ŽEMAITIJOS PIENAS AB

Independent Auditor's Report,
Consolidated Annual Report,
Financial Reporting Package,
and Consolidated Financial Reporting Package
for the year ended 31 December 2009

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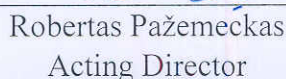
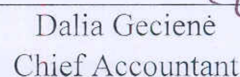
BALANCE SHEETS
AS OF 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

		The Group		The Company	
ASSETS	Notes	2009	2008	2009	2008
Non-current assets					
Intangible assets		56	201	47	194
Property, plant and equipment	5	78,007	88,480	57,775	64,303
Investment property	6	-	-	4,882	5,361
Investments available for sale		-	-	-	-
Investments into subsidiaries	1	4	-	11,037	11,033
Loans granted	7	974	1,125	973	1,102
Deferred income tax asset	23	1,703	1,152	1,629	971
Total non-current assets		**80,743**	**90,959**	**76,343**	**82,964**
Current assets					
Inventories	8	37,871	62,989	33,218	55,665
Prepayments		453	580	407	537
Trade accounts receivable	9	29,329	29,742	30,756	32,958
Other accounts receivable	10	3,030	8,367	2,955	8,036
Loans granted		6,161	-	6,161	-
Cash and cash equivalents	11	24,629	9,049	24,273	8,872
Total current assets		**101,473**	**110,727**	**97,770**	**106,068**
TOTAL ASSETS		**182,216**	**201,686**	**174,113**	**189,031**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	48,375	48,375	48,375	48,375
Legal reserve	12	4,838	4,838	4,838	4,838
Retained earnings		50,465	39,270	50,335	37,855
Equity attributable to equity holders of the Company		**103,768**	**92,483**	**103,548**	**91,068**
Minority interest		2,626	2,552	-	-
Total Equity		**106,304**	**95,035**	**103,548**	**91,068**
Non-current liabilities					
Grants received	13	3,200	4,157	1,235	1,947
Borrowings	14	24,474	25,632	24,474	25,632
Obligations under finance lease	15	11,249	13,370	10,287	12,043
Deferred income tax liability		542	640	-	-
Other current liabilities		1,867	-	1,867	-
Total non-current liabilities		**41,333**	**43,800**	**43,800**	**39,622**
Current liabilities					
Borrowings	14	1,158	18,545	1,158	18,159
Obligations under finance lease	15	5,107	4,642	4,757	4,325
Trade accounts payable	17	18,256	29,450	17,704	27,257
Income tax payable		1,045	3	1,042	-
Other accounts payable	18	9,015	10,211	8,041	8,601
Total current liabilities		**34,580**	**62,851**	**32,702**	**58,342**
Total liabilities		**75,913**	**106,651**	**70,565**	**97,963**
TOTAL EQUITY AND LIABILITIES		**182,216**	**201,686**	**174,113**	**189,031**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.

The consolidated financial statements and financial statements were approved on 16 March 2010 and signed by:


Robertas Pažemeckas
Acting Director


Dalia Gecienė
Chief Accountant

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group		The Company	
		2009	2008	2009	2008
Sales	19	372,825	471,829	371,190	471,511
Cost of sales		(303,021)	(399,680)	(303,246)	(401,347)
GROSS PROFIT		69,804	72,149	67,944	70,164
Operating expenses	20	(52,172)	(79,289)	(52,525)	(78,068)
Other operating income and expenses	21	(2,080)	4,647	847	5,327
(LOSS) PROFIT FROM OPERATIONS		**15,552**	**(2,493)**	**16,266**	**(2,577)**
Excess of the Group's interest in the fair value of net assets over the cost of the business combination	24	-	1,251	-	-
Finance costs		(1,903)	(2,783)	(1,852)	(2,742)
Other financial income and expenses	22	648	136	603	196
(LOSS) PROFIT BEFORE TAX		**14,297**	**(3,889)**	**15,017**	**(5,123)**
Income tax (benefit) expense	23	(3,028)	179	(2,684)	318
NET (LOSS) PROFIT		11,269	(3,710)	12,333	(4,805)
ATTRIBUTABLE TO:					
Shareholders of the Company		11,196	3,672	12,333	(4,805)
Minority interest		73	38	-	-
		11,269	(3,710)	12,333	(4,805)
Basic and diluted earnings per share (LTL)	25	0.23	(0.08)	0.26	(0.10)

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Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

The Group	Share capital	Legal reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	Total
Balance as of 31 December 2007	48,375	4,838	42,942	96,155	1,037	97,192
Dividends paid	-	-	-	-	1,554	1,554
Net profit	-	-	(3,673)	(3,673)	(38)	(3,711)
Balance as of 31 December 2008	48,375	4,838	39,269	92,482	2,553	95,035
Acquisition of subsidiary	-	-	-	-		
Net (loss)	-	-	11,196	11,196	73	11,269
Balance as of 31 December 2009	48,375	4,838	50,465	103,678	2,626	106,304

The Company	Share capital	Legal reserve	Retained earnings	Total
Balance as of 31 December 2007	48,375	4,838	42,660	95,873
Dividends paid	-	-	-	-
Net profit	-	-	(4,805)	(4,805)
Balance as of 31 December 2008	48,375	4,838	37,855	91,068
Net (loss)	-	-	12,333	12,333
Dividends paid	-	-	147	147
Balance as of 31 December 2009	48,375	4,838	50,335	103,548

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.

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Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	The Group		The Company	
	2009	2008	2009	2008
Cash flow from operating activities				
Net (loss) profit	11,269	(3,710)	12,333	(4,805)
Adjustments to net (loss) profit				
Depreciation and amortization	17,868	16,166	16,468	15,178
Amortization of grants received	(957)	(2,247)	(712)	(1,019)
Loss (gain) from disposal and write-offs of property, plant and equipment.	-	7	32	7
Income tax expenses	3,028	(179)	2,684	(318)
Impairment of accounts receivable	2	65	2	41
Impairment of property, plant and equipment	(2,286)	(23)	(2,299)	-
Excess of the Group's interest in the fair value of net assets over the cost of the business combination	-	(1,251)	-	-
Interest (income)	(772)	(358)	(771)	(356)
Interest expenses	1,953	2,783	1,852	2,742
Write off inventories to net realizable value	(453)	267	(471)	(283)
Other financial (income) and expenses	124	222	168	(160)
Loss from liquidation of subsidiaries	-	315	-	273
	29,777	12,057	29,286	11,300
Changes in working capital:				
(Increase) in inventories	25,117	(3,711)	22,447	(9,095)
(Increase) decrease in trade receivables	413	(140)	2,202	(4,280)
Decrease (increase) in prepayments	127	808	(528)	799
(Increase) in other receivables	5,337	(1,650)	4,235	(1,601)
(Decrease) increase in trade payables	(11,194)	(6,889)	(9,793)	1,359
Increase (decrease) other accounts payable	2,873	1,142	2,631	4,279
Income tax paid	-	(4,645)	-	(4,644)
Interest paid	(1,903)	(2,783)	(1,852)	(2,742)
Net cash flows (to) from operating activities	**50,548**	**(5,811)**	**48,627**	**(4,625)**
Cash flows from (to) investing activities				
(Acquisition) of intangible assets and property, plant and equipment.	(10,361)	(13,585)	(9,630)	(14,841)
Proceeds on sale of property, plant and equipment	408	665	284	657
Acquisition of subsidiaries	(4)	207	(4)	-
Sale of investments available for sale	-	14	-	14
Repayment of loans granted	2,311	3,986	2,311	3,984
Loans granted	(1,337)	(2,919)	(1,337)	(2,875)
Interest received	772	358	688	356
Net cash flows (to) investing activities	**(8,211)**	**(11,274)**	**(7,687)**	**(12,705)**
Cash flows from (to) financing activities				
Dividends paid	126	-	126	-
Grants received	-	1,064	-	-
Loans received	-	23,389	-	22,457
Repayment of loans	(17,442)	(3,723)	(16,556)	(2,196)
Financial lease payments	(3,279)	(7,649)	(2,947)	(6,482)
Net cash flows from (to) financial activities	**(20,595)**	**(13,081)**	**(19,377)**	**13,779**
Net (decrease) in cash and cash equivalents	21,742	(4,004)	21,563	(3,551)
Cash and cash equivalents at the beginning of the year	9,049	13,053	8,872	12,423
Cash and cash equivalents at the end of the year	30,791	9,049	30,434	8,872

