

AB Vilniaus degtinė

Interim Financial Statements for
nine month period ended on the
30th September 2010
(unaudited)

Contents

Company Information	2
Statement on Financial Position	3
Comprehensive Income Statement	5
Statement of Changes in Equity	7
Cash Flows Statement	8
Notes	9

Company Information

AB Vilniaus degtinė

Telephone: + 370 5 231 31 52
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Company number: 120057287
Registered at: Panerių g. 47/2, Vilnius, Lietuva

Management

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

Board

Darius Žaromskis
Danas Kerbelis
Renaldas Barauskas
Audra Jauniškienė
Dalius Rutkauskas

Auditor

UAB Rimess

Banks

AB DnB NORD bankas

Lithuanian branch of AS UniCredit Bank
AB SEB bankas
AB Swedbank

Statement on Financial Position

As on September 30th

In LTL	Notes	30.09.2010	31.12.2009
ASSETS			
Non-current assets			
Tangible assets	13	25,883,159	21,563,651
Intangible assets	14	13,196,688	13,922,486
Financial assets	15	317,658	0
Total non-current assets		39,397,505	35,486,137
Current assets			
Inventories	16	7,744,337	7,689,344
Prepayments and future expenses	17	307,651	1,280,152
Trade receivables	18	13,631,682	28,864,366
Other receivables	19	4,308,388	3,659,967
Other current assets		0	0
Cash and cash equivalents	20	599,886	82,098
Total current assets		26,591,944	41,575,927
TOTAL ASSETS		65,989,449	77,062,064

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

Statement on Financial Position (cont'd)

As on September 30th

In LTL	Notes	30 09 2010	2009 12 31
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	24,408,431	24,408,431
Legal reserve		2,440,843	2,440,843
Retained earnings (loss)		12,489,577	12,446,994
Total equity		39,338,851	39,296,268
Non-current liabilities			
Interest bearing loans and borrowings	23	6,098,941	7,100,873
Governmental grants	24	3,767,123	0
Deferred tax liability		871,831	851,598
Total non-current liabilities		10,737,895	7,952,471
Current liabilities			
Interest bearing loans and borrowings	23	7,316,296	13,160,058
Trade payables		3,105,841	4,191,269
Income tax payable		0	0
Other payables	25	5,490,566	12,461,998
Total current liabilities		15,912,703	29,813,325
Total liabilities		26,650,598	37,765,796
TOTAL EQUITY AND LIABILITIES		65,989,449	77,062,064

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

Comprehensive Income Statement

As on September 30th

In LTL	Notes	Jan-Sep 2010	Jan-Sep 2009
		<hr/>	<hr/>
Sales revenue	4	32,907,284	37,583,334
Cost of sales		(17,211,618)	(18,074,652)
Gross profit	4	15,695,666	19,508,682
Other income	5	299,563	212,418
Sales and distribution expenses	6	(8,017,479)	(9,901,011)
Administrative expenses	7	(7,480,807)	(8,659,505)
Other expenses	5	(27,013)	(41,338)
Result from operating activities		469,930	1,119,246
Financial income	9	178,366	112,329
Financial expenses	9	(585,480)	(945,550)
Profit before tax		62,816	286,025
Corporate income tax	10	(20,233)	(118,994)
Profit for the period		42,583	167,031
		<hr/>	<hr/>
Basic and diluted earnings per share	22	(0.00)	0.01
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		42,583	167,031
		<hr/>	<hr/>

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

Comprehensive Income Statement (cont'd)

As on September 30th

In LTL	Notes	Jul-Sep 2010	Jul-Sep 2009
		<hr/>	<hr/>
Sales revenue	4	10,779,232	13,688,575
Cost of sales		(5,829,184)	(6,026,720)
Gross profit	4	4,950,048	7,661,855
Other income	5	59,449	71,171
Sales and distribution expenses	6	(2,540,760)	(4,209,631)
Administrative expenses	7	(2,425,287)	(2,761,316)
Other expenses	5	(9,215)	(12,302)
Result from operating activities		34,235	749,777
Financial income	9	62,859	41,746
Financial expenses	9	(180,507)	(227,236)
Profit before tax		(83,413)	564,287
Corporate income tax	10	9,118	(33,827)
Profit for the period		(74,295)	530,460
		<hr/>	<hr/>
P Basic and diluted earnings per share	22	0.0	0.2
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		(74,295)	530,460

