 492 tLitas in year 2007.

25 Financial instruments

Exposure to commodity, credit, interest rate and currency risk arises in the normal course of the Company's business.

Commodity risk

The Company is exposed to changes in price of copper that is the main material used in production of deflection yokes. The Company traded copper derivatives during 2005 and 2006, as described in Note 24 above.

Credit risk

Management has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date, there were the following concentrations of credit risk:

As at 31 December 2006, the Company has 1,083 tLitas overdue receivable from its previously main customer, overdue for more than 365 days. The receivable is mainly for the sales in the third and second quarter of 2005. The overdue debtor is claimed by the Company in court. 100 percent impairment has been recognized on the receivable as at 31 December 2006.

As at 31 December 2006, the company has overdue amount of 22 tLitas from the client, to whom premises has been rented. The overdue client has been claimed by the company in 2007 year. No impairment was recognized on the amount receivable, as the management is confident the amount will be settled.

Interest rate risk

The Company's borrowings are subject to variable interest rates, related to EURIBOR.

As at 31 December 2006, the Company did not use any financial instruments to hedge its exposure to the cash flow or price risk related to debt instruments with variable interest rates.

Foreign exchange risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Litas and euro (the Lithuanian Litas is pegged to euro at a fixed rate equal 3.4528 LTL / EUR). The currency giving rise to this risk is

Notes to the annual accounts

primarily US Dollars. The Company did not use any instruments to hedge its exposure to foreign currency exchange risk.

The Company held position in foreign currencies as stated below:

	31 December 2006		31 December 2005	
LTL'000	EUR	USD	EUR	USD
Trade debtors	264	50	2,348	150
Prepayments and other receivables	5			
Fair value derivative financial instruments		-1,606	0	1,349
Cash	11	548	8	586
Borrowings	-1,853		-10,221	0
Trade creditors	-106	-186	-572	0
Advances received	-6	0	0	0
	-1,685	-1,194	-8,437	2,085

Exchange rate of US Dollars was 2.6304 LTL / USD as at 31 December 2006.

26 Related parties

The Company's related parties are its shareholders holding an interest that gives control or significant influence over the Company (refer to information on the composition of the Board below), the subsidiaries UAB Vilniaus Vingio Gija, UAB Vilniaus Vingio Mechanika, UAB Vilniaus Vingio Geba, members of the key management personnel in AB Vilniaus Vingis and of the subsidiaries, as well as close members of the family of the mentioned shareholders and the management personnel.

As at 31 December 2006, the Company's Board includes two members from Hermis capital UAB, one from Finasta investicijų valdymas, one member representing previous company's shareholder East Capital Asset Management and one from previous AB Vilniaus Vingis management.

During 2005 and 2006, the Company paid in the share capital of the newly established subsidiaries and transferred non-current assets to them for increase in their share capital as explained in note 15.

Notes to the annual accounts

Purchases and sales to company's current and formed subsidiaries are disclosed below:

Company	Kind of transaction	Amount
Purchases:		
UAB Vilniaus Vingio Gija	Production services	4,697,273
UAB Vilniaus Vingio Gija	Other services	43,486
UAB Vilniaus Vingio Mechanika	Production services	8,590
UAB Vilniaus Vingio Mechanika	Other services	65,278
UAB Vilniaus Vingio Geba	Production services	298,178
	Total:	**5,112,805**
Sales:		
UAB Vilniaus Vingio Gija	Materials	5,563,473
UAB Vilniaus Vingio Gija	Costs compensation	627,416
UAB Vilniaus Vingio Gija	Consultation services	592,954
UAB Vilniaus Vingio Gija	Premises lease	510,837
UAB Vilniaus Vingio Gija	Other services	104,673
UAB Vilniaus Vingio Gija	Non current asset	19,723
UAB Vilniaus Vingio Mechanika	Materials	678,262
UAB Vilniaus Vingio Mechanika	Consultation services	153,801
UAB Vilniaus Vingio Mechanika	Costs compensation	149,294
UAB Vilniaus Vingio Mechanika	Premises lease	137,014
UAB Vilniaus Vingio Mechanika	Other services	6,518
UAB Vilniaus Vingio Mechanika	Non current asset	788
UAB Vilniaus Vingio Geba	Premises lease	44,439
UAB Vilniaus Vingio Geba	Costs compensation	27,859
	Total:	**8,617,051**

Movable non current asset with book value amounting to 206 tLitas were sold to AB Vilniaus Vingis former directors in 2006 year. Sale income for items sold comprise 77 tLitas, therefore the company has suffered loss of 129 tLitas from these sale operations.