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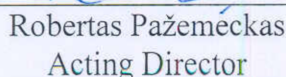
Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

1. GENERAL INFORMATION

Žemaitijos Pienas AB (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania. The address of its registered office is as follows: Sedos Str. 35, Telšiai, Lithuania.

The Company produces dairy products and sells them in the Lithuanian and foreign markets. The Company has a number of wholesale departments with storage facilities and transport means in major Lithuanian towns. The Company started its operations in 1984. The Company's shares are traded on the Current List of the Vilnius Stock Exchange.

As of 31 December 2009 the share capital of the Company was LTL'000 48,375, which consisted of 48,375,000 ordinary shares with a nominal value of LTL 1 each.

During the extraordinary shareholder's meeting on 8 February 2008, the decision was made to change the par value of the Company's shares from LTL 10 per share to LTL 1 per share and to replace each share held by shareholders by 10 shares accordingly.

As of 31 December 2007 the share capital of the Company was LTL'000 48,375, which consisted of 4,837,500 ordinary shares with a nominal value of LTL 10 each.

All the shares are issued, subscribed and fully paid.

The Company did not hold any own shares as of 31 December 2009 and 31 December 2008.

The major shareholder of Žemaitijos Pienas AB is the general manager of the Company Mr. Algirdas Pažemeckas. As of 31 December 2009 Mr. Algirdas Pažemeckas owned 44.15% of the authorized share capital. As of 31 December 2009 Skandinavska Ensilda Banken (investment fund) clients had 7.94%, Klaipėdos Pienas AB had 7.45%, Mrs. Ona Šunokienė – 5.4% of shares. There is no information available if there is any other single shareholder with the shareholding of 5% or more.

As of 31 December 2008 the Group consisted of Žemaitijos Pienas AB and the following subsidiaries (hereinafter the Group):

Subsidiary	Registration address	Ownership of the Group	Percentage in consoli-dation	Cost of investment 2009	Cost of investment 2008	Net assets as of 31 December 2009	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87.82%	87.82%	10,878	10,878	12,538	Cheese production and selling
Sodžiaus Pienas ŽŪK	Šilalės str. 35, Laukuva, Lithuania	15.12%	100%	105	105	1,305	Milk collection services
Tarpučių Pienas ŽŪK	Klaipėdos str. 3, Šilutė, Lithuania	10.08%	100%	50	50	482	Milk collection services
SIA Muižas piens"	Mažeikių str. 4, Telšiai, Lithuania	32%	-	4	-	-	Retail, Wholesale
				11,037	11,033		

According to IFRS a subsidiary is an entity that is controlled by another entity (known as the parent) and control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, therefore since ŽŪK Tarpučių Pienas and ŽŪK Sodžiaus Pienas are

performing nearly 100% of their sales to the Company they are considered subsidiaries fully controlled by the parent even if the Company's owning is less than 50%.

As of 31 December 2009 the number of employees of the Company was 1,363 (as of 31 December 2008 – 1,636). As of 31 December 2009 the number of employees of the Group was 1,528 (as of 31 December 2008 – 1,839).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2009 the Company and the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Company's and the Group's accounting policies.

Standards, amendments and interpretations effective in 2009, but not relevant to the Group's and the Company's accounting policies

- IAS 23 (Revised) 'Borrowing Costs' (effective for accounting periods beginning on or after 1 January 2009). According to this amendment borrowing costs, that are directly attributable to the acquisition, construction and production of a qualifying asset, should form part of the cost of that asset;
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period;
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amendment deals with vesting conditions and cancellations;
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009);
- IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost;
- IAS 27 (Revised) 'Consolidated and separate financial statements' (effective from 1 July 2009, not yet endorsed by EU);
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009, not yet endorsed by EU). The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non – controlling interest either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed;
- IFRS 1 (Revised) 'First-time Adoption of IFRS (effective for accounting periods beginning on or after 1 January 2009, not yet endorsed by EU);

- Amendments to IFRS 1 'First-time Adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' – Cost of Investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – 'Eligible Hedged Items' (effective for accounting periods beginning on or after 1 July 2009, not yet endorsed by EU);
- In May 2008 the Board of IASB issued its first omnibus of amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS (IAS 1, IFRS 5, IFRS 7, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009, not yet endorsed by EU). The standard clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009); The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers;
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008). The interpretation specifies how customer loyalty programs should be accounted for;
- IFRIC 15 'Agreements for the Construction of Real Estate' (effective for accounting periods beginning on or after 1 January 2009, not yet endorsed by EU);
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective October 1, 2008, not yet endorsed by EU);
- IFRIC 17 'Distribution of Non-cash Assets to Owners' (effective for accounting periods beginning on or after 1 July 2009, not yet endorsed by EU); and
- IFRIC 18 'Transfers of Assets from Customers' (effective for transfers of assets from customers received on or after 1 July 2009, not yet endorsed by EU).

The Group's and Company's management is of the opinion that adoption of these standards in the future will not significantly impact the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of the preparation of the financial statements

The financial statements have been prepared on a cost basis, except for certain financial instruments, which are stated at fair value.

The financial year of the Company and other companies of the Group coincides with the calendar year.

The financial statements are presented in national Lithuanian currency – Litas (LTL).

The principal accounting policies are set out below:

Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities that meet the recognition conditions under IFRS 3 are recognized at their fair values at the acquisition date. The initial accounting for the subsidiaries assets and liabilities are adjusted within twelve months of the acquisition date if additional data is received that allows a more precise determination of fair value of the subsidiaries' assets and liabilities.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the income statement.