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

Statement of Changes in Equity

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2009		24,408,431	2,440,843		11,663,277	38,512,551
Profit for 9 months of 2009					167,031	167,031
Capital and reserves as on 30 September 2009		24,408,431	2,440,843		11,830,308	38,679,582
Capital and reserves as on 31 December 2009		24,408,431	2,440,843	0	12,446,994	39,296,268
Profit for 9 months of 2010					42,583	42,583
Capital and reserves as on 30 September 2010	21	24,408,431	2,440,843	0	12,489,577	39,338,851

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

Cash Flows Statement

In LTL	Jan-Sep 2010	Jan-Sep 2009
	<hr/>	<hr/>
Profit (loss) for the period	42,583	167,031
Depreciation and amortisation	2,915,021	2,991,114
Impairment on construction in progress	0	(115,958)
Impairment of trade receivables and other receivables	(21,907)	0
Impairment of inventories	0	0
Net financial expenses	240,514	771,413
Gain (loss) on disposal of non-current assets	(102,613)	(10,888)
Corporate income tax expenses	20,233	118,994
	<hr/>	<hr/>
Net cash flows from ordinary activities before changes in working capital	3,093,831	3,921,706
Change in inventories	(54,993)	312,906
Change in prepayments	972,501	(890,192)
Change in trade receivables and other receivables	14,855,726	20,000,947
Change in trade payables and other payables	(7,837,746)	(12,546,474)
	<hr/>	<hr/>
Net cash flows from operating activities	7,935,488	6,877,187
Income tax paid	(72,720)	(184,650)
	<hr/>	<hr/>
Net cash flows from operating activities	10,956,599	10,614,243
	<hr/>	<hr/>
Interest received	0	0
Proceeds from disposal of non-current assets	135,630	38,390
Acquisition of property, plant and equipment	(5,760,412)	(1,117,845)
Acquisition of intangible non-current assets	(8,715)	(6,000)
Loans repaid	0	0
Loans granted	(317,658)	(493,750)
	<hr/>	<hr/>
Net cash flows from investing activities	(5,951,155)	(1,579,205)
	<hr/>	<hr/>
Repayment of loans	(7,618,321)	(7,695,279)
Loans received	0	0
Financial lease payments	(219,108)	(388,105)
Grants received	3,767,123	0
Interest paid	(417,350)	(911,675)
Dividends paid	0	0
	<hr/>	<hr/>
Net cash flows from financing activities	(4,487,656)	(8,995,059)
	<hr/>	<hr/>
Net cash flows from operating, investing and financing activities	517,788	39,979
Cash and cash equivalents at the beginning of the period	82,098	52,389
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	599,886	92,368
	<hr/> <hr/>	<hr/> <hr/>

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

Notes

1 Reporting entity

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

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

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16,668,632	1	16,668,632
Darius Žaromskis	2,440,843	1	2,440,843
Arūnas Tuma	2,411,303	1	2,411,303
Other minor shareholders	2,887,653	1	2,887,653
Total capital	24,408,431	1	24,408,431

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

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

AB Vilniaus Degtinė employed 173 staff members as of 30 September 2009 (194 staff members as on 30 September 2008).

2 Summary of significant accounting principles

Statement of compliance

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

The financial statements for the period from January to September 2009 presented below are preliminary and unaudited.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

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

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

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

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

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

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments

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

Cash and cash equivalents include cash balances and demand deposits.

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

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

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

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

Financial derivatives

The Company did not use or have derivative financial instruments as on 30 September 2010.

Property, plant and equipment

Recognition and measurement

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

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

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Inventories (cont'd)

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

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

Governmental grants

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

Grants are related to assets.

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

Impairment

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

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

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Calculation of recoverable amount

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

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

Reversals of impairment

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

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

Dividends

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

Employee allowances

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

Notes

2 Summary of significant accounting principles (cont'd)

Provisions

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

Revenue

Sales of goods

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

Services rendered, assets disposed

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

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

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

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

Expenses

Operating lease payments

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

Financial lease payments

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

Notes

2 Summary of significant accounting principles (cont'd)

Expenses (cont'd)

Financial lease payments (cont'd)

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

Net financing costs

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

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

Corporate income tax

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

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

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Segment reporting

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

Earnings per share

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

Notes

3 Critical accounting estimates and judgements

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

Impairment losses on receivables

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Then methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment losses on construction in progress

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

Impairment losses on trademark

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

Notes

4 Segment reporting

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

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

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	28,137,930	3,321,357	52,319	1,395,678	32,907,284
Gross profit	15,142,111	405,787	17,600	130,168	15,695,666