Both companies' subsidiaries UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika were bought by former company's directors. Loss from subsidiaries sold comprise 4,806 tLitas. In addition, amounts receivable from these companies for material, services provided in 2006 year, amounting to 3,839 tLitas has been written off.

For payment to the management refer to Note 7.

27 Subsequent events

On 12 January 2007, current and future cash flows in Nordea bank account has been pledged to secure the derivative financial instrument agreement signed on 25 July 2007.

Transactions regarding derivative financial instruments after the balance sheet date are described in note 24.

Payments of overdue receivables after the balance sheet date are disclosed in note 25 Credit risk section.

Notes to the annual accounts

28 Contingencies

The Company issued a legal claims to a customers regarding the settlement of overdue receivable from as described in note 25 under Credit risk section.

The company issued a claim to it's previous employees due to their fraudulent activities within the Company. The claim issued amounts to 578 tLitas. According to the lawyers representing the Company in these claims, the outcome of the cases is currently difficult to estimate. No income from the claims has been recognized in the financial statements of the Company.

29 Uncertainty

The Company's production activities are dependent on its customers Samsung and THOMSON orders. At the moment, orders are decreasing, and company has them till April 2007. If the decrease in orders continues, AB Vilniaus Vingis considers the possibility of discontinuing the production of deflection yokes and starts looking for the possibilities to sell its subsidiary UAB Vilniaus Vingio Geba (which at the moment is producing deflection yokes for AB Vilniaus Vingis) or attract potential investors, who may be interested in potential of production and engineering personnel. The possibility to use AB Vilniaus Vingis and UAB Vilniaus Vingio Geba production machinery for other items production is not considered, as machinery is designed only for the production of deflection yokes.

Furthermore AB Vilniaus Vingis is considering the possibility of becoming investment company, investing its working capital into profitable and useful financial or other projects for seeking maximal return on investments.

Annual report of AB Vilniaus Vingis for the year 2006

The previous year brought a lot of changes to the company.

The situation in market has significantly worsened if to compare with the year 2005 and was distinguished for the dramatic change in the decrease of production in the deflection yokes and further reduction of the prices due to the China's manufacturers' expansion. The declaration of the AB Ekranas bankruptcy as of April 2006, which is one of the main clients of the Company for purchasing deflection yokes, had a negative effect on the Company's business. Even though the company succeeded in getting payment of 4.67 mLitas, the company AB Ekranas left in debt to the Company on about 1 mLitas.

At the beginning of the year the subsidiaries UAB Vilniaus Vingio Mechanika and UAB Vilniaus Vingio Gija that were established at 2005 started their business. However, the businesses of these companies were not successful and generated loss, therefore in the middle of the year the board of directors of AB Vilniaus Vingis decided to sell subsidiaries and concentrate on the main activity of the Company - the production of deflection yokes - for the purpose to avoid greater loss. UAB Vilniaus Vingio Mechanika was sold in July and UAB Vilniaus Vingio Gija in August.

Seeking to concentrate on the main activity - the production of the deflection yokes - as at June, the board of directors of the Company decided to sell real estate for which AB Vilniaus Vingis had ownership rights. After announcing a public purchase competition, the complex of real estate in Vilnius, Savanorių pr., which consists of administrative, production and warehouse premises, was sold as at 24 October 2006 for 59 mLitas. Acording to the agreement the Company disposes the income from the lease of premises until the April 2007. The actual recognition of income and payment for the sold real estate will also take place in 2007.