The interest of minority shareholders in the acquiree is measured at the minority's proportion of the net fair value of the assets and liabilities recognized.

The result of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intercompany transactions, balances, income , expenses and unrealized profits (losses) between Group companies are eliminated on consolidation.

Business combinations involving entities under common control

Business combinations involving entities under common control are outside the scope of IFRS 3. However, the Group's accounting policy for such business combinations is as follows. For acquisitions that took place starting from April 2004 the Group companies account for business combinations involving entities under commen control using the purchase method. The management believes that the purchase method combined with external expert valuations of the fair values used in the deals ensure the best treatment of the situations faced by the Group to present the true and fair view.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or their groups) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries in the Company's stand alone balance sheet are recognized at cost. The dividend income from the investment is recognized only to the extent that the dividends are received from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably. The Group and the Company do not have any intangible assets with indefinite useful life, therefore after initial recognition intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Amortisation expenses of intangible assets are included into operating expenses.

Software

The costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software and licenses are amortized over a period of 3 years.

Costs incurred in order to restore or maintain the expected future economic benefits expects from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Depreciation of property, plant and equipment, other than construction-in-progress, is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful lives of property, plant and equipment are as follows:

Buildings	20 - 40 years
Machinery and equipment	5 years
Vehicles and other equipment	4 - 10 years

The Group capitalizes property, plant and equipment purchases with useful life over one year and an acquisition cost above LTL 500.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

Investment property

Investment property of the Group and the Company consist of investments in land and buildings that are held to earn rentals, rather than for own use in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of 20 - 40 years.

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

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group and the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are initially measured at cost and are subsequently measured at the lower of cost and net realizable value. The First–In, First-Out method is used as a basis for calculating the cost. The cost of work in progress and finished goods comprises of raw materials, direct labor cost, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets

Financial assets are recognized on the Company's and the Group's balance sheet when the Company and the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Loans and receivables". Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method less impairment loss recognized to reflect irrecoverable amounts.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less those are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable, or a derivative or non-derivative contract that will or may be settled in the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of the management, the carrying amounts of financial assets and financial liabilities recorded at amortized cost differ materially from their carrying value, such fair values are separately disclosed in the notes to the financial statements.

Grants

Grants are accounted for on an accrual basis, i.e. grants are credited to income statement in the periods when related expenses, which they are intended to compensate, incurr.

Grants related to assets

Grants related to assets include asset acquisition financing and non-monetary grants. Initially such grants are recorded at the fair value of the corresponding assets and subsequently credited to the income statement over the useful lives of related non-current assets.

Grants related to income

Grants related to income are received as a reimbursement for expenses already incurred or as a compensation for unearned revenue, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received.

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company and the Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company and the Group as lessee

Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for VAT estimated customer returns, rebates and other similar allowances. Revenue is recognized on an accrual basis. Revenues are recognized in the financial statements irrespective of cash inflows, i.e. when they are earned.

Revenue from sales of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering services

Revenue from rendering services are recognized on performance of the services.

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Received interest is recorded in the cash flow statement as cash flows from investing activities.

Dividend income is recognized when the right to shareholders to receive payment is established. Received dividends are recorded in the cash flow statement as cash flows from investing activities.

Expense recognition

Expenses are recognized on an accrual basis when incurred.

Foreign currency

Transactions denominated in foreign currency other than Litas (LTL) are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

As of 31 December the applicable rates used for principal currencies were as follows:

2009			2008		
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 USD	=	4.8679 LTL	1 USD	=	4.8872 LTL
1 LVL	=	2.4052 LTL	1 LVL	=	2.4507 LTL

All resulting gains and losses relating to transactions in foreign currencies are recorded in the income statement in the period in which they arise. Gains and losses on translation are credited or charged to the income statement using foreign exchange rates prevailing at the year-end.

Provisions

Provisions are recognized when the Company and the Group has a present obligation (legal or constructive) as a result of 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.

Taxation

Income tax charge consists of the current and deferred income tax.

Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The income tax rate applied for the Company and the Group was 20%. Provisional Social Tax rate was effective for 2009. From 1 January 2010 the income tax rate is 15% in the Republic of Lithuania.

Deferred income tax

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits of the Group and the Company will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred income tax for the period

Current and deferred income tax is charged or credited to profit or loss, except when they relate to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Segments

In these financial statements a business segment means a constituent part of the Group and the Company participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

Contingencies

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Subsequent events

Post balance sheet events that provide additional information about the Group's and the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's and the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. 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.

Judgments

In the process of applying the Group's and the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Operating Lease Commitments–Group and Company as Lessor

The Group and the Company has entered into commercial property leases on its investment property portfolio. The Group and the Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 discussed below.

Impairment of non-financial assets

The Group and the Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial assets

At each balance sheet date, the Group and the Company reviews the financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. PROPERTY, PLANT AND EQUIPMENT

Note No 5 – The property, plant and equipment (In the balance)

As of 31 December property, plant and equipment of the Group consisted of the following:

The Group	Land, buildings and construc-tions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost						
As of 31 December 2007	**15,304**	**89,205**	**19,980**	**11,361**	**9,280**	**145,130**
- additions	1,030	23,278	1,616	1,035	4,384	31,343
- acquisition of a subsidiary	6,798	11,248	7,556	804	4,053	30,459
	(35)	(4,692)	(183)	(369)	(157)	(5,436)
- disposals, write-offs						
- transfers from investment property	8,481	-	-	-	-	8,481
- transfers	6,605	4,160	-	13	(10,778)	-
As of 31 December 2008	**38,183**	**`123,199**	**28,969**	**12,844**	**6,782**	**209,977**
- additions	370	12,546	3,739	227	(3,226)	13,656
- acquisition of a subsidiary	-	-	-	-	-	-
- disposals, write-offs	(421)	(9,484)	(324)	(722)	(176)	(11,127)
- transfers from investment property	-	-	-	-	-	-
- transfers	1,629	1,318	-	2	(2,949)	-
As of 31 December 2009	**39,761**	**127,579**	**32,384**	**12,351**	**431**	**212,506**
Accumulated depreciation						
As of 31 December 2007	**5,216**	**72,076**	**9,009**	**8,078**	-	**94,379**
	880	8,846	4,437	1,598	-	15,761
- depreciation	2,421	6,770	2,604	485		12,280
- acquisition of a subsidiary						
- transfers from investment property	3,811	-	-	-		3,811
- disposals, write-offs	(14)	(4,522)	(128)	(321)	-	(4,985)
As of 31 December 2008	**12,314**	**83,170**	**15,922**	**9,840**	-	**121,246**
- depreciation	1,870	10,922	4,117	1,437	-	18,346
- acquisition of a subsidiary	-	-	-	-	-	-
- transfers from investment property	-	-	-	-	-	-
- disposals, write-offs	(168)	(3,685)	(109)	(687)	-	(4,649)
As of 31 December 2009	**14,016**	**90,407**	**19,930**	**10,590**	-	**134,943**
Accumulated impairment losses						
As of 31 December 2007	-	-	-	-	-	-
- reversal of impairment losses	-	-	-	(2)	(21)	(23)
- acquisition of subsidiary	233	-	-	12	28	273
As of 31 December 2008	**233**	-	-	**10**	7	**250**
- reversal of impairment losses	1,592	-	-	-	-	1,592
- acquisition of subsidiary	-	(2,286)	-	-	-	(2,286)
As of 31 December 2009	**1,825**	**(2,286)**	-	-	-	**(444)**
Net book value:						
As of 31 December 2008	**25,636**	**40,029**	**13,047**	**2,994**	**6,775**	**88,481**
As of 31 December 2009	**23,919**	**39,458**	**12,453**	**1,751**	**425**	**78,007**

As of 31 December property, plant and equipment of the Company consisted of the following:

The Company	Land, buildings and constructions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost						
As of 31 December 2007	**14,856**	**87,665**	**19,947**	**9,824**	**9,280**	**141,572**
- additions	76	23,267	1,471	969	3,011	28,794
- disposals, write-offs	(12)	(4,594)	(65)	(363)	(157)	(5,191)
- transfers from investment property	-	-	-	-	-	-
- transfers	6,333	344	-	9	(6,686)	-
As of 31 December 2008	**21,253**	**106,682**	**21,353**	**10,439**	**5,448**	**165,175**
- additions	367	12,462	3,739	109	(3,748)	12,929
- disposals, write-offs	(1)	(6,314)	(163)	(540)	(176)	(7,194)
- acquisition of subsidiary	-	2,286	-	13	-	2,299
- transfers	994	284	-	2	(1,279)	-
As of 31 December 2009	**22,613**	**115,400**	**24,929**	**10,010**	**245**	**173,196**
Accumulated depreciation						
As of 31 December 2007	**5,068**	**70,537**	**8,976**	**6,541**	**-**	**91,122**
- depreciation	451	8,399	4,137	1,523	-	14,510
- disposals, write-offs	(1)	(4,427)	(17)	(315)	-	(4,760)
- transfers from investment property	-	-	-	-	-	-
As of 31 December 2008	**5,518**	**74,509**	**13,096**	**7,749**	**-**	**100,872**
- depreciation	1,081	9,908	3,596	1,296	-	15,881
- disposals, write-offs	-	(788)	(39)	(505)	-	(1,333)
As of 31 December 2009	**6,599**	**83,629**	**16,654**	**8,539**	**-**	**115,421**
Net book value						
As of 31 December 2008	**15,735**	**32,173**	**8,257**	**2,690**	**5,448**	**64,303**
As of 31 December 2009	**16,014**	**31,771**	**8,275**	**1,471**	**245**	**57,775**

For the year ended 31 December 2009 the depreciation charge of the Group's and the Company's property, plant and equipment amounts to LTL'000 18,347 and LTL'000 15,881 (31 December 2008 – LTL'000 15,761 and LTL'000 14,510).

Property, plant and equipment of the Company with a net book value of LTL'000 18,513 as of 31 December 2009 (31 December 2008 – LTL'000 18,628) was pledged to banks as a collateral for the loans received by the Company. As of 31 December 2009 the subsidiary Šilutės Rambynas ABF has also pledged the property, plant and equipment with the net book value of LTL'000 44 for the loans received by the Company (31 December 2008 – LTL'000 49) (Note 14).

As of 31 December 2009 part of property, plant and equipment of the Group and the Company with the acquisition cost of LTL'000 71,133 and LTL'000 64,996 respectively, was fully depreciated (31 December 2008 – LTL'000 69,998) but was still in active use.

The investments made by the Group and the Company during the year 2009 for the acquisition of property, plant and equipment and intangible assets amounted to LTL'000 16,893 and LTL'000 16,682 (2008– LTL'000 31,346 and LTL'000 29,752). As all assets of the Group and the Company are in Lithuania, all acquisitions are related with the geographical segment of Lithuania.

6. INVESTMENT PROPERTY

Note No 6 – Investment property (In the balance)

As of 31 December investment property consisted of the following:

	The Group	The Company
Acquisition cost		
As of 31 December 2007	**8,481**	**8,481**
- additions		954
- transfers to property, plant and equipment	(8,481)	-
As of 31 December 2008	-	**9,435**
- additions	-	-
- transfers to property, plant and equipment	-	-
As of 31 December 2009	-	**9,435**
Accumulated depreciation		
As of 31 December 2007	**3,624**	**3,624**
- depreciation	187	450
- transfers to property, plant and equipment	(3,811)	-
As of 31 December 2008	-	**4,074**
- depreciation	-	479
- transfers to property, plant and equipment	-	-
As of 31 December 2009	-	**4,553**
Net book value		
As of 31 December 2008	-	**5,361**
As of 31 December 2009	-	**4,882**

The fair value of investment property approximates its book value.

The Company's depreciation of the investment property for the year 2009 amounted to LTL'000 479 (2008 – LTL'000 450).

The Company's investment property in 2009 and 2008 represents rented property to Šilutės Rambynas ABF.

All rent contracts are easily cancellable with a few months prior notice made by the lessee or the lessor.

7. LOANS GRANTED

Note No 7 – Loans granted (In the balance)

As of 31 December loans granted consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Loans granted	2,360	3,213	2,359	3,182
Less: current portion of loans granted	(1,386)	(2,089)	(1,385)	(2,080)
	974	1,124	973	1,102

All granted loans are in LTL. Loan's payback period is 1 – 9 years.

8. INVENTORIES

Note No 8 – Inventories (In the balance)

As of 31 December inventories consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Raw materials	11,346	12,698	9,719	10,402
Finished goods and work in process	29,367	48,293	26,283	42,715
Goods for resale	1,490	4,754	1,490	4,754
	42,203	65,745	37,492	57,871
Less: write off to net realizable value	(4,331)	(2,756)	(4,274)	(2,206)
Total	**37,871**	**62,989**	**33,218**	**55,665**

9. TRADE ACCOUNTS RECEIVABLE

Note No 9 – Trade Accounts receivable (In the balance)

As of 31 December trade accounts receivable consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Trade accounts receivable	24,694	26,762	23,476	25,657
Receivable from related parties	4,637	3,045	7,282	7,342
	29,331	29,807	30,758	32,999
Less: impairment loss	(2)	(65)	(2)	(41)
Total	**29,329**	**29,742**	**30,756**	**32,958**

Changes in impairment loss for doubtful trade accounts receivables for 2009 and 2008 are included into operating expenses in the income statement. The change in impairment loss for trade accounts receivable increased operating expenses of the year 2009.

Trade receivables are non-interest bearing and are generally on 30 – 90 days terms.