For the purpose of separating company's activities, as at October 2006, the Company has taken a decision to establish a new subsidiary UAB Vilniaus Vingio Geba, to which production of deflection yokes will be transferred. The subsidiary UAB Vilniaus Vingio Geba is 100% owned by AB Vilniaus Vingis. The subsidiary has started its activity as at 1 December 2006. The authorised capital of the established subsidiary amounted to 50 tLitas and consisted of 50 thousand ordinary registered shares with a nominal value of 1 Litas each. The authorised capital of the subsidiary has been paid in cash. In December 2006, the authorised capital of UAB Vilniaus Vingio Geba has been increased by the non-monetary contribution, which consisted of non-current moveable asset of AB Vilniaus Vingis, used for the production of deflection yokes. 856 thousand ordinary registered shares with a nominal and emission value of 856 tLitas have been paid with the non-monetary contribution. At the moment, the share capital of UAB Vilniaus Vingio Geba amounts to 906 tLitas.

In the previous year, rent income, which was previously presented under other income, has been presented as main activity income. This decision was influenced by constant decrease in deflection jokes production and rent income part increase.

The planned consolidated company's income for 2006 year amounted to 89 mLitas, profit before taxes amounted to 1,1 mLitas. The planed investment in the renovation and diversification of production amounted to 15,7 million Litas.

However, in September 2006, after the situation has changed and subsidiaries have been sold, the Company has adjusted its sales plans to 48 million Litas, and loss before taxes to 18 mLitas.

During the previous year, the Company produced 3.1 million units of deflection yokes or 47% less than in 2005. The bankruptcy of AB Ekranas significantly influenced the decrease in sale.

During the year 2006, the Company generated 1.4 mLitas loss from the main activity. In 2005, the Company generated 5 mLitas gross profit. Negative influence on the results of the main activity was caused by the following reasons:

- The scope of the sale decreased by 42.5 %

- The increase of the prices of copper, plastic, metals and other materials in the world market; this caused the loss of 7.5 mLitas

- Redundancy payments for the main workers in 2006 amounted to 2 mLitas

The Company was forced to decrease number of its employees, as sales were constantly decreasing. Through 2006 year, number of employees has decreased from 857 to 304 employees. 48 employees left were working in AB Vilniaus Vingis, other 256 in UAB Vilniaus Vingio Geba.

Company's operating costs for the period have decreased by 0,6 mLitas compared to 2005 year. Operating costs were also influenced by leaving compensations amounting to 1,6 mLitas, paid for the company's administrative personnel.

Other activity has resulted in a loss of 3 mLitas, which includes 3,7 mLitas loss from non current asset sale. In 2006 year, the Company has sold its machinery, which was used for the production of deflection jokes for AB Ekranas. Equipment sale has resulted in a loss, as this equipment may be used solely for the production of deflection jokes.

Financial and investment activity has resulted in a loss of 9 mLitas. This includes loss of 4,8 mLitas from subsidiary sale, loss of 3,8 mLitas due to amounts receivable from subsidiaries written off, interest costs of 311 tLitas and negative currency exchange impact of 12,7 tLitas.

The loss from the copper swap transaction in 2006 year amounted to 864 tLitas. On 1 March 2007 copper swap agreement has been cancelled. A loss of 549 thousand USD or 1,442 tLitas was suffered on the cancellation. The amount was paid by the Company on 5 March 2007.

During the year 2006 the cash flow of the Company improved. Debts to the bank decreased from 10.2 mLitas to 1.8 mLitas, i.e. 8.4 mLitas. Also debts to the providers significantly decreased from 8.2 mLitas to 1.7 mLitas, i.e. 6.5 mLitas.

At the end of the accounting year the Company has 475,817 own shares, which makes 5,22% of the authorised capital. The nominal value of the possessed shares amounts to 1,903,268.00 Litas and the acquisition value amounts to 3,946,668.00 Litas.

The Company had no branches and representative offices during the accounting year.

The future activity of the company in coming years depends on the orders for the production of deflection jokes. At the moment, the company has orders for April and May, however orders have clear tendency to decrease. After company's buildings are sold, premises needed for production will be leased. If orders and production continues decreasing, the management proposes to sell machinery, equipment and other not used non current movable asset and current asset.

From 2007 April, the Company will have no premises lease income. However, money received for the building sale, will allow the Company to cover bank and other credit liabilities, and free funds will be invested seeking maximal financial benefit.

It is planned, that in the year 2007, the sales of the company will amount to 8.5 mLitas. The profit of the other activities will amount to 43 mLitas after the Company sells its real estate. In 2007, the Company plans to generate 17 mLitas profit before taxes.

General Director Neringa Menčiūnienė