Movements in the allowance for impairment of trade accounts receivable were as follows:

	The Group		The Company	
	2009	2008	2009	2008
Balance as of 31 December 2008	65	-	41	-
Impairment loss	(63)	65	(39)	41
Balance as of 31 December 2009	**2**	**65**	**(2)**	**41**

The ageing analysis of trade accounts receivable as of 31 December 2009 and 2008 is as follows:

The Group	Trade accounts receivable neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 3 months	3 – 6 months	6 – 9 months	9 – 12 months	More than 1 year	
2008	25,596	551	596	15	2	2	**26,762**
2009	22,152	2,471	44	-	25	2	**24,694**

The Company	Trade accounts receivable neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 3 months	3 – 6 months	6 – 9 months	9 – 12 months	More than 1 year	
2008	24,560	521	559	15	2	-	**25,657**
2009	21,002	2,452	22	-	-	2	**23,476**

10. OTHER ACCOUNTS RECEIVABLE

Note No 10 – Other accounts receivable (In the balance)

As of 31 December other accounts receivables consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Income tax paid in advance	-	3,351	-	3,351
Current portion of long-term loans granted	1,394	2,089	1,385	2,080
VAT receivable	1,178	2,492	1,177	2,393
Other receivables	458	435	393	212
Total	**3,030**	**8,367**	**2,955**	**8,036**

11. CASH AND CASH EQUIVALENTS

Note No 11 – Cach and cash equivalents (In the balance)

As of 31 December cash and cash equivalents consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Cash at bank	24,463	8,246	24,128	8,085
Cash on hand	167	803	145	787
Total	**24,629**	**9,049**	**24,273**	**8,872**

For the year ended 31 December 2009 the term deposits of the Group's and the Company's was LTL'000 6,161. It reflected in the cash flow statement.

12. SHAREHOLDERS' EQUITY

As of 31 December 2009 the share capital consisted of 48,375,000 ordinary shares with the par value of LTL 1 each. As of 31 December 2007 the share capital consisted of 4,837,500 ordinary shares with the par value of LTL 10 each. As of 31 December 2009 and 2008 all shares were fully paid.

Note No 12 – Shareholders' equity (In the balance)

As of 31 December 2009 the main shareholders of the Company were:

	2009		2008	
	Number of shares	Ownership, %	Number of shares	Ownership, %
Pažemeckas Algirdas	21,355,870	44.15	21,355,870	44.15
SKANDINAVISKA ENSKILDA BANKEN CLIENTS code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN	3,841,690	7.94	3,841,690	7.94
Klaipėdos Pienas AB Company's code 240026930, Šilutės pl. 33, 91107 Klaipėda	3,601,844	7.45	3,601,844	7.45
Šunokienė Ona	2,614,430	5.40	2,614,430	5.40
Other small shareholders	16,961,166	35.06	16,961,166	35.06
Total	**48,375,000**	**100**	**48,375,000**	**100**

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As of 31 December 2009 the legal reserve of the Company was fully formed. The legal reserve cannot be distributed to the shareholders.

Other reserves

Other reserves are formed based on a decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. According to the Law of Stock Companies, the reserves formed by the Company other than the legal reserve if not used or planned to use should be restored to retained earnings and redistributed.

13. GRANTS RECEIVED

Note No 13 – Grants received (In the balance)

The movement of grants for the years ended 31 December consisted of the following:

	The Group	The Company
Grants received		
As of 31 December 2007	12,773	11,158
- received	-	-
- acquisition of subsidiary	3,405	-
As of 31 December 2008	16,178	11,158
- received	-	-
- acquisition of subsidiary	-	-
As of 31 December 2009	16,178	11,158
Accumulated amortisation		
As of 31 December 2007	9,774	8,192
- amortization	1,181	1,019
- acquisition of subsidiary	1,066	-
As of 31 December 2008	12,021	9,211
- amortization	957	712
- acquisition of subsidiary	-	-
As of 31 December 2009	12,978	9,923
Net book value		
As of 31 December 2008	4,157	1,947
As of 31 December 2009	3,200	1,235

On 9 March 2006 the Company signed a subsidy agreement with the NPA in relation to the Company's Manufacturing Lines Modernisation Project (hereinafter in this and successive paragraphs the Project). The financing is provided from the European Commission Aid and National Budget in accordance with the financing programme Agriculture and Fishery Manufacturing and Marketing Modernisation. The Company has been provided with total financing of LTL'000 3,435 (or 44.72% of the total planed Project value). LTL'000 2,533 (or 73.74%) of the support will be provided by the EU Structural Funds and the remaining LTL'000 902 (or 26.26%) – by the National Budget for the implementation of the Project. As of 31 December 2008 the net book value of the grant was LTL'000 1,947 (31 December 2007 – LTL'000 2,658). December 2009 the net book value of the grant was LTL'000 1,235.

On 5 July 2005 Šilutės Rambynas ABF signed a financing agreement with the public institution Lithuanian Environmental Investment Fund for a grant of LTL'000 300. The grant is intended for the reconstruction of the boiler-house of Šilutės Rambynas ABF , whereupon the type of fuel used will be changed from fuel oil to liquid gas. The amount of the grant can not exceed 70% of the total value of the reconstruction project. The reconstruction of the boiler-house was finished in December 2005, therefore starting from 1 January 2006 the grant amount started to be amortized within 8 years of useful life reducing the depreciation expenses of the boiler-house accounted for under cost of sales caption. As of 31 December 2008 the balance of the grant was LTL'000 187 (31 December 2007 – LTL'000 225).

On 24 January 2006 ABF Šilutės Rambynas signed a financing agreement with the National Paying Agency under the Ministry of Agriculture for a grant of LTL'000 3,395. The grant is intended for the project "Šilutės Rambynas ABF Modernisation of Milk Processing Production" including the acquisition of new vehicles and equipment. Šilutės Rambynas ABF purchased new equipment and

vehicles in June and July 2006, therefore starting from the next month after acquisition the amortization of the subsidy within the 5-year useful live period was started reducing the deprecation expenses of the equipment and vehicles accounted for under cost of sales. The subsidy to Šilutės Rambynas ABF was paid out on 31 January 2007. The amortisation of the grant in the amount of LTL'000 621 reduced the 2007 cost of sales. As of 31 December 2008, the balance of the grant was LTL'000 1,992 (31 December 2007 – LTL'000 2,223).

December 2009, the net book value of the grant and the balance of the grant was LTL'000 1,934.

The amortisation of the financing was offset against depreciation and accounted for under depreciation and amortisation caption in cost of sales in the statement of income for 2008 and 2007. The granted financing is amortized in equal parts over the depreciation period of the assets acquired using the financing received.

14. BORROWINGS

Note No 14 – Borrowings (In the balance)

As of 31 December the Group's borrowing consisted of the following:

	Contract date	Maturity date	Curren-cy	Balance 2009	Balance 2008
DnB NORD bankas AB	2004 05	2012 06	EUR	20,717	20,717
SEB bankas AB	2003 07	2009 12	LTL	-	16,000
DnB NORD bankas AB	2006 06	2013 04	EUR	4,915	4,915
Laviga UAB	2008 12	2009 02	EUR	-	1,603
SEB bankas AB	2002 05	2009 05	EUR	-	556
SEB bankas AB	2007 08	2009 12	EUR	-	386
Total				**25,632**	**44,177**
Less: short-term borrowings				-	(1,603)
Less: current portion of long-term borrowing				(1,158)	(16,942)
Total long-term borrowings				**24,474**	**25,632**

As of 31 December the Company's borrowings consisted of the following:

	Contract date	Maturity date	Curren-cy	Balance 2009	Balance 2008
DnB NORD bankas AB	2004 05	2012 06	EUR	20,717	20,717
SEB bankas AB	2003 07	2009 12	LTL	-	16,000
DnB NORD bankas AB	2006 06	2013 04	EUR	4,915	4,915
Laviga UAB	2008 12	2009 02	EUR	-	1,603
SEB bankas AB	2002 05	2009 05	EUR	-	556
Total				**25,623**	**43,791**
Less: short-term borrowings				-	(1,603)
Less: current portion of long-term borrowing				(1,158)	(16,556)
Total long-term borrowings				**24,474**	**25,632**

Terms of repayment of non-current borrowings to the Group and the Company were as follows:

	The Group		The Company	
	2009	2008	2009	2008
Within one year	1,185	18,545	1,185	18,159
In the second year	1,670	1,499	1,670	1,499
In the third year	22,387	1,499	22,387	1,499
In the fourth and thereafter	417	22,634	417	22,634
Total	**25,632**	**44,177**	**25,632**	**43,791**

Parts of loans of the Group and the Company at the end of the year in national and foreign currencies were as follows:

	The Group		The Company	
	2009	2008	2009	2008
EUR	25,632	28,177	25,632	27,791
LTL	-	16,000	-	16,000
Total	**25,632**	**44,177**	**25,632**	**43,791**

15. OBLIGATIONS UNDER FINANCE LEASE

As of 31 December the Group's and the Company's obligations under finance lease consisted of the following:

	2009		2008	
The Group	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	5,356	5,107	5,355	4,642
In the second to fifth years inclusive	11,534	11,245	14,426	13,370
Minimum lease payments	**16,890**	**16,352**	**19,781**	**18,012**
Less: future finance charges	(538)		(1,769)	
Present value of minimum lease payments	**16,352**		**18,012**	

	2009		2008	
The Company	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	5,007	4,757	4,521	4,325
In the second to fifth years inclusive	10,571	10,287	12,990	12,043
Minimum lease payments	**15,578**	**15,044**	**17,941**	**16,368**
Less: future finance charges	(534)		(1,574)	
Present value of minimum lease payments	**15,044**		**16,368**	

As of 31 December 2009 and 2008 the Group's and the Company's finance lease agreements were in EUR.

16. OPERATING LEASE

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

	The Group		The Company	
	2009	2008	2009	2008
Within one year	1,647	3,752	1,647	3,081
In the second to fifth years	1,637	3,279	1,637	595
After five years	283	-	283	-
Total	**3,567**	**7,031**	**3,567**	**3,676**

The currency of the payment of operating lease is Litas (LTL).

17. PAYABLES

Terms and conditions of financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of one month.
- Interest payable is normally settled monthly throughout the financial year.
- For terms and conditions relating to related parties refer to Note 28.

18. OTHER LIABILITIES

Note No 18 – Other liabilities (In the balance)

As of 31 December other liabilities consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Accrued expenses	4,718	4,704	4,718	4,164
Wages and salaries payable	1,902	2,740	1,721	2,518
Social security payable	1,066	1,124	927	999
Taxes payable, other than income tax	344	817	98	95
Advances received	568	809	568	809
Other current liabilities	417	17	9	16
Total	**9,015**	**10,211**	**8,041**	**8,601**

19. INFORMATION ON SEGMENTS

Note No 19 – Sales (In the incomes statmet)

For management purposes the Group's and the Company's business activity is organized as one main segment – dairy products production and trading (prime segment). Sales by geographical segments (secondary segments) are presented below:

	The Group		The Company	
	2009	2008	2009	2008
Sales				
Lithuania	210,457	252,900	209,249	252,582
Other Baltic States and CIS members	74,846	119,153	74,419	119,153
Other Europe countries	73,041	94,476	73,041	94,476
USA	2,295	148	2,295	148
Other	12,186	5,152	12,186	5,152
Total	**372,825**	**471,829**	**371,190**	**471,511**

20. OPERATING EXPENSES

Note No 20 – Operating expenses (In the incomes statement)

As of 31 December operating expenses consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Wages, salaries and social security*	25,988	35,754	25,439	35,060
Services	3,301	14,322	4,808	14,703
Marketing	6,553	9,255	6,510	9,198
Fuel and spare parts	3,953	6,002	3,882	5,926
Depreciation and amortisation	3,742	5,086	3,722	4,792
Change in write off of inventoriews to net realizable value	2,069	267	2,069	(283)
Materials	1,282	1,708	1,249	1,687
Taxes, other than income tax	906	943	780	858
Other expenses	4,378	5,952	4,066	6,127
Total	**52,172**	**79,289**	**52,525**	**78,068**

* For the year ended 31 December 2009 the Group's and the Company's wages, salaries and social operting expenses amounted to LTL'000 25,988 and LTL'000 25,439, respectively.

21. OTHER OPERATING INCOME AND EXPENSES

Note No 21 – Other operating income and expenses (In the income statement)

As of 31 December other operating income and expenses consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Other operating income				
Gain on sales of property, plant and equipment and goods for resale sales income	2,544	3,692	2,432	3,682
Transportation service	-	1,040	-	1,040
Rental income	1,301	970	1,182	928
Income of the canteen	314	875	314	875
Other	713	3,633	669	4,288
	4,159	**10,210**	**4,597**	**10,813**
Other operating expenses				
Cost of goods for resale sold	(2,275)	(4,646)	(2,275)	(4,646)
Wages, salaries and social security	(3)	-	(3)	-
Other	(3,961)	(917)	(1,422)	(840)
	(6,239)	**(5,563)**	**(3,750)**	**(5,486)**
TOTAL	**(2,080)**	**4,647**	**847**	**5,327**

22. OTHER FINANCIAL INCOME AND EXPENSES

Note No 22 – Other financial income and expenses (In the income statement)

As of 31 December other financial income and expenses consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Income from financial activity				
Interest income	772	358	668	356
Foreign currency exchange (profit)	40	-	-	-
Other financial incomes	453	-	401	-
	1,265	**358**	**1,089**	**356**
Expenses from financial activity				
Foreign currency exchange (loss)	(609)	(168)	(486)	(58)
Other financial expenses	(8)	(54)	-	-
	(617)	**(222)**	**(486)**	**(58)**
TOTAL	**648**	**136**	**603**	**298**

23. INCOME TAX EXPENSE (BENEFIT)

Note No 23 – Income tax expencse (In the income statement)

For the years ended 31 December 2009 and 31 December 2008 income tax consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
(Loss) profit before tax	14,297	(3,889)	15,017	(5,123)
Tax at the statutory income taxes rate	3342	(583)	3342	(768)
Tax effect of non-taxible differences	(474)	678	(808)	694
Change in deferred tax asset valuation allowance		-		-
Change in deferred tax due to change in income tax rate (2008 – 15%, 2009 – 20%)	(160)	(274)	150	(244)
Income tax expenses (benefit) charged to the income statement	**3,028**	**(179)**	**2,684**	**(318)**
Prior year income tax correction		(2)		-
Current period income tax		-		-
Change in deferred income tax	(3,028)	(177)	(2,684)	(318)
Income tax expenses (benefit) charged to the income statement	**3,028**	**(179)**	**2,684**	**(318)**

	The Group		The Company	
	2009	2008	2009	2008
Deferred income tax asset				
Tax loss carry forward	-	921	-	-
Inventories	664	491	641	331
Accrued vacation reserve	933	67	919	606
Other accrued expenses	106	34	69	34
Total deferred income tax asset	**1,703**	**2,073**	**1,629**	971
Less: valuation allowance	-	(921)	-	-
Deferred income tax liabilities				
Difference in property, plant and equipment depretiation rates	(542)	(322)	-	-
Fair value adjustment for property, plant and equipment at acquisition of a subsidiary	-	(318)	-	-
Total deferred income tax liabilities	**(542)**	**(640)**	-	-
Deferred income tax asset, net	**1,161**	**512**	**1,629**	971

24. EARNINGS PER SHARE

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

	The Group		The Company	
	2009	2008	2009	2008
Net (loss) profit attributable to the shareholders	11,269	(3,711)	12,333	(4,806)
Weighted average number of shares (in thousands)	48,375	48,375	48,375	48,375
Basic earnings (loss) per share (LTL)	**0.23**	**(0.08)**	**0,25**	**(0.10)**

Diluted earnings per share equal to basic earnings per share as there were no potential shares issued as of 31 December 2009 and 2008.

25. DIVIDENDS PER SHARE

	The Group		The Company	
	2009	2008	2009	2008
Dividends paid	-	-	-	-
Number of shares (thousands)	48,375	48,375	48,375	48,375
Dividends per share (LTL)	-	-	-	-

26. COMMITMENTS AND CONTINGENCIES

During the reorganization that took place in 2004 the Company transferred the finance lease agreement with Nordea Finance Lithuania UAB to a newly established company AB Žemaitijos Pieno Investicija. Assets and related liabilities were transferred according to a trilateral agreement between the Company, Žemaitijos Pieno Investicija AB and Nordea Finance Lithuania UAB dated 14 November 2004. On the same day the Company signed a guarantee agreement with Nordea Finance Lithuania UAB, and guaranteed for liabilities of Žemaitijos Pieno Investicija AB, according to the transferred agreement.

As of 31 December 2009 and 2008 the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.

At 31 December 2009 and 2008 the Group and the Company was not involved in any legal proceedings, which in the opinion of management would have a material impact on the financial statements.

27. FINANCIAL RISK MANAGEMENT

Credit risk

As of 31 December the maximum exposures of the Company and the Group to credit risk consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Cash and cash equivalents	24,629	9,049	24,273	8,872
Loans granted	974	1,124	973	1,102
Trade accounts receivable	29,329	29,742	30,756	32,958
Other accounts receivable	3,030	8,367	2,955	8,036
Term deposits	6,161	-	6,161	-
Total financial assets	**64,123**	**48,282**	**65,082**	**50,968**

The Group and the Company has no significant concentration of trading counterparties, which is related with one partner or group of partners with similar characteristics. Customers' risk, or the risk, that the partners will not keep to their obligations, is managed by approving credit terms and procedures of control. The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of receivables (Note 9), net of impairment losses recognized at the balance sheet date.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Company trades only with recognized, creditworthy third parties. The counterparties are splitted into group, other related parties and non related parties and starting from the end of 2007 newly concluded trading agreements include paragraph about credit limits assigned according to the volume and amount of sales. Some customers are also required to make prepayments.

The credit risk on liquid funds is limited because the counterparties of the Group and the Company are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities, bank overdrafts and credit lines to meet its commitments at a given date in accordance with its strategic plans.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities as of 31 December 2009 and 2008 based on contractual undiscounted payments.

The Group	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	1,158	24,474	-	25,623
Interest bearing finance lease liabilities	-	1,265	3,842	11,250	-	16,357
	-	1,554	-	-	-	1,554
Trade payables						
Commitments to related parties	-	16,153	-	-	-	16,153
Balance as of 31 December 2009	-	**18,972**	**5,000**	**35,724**	-	**59,696**
Interest bearing loans and borrowings	-	-	18,545	25,632	-	44,177
Interest bearing finance lease liabilities	-	1,074	3,568	13,370	-	18,012
Trade payables	-	29,450	-	-	-	29,450
Balance as of 31 December 2008	-	**30,524**	**22,113**	**39,002**	-	**91,639**
	-	**(11,552)**	**(17,113)**	**(3,278)**	-	**(31,943)**

The Company	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	1,158	24,474	-	25,623
Interest bearing finance lease liabilities	-	1,265	3,493	10,287	-	15,044
	-	16,150	-	-	-	16,150
Trade payables		-				-
Commitments to related parties	-	1,554	-	-	-	1,554
Balance as of 31 December 2009	-	**18,987**	**4,651**	**34,761**	-	**58,398**
Interest bearing loans and borrowings	-	-	18,159	25,632	-	43,791
Interest bearing finance lease liabilities	-	758	3,567	12,043	-	16,368
Trade payables	-	27,257	-	-	-	27,257
Balance as of 31 December 2008	-	**28,015**	**21,726**	**37,675**	-	**87,416**
	-	**(9,028)**	**(17,075)**	**(2,914)**	-	**(29,018)**

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL is pegged.

As of 31 December 2009 monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	Assets	Liabilities	Assets	Liabilities
LTL	67,476	60,940	46,803	41,563
EUR	14,000	28,039	13,753	26,711
USD	951	-	951	-
LVL	4,296	12	4,296	12
Other	2	2	2	2
Total	**86,725**	**88,993**	**65,805**	**68,288**

As of 31 December 2009 monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	Assets	Liabilities	Assets	Liabilities
LTL	61,076	66,700	36,016	66,700
EUR	17,764	29,270	17,764	29,188
USD	24	-	24	-
LVL	2,612	128	2,612	128
Total	**81,476**	**96,098**	**56,416**	**96,016**

All sales and purchases transactions as well as the financial debt portfolio of the Group and the Company are denominated in LTL and EUR. Therefore, the sensitivity analysis to the foreign currency fluctuations was not disclosed due to immateriality of the balances and transactions in currencies other than LTL and EUR.

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term loans.

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.

A comparison between carrying amount and fair value of all of the Group and the Company financial instruments presented in financial statements by it's categories is set out below:

The Group	Carrying amount		Fair value	
	2009	2008	2009	2008
Financial assets				
Cash	24,629	9,049	24,629	9,049
Term deposits	6,161		6,161	
Investments available for sale	-	-	-	-
Loans granted	974	1,125	974	1,112
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	16,956	18,012	16,356	18,012
Floating interest rate borrowings	25,632	26,574	25,632	26,574
Fixed interest rate borrowings	-	17,603	-	17,292

The Company	Carrying amount		Fair value	
	2009	2008	2009	2008
Financial assets				
Cash	24,273	8,872	24,273	8,872
Term deposits	6,161		6,161	
Available for sale investments	-	-	-	-
Loans granted	973	1,102	973	1,102
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	15,044	16,368	13,389	16,368
Floating interest rate borrowings	25,632	28,188	25,632	28,188
Fixed interest rate borrowings	-	17,603	-	17,292

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 accounts receivable, current accounts payable and short-term loans approximates 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 loans with variable and fixed interest rates approximates their carrying amounts.

Capital management

The primary objectives of the Group's and the Company's capital management are to ensure that the Group and the Company complies with externally imposed capital requirements and that the Group and the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes of capital management during the years ended 31 December 2009 and 2008.

The Company is obliged to keep its equity not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements for the Group and the Company.

The Group and the Company monitor capital using debt to equity ratio. Capital includes ordinary shares, reserves, retained earnings attributable to the equity holders of the parent. There is no specific debt to equity ratio target set out by the Group's and the Company's management, however current ratios presented below are treated as sustainable performance indicators.

	The Group		The Company	
	2009	2008	2009	2008
Non-current liabilities (including deferred taxes and grants)	41,333	43,799	43,800	39,622
Current liabilities	34,580	62,851	32,702	58,342
Total liabilities	**75,913**	**106,650**	**70,565**	**97,964**
Equity attributable to equity holders of the parent	**105,973**	**92,483**	**104,685**	**91,068**
Debt* to equity ratio	**72%**	**115%**	**67%**	**108%**

* Debt contains all non-current (including deferred income tax liability and grants (deferred revenues)) and current liabilities.

Moreover the Company has externally imposed capital requirements from the banks. It is required that equity/assets ratio is not less than 30%. The management monitors that the Company is in compliance with the requirement. No other capital management tools are used. No breaches of required ratio occured during the year.

28. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the power 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 and the Company are as follows:

- Žemaitijos Pieno Investicija AB (company related to the shareholder);
- Šilutės Rambynas ABF (company related to the shareholder)) (2008 – subsidiary);
- Baltijos Mineralinių Vandenų Kompanija UAB (company related to the shareholder));
- Klaipėdos Pienas AB (company related to the shareholder));
- Žemaitijos Prekyba UAB (company related to the shareholder));
- Gimtinės Pienas UAB (company related to the shareholder)).

Payables to related parties are normally settled within 30 day terms.

The related party transactions and the balances at the end of the year were as follows:

	The Group		The Company	
	2009	2008	2009	2008
1) Sales				
To the Group				
Sodžiaus Pienas ŽŪK	-	-	-	-
Tarpučių Pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	42,305	-
	-	-	42,305	-
To Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	-	-	-	-
Klaipėdos Pienas AB	4,214	-	4,214	-
Žemaitijos Pieno Investicija AB	-	-	-	-
Žemaitijos Prekyba UAB	25,093	-	25,093	-
Gimtinės Pienas UAB	-	-	-	-
	29,307	-	29,307	-
Sales of inventory and services				
To the Group				
Sodžiaus Pienas ŽŪK	-	-	1	121
Tarpučių Pienas ŽŪK	-	-	14	2
Žemaitijos Pieno Žaliava UAB	-	-	-	-
Šilutės Rambynas ABF	-	-	2,645	3,688
	-	-	2,659	3,811
To Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	-	6,443	-	6,443
Klaipėdos Pienas AB	2,204	3,833	2,204	3,833
Žemaitijos Pieno Investicija AB	153	71	153	71
Gimtinės Pienas UAB	30	5	30	5
Žemaitijos Prekyba UAB	838	31,310	827	31,310
	3,225	41,662	3,214	41,662
Total Sales	**7,439**	46,013	**77,485**	46,138

	The Group		The Company	
	2009	2008	2009	2008
2) Purchases				
From the Group				
Sodžiaus Pienas ŽŪK	-	-	139	19,340

Tarpučių Pienas ŽŪK	-	-	6	6,914
Šilutės Rambynas ABF	-	97,835	66,483	97,807
	-	97,835	115,128	124,061
From Related parties				
Gimtinės Pienas UAB	-	-	-	-
Klaipėdos Pienas AB	1,183	7,814	1,158	7,814
Baltijos Mineralinių Vandenų Kompanija UAB	-	404	-	404
Žemaitijos Pieno Investicija AB	1,066	2,639	1,056	2,639
Žemaitijos Prekyba UAB	450	727	414	727
	2,699	11,584	2,628	11,584
Total Purchases	**2,699**	**109,419**	**117,756**	**135,645**

	The Group		The Company	
	2009	2008	2009	2008
3) Year-end balances of accounts receivable				
Group				
Telšių Autoservisas UAB	-	-	-	20
Sodžiaus Pienas ŽŪK	-	-	-	-
Tarpučių Pienas ŽŪK	-	-	20	-
Šilutės Rambynas ABF	-	-	2,720	8,563
	-	-	2,740	8,583
Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	-	1,816	-	1,816
Gimtinės Pienas UAB	-	90	-	63
Žemaitijos Prekyba UAB	3,852	2,094	4	2,095
Klaipėdos Pienas AB	700	-	2	-
Žemaitijos Pieno Investicija AB	85	-	53	-
	4,637	4000	59	3,974
	4,637	**4000**	**2,799**	**12,557**

	The Group		The Company	
	2009	2008	2009	2008
4) Year-end balances of payables				
Group				
Sodžiaus Pienas ŽŪK	-	-	1,159	1,517
Tarpučių Pienas ŽŪK	-	-	205	697
Žemaitijos Pieno Žaliava UAB	-	-	-	604
Šilutės Rambynas ABF	-	14	-	-
	-	14	1,364	2,818
Related parties				
Žemaitijos Pieno Investicija AB	254	1,229	200	1,229
Klaipėdos Pienas AB	2	1,717	-	1,717
Žemaitijos Prekyba UAB	4	-	-	-
Gimtinės Pienas UAB	-	-	-	-
Baltijos Mineralinių Vandenų Kompanija UAB	-	-	-	-
	259	2,946	200	2,946
	259	**2,960**	**1,564**	**5,764**

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2009 and 2008, the Company has not made any provision for doubtful debts relating to amounts owned by related parties. This doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Group performs a significant part of transactions with related parties (Žemaitijos Pieno Investicija AB group companies) and both profit and sales of the Group are significantly influenced by transactions with AB Žemaitijos Pieno Investicija group. This includes the following: rent of fixed assets, sales of raw materials, full buy up of cheeses from Šilutės Rambynas ABF, buy up of ice - cream from Klaipėdos

Pienas AB, distribution services' sales to Baltijos Mineralinių Vandenų Kompanija UAB and product sales to Žemaitijos Prekyba UAB.

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