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

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	34,780,726	1,978,989	72,426	751,193	37,583,334
Gross profit	19,230,412	120,564	31,111	126,595	19,508,682

Revenue and gross profit for July-September 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	9,249,121	931,843	24,798	573,470	10,779,232
Gross profit	4,799,457	61,304	7,954	81,333	4,950,048

Notes

4 Segment reporting (cont'd)

Revenue and gross profit for July-September 2009 are presented below:

Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total	Alcoholic beverages
Revenue	12,858,124	516,050	35,303	279,098	13,688,575
Gross profit	7,486,874	115,836	14,177	44,968	7,661,855

The Company's primary activities are carried out in the Lithuanian market, yet a small part of its production is exported to EU countries and abroad. In January-September 2010, sales to EU and foreign markets amounted to LTL 1,729,470 (in January-September 2009 – LTL 1,895,766). Sales in July-September 2010 amounted to LTL – 691,506 (Sales in July-September 2009 amounted to LTL 319,261). Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company.

Notes

In LTL	<u>Jan-Sep 2010</u>	<u>Jan-Sep 2009</u>
5 Income and expenses of other activities		
Lease of premises	82,151	81,925
Income form sales of materials and spare parts	61,299	56,839
Result of the sales of non-current assets	102,623	10,894
Other income	53,490	62,760
Total other income	<u>299,563</u>	<u>212,418</u>
Other expenses	27,013	41,338
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	<u>27,013</u>	<u>41,338</u>
Net income and expenses of other activities	<u>272,550</u>	<u>171,080</u>

In LTL	<u>Jul-Sep 2010</u>	<u>Jul-Sep 2009</u>
Income and expenses of other activities		
Lease of premises	27,578	29,692
Income form sales of materials and spare parts	23,757	15,052
Result of the sales of non-current assets	0	6,610
Other income	17,987	19,817
Total other income	<u>69,322</u>	<u>71,171</u>
Other expenses	9,215	12,302
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	(9,873)	0
Total other expenses	<u>19,088</u>	<u>12,302</u>
Net income and expenses of other activities	<u>50,234</u>	<u>58,869</u>

Notes

In LTL	<u>Jan-Sep 2010</u>	<u>Jan-Sep 2009</u>
6 Sales and distribution expenses		
Advertising expenses	2,777,638	4,300,796
Marketing expenses	3,587,397	3,786,568
Salaries and social security	787,932	975,584
Transportation expenses	350,745	422,299
Market research expenses	113,835	124,283
Packaging expenses	43,079	45,851
Other	356,853	245,630
Total sales and distribution expenses	<u>8,017,479</u>	<u>9,901,011</u>

In LTL	<u>Jul-Sep 2010</u>	<u>Jul-Sep 2009</u>
Sales and distribution expenses		
Advertising expenses	1,141,252	1,964,081
Marketing expenses	1,362,337	1,680,001
Salaries and social security	275,314	284,511
Transportation expenses	120,611	124,674
Market research expenses	60,564	43,026
Packaging expenses	14,235	19,426
Other	109,230	93,912
Total sales and distribution expenses	<u>3,083,543</u>	<u>4,209,631</u>

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

Notes

In LTL	<u>Jan-Sep 2010</u>	<u>Jan-Sep 2009</u>
7 Administrative expenses		
Salaries and social security	2,536,574	3,580,305
Operating and other taxes	852,983	1,009,395
Repairs and maintenance	523,698	284,266
Amortisation	734,513	749,271
Depreciation	875,276	875,253
Consulting and training expenses	374,456	604,524
Maintenance of cargo vehicles	250,442	214,890
Security expenses	285,070	294,269
Representation expenses	8,874	33,351
Sponsorship and other	10,400	15,000
Communications and IT maintenance expenses	106,271	126,429
Utilities	146,135	204,890
Impairment of construction in progress	0	(115,958)
Impairment of stocks	0	0
Other	776,115	783,620
Total administrative expenses	<u>7,480,807</u>	<u>8,659,505</u>
In LTL	<u>Jul-Sep 2010</u>	<u>Jul-Sep 2009</u>
Administrative expenses		
Salaries and social security	784,817	884,796
Operating and other taxes	257,700	352,454
Repairs and maintenance	156,457	118,902
Amortisation	241,890	249,586
Depreciation	332,318	263,503
Consulting and training expenses	140,016	333,633
Maintenance of cargo vehicles	73,416	75,938
Security expenses	78,000	110,555
Representation expenses	1,650	9,560
Sponsorship and other	5,400	5,000
Communications and IT maintenance expenses	36,332	32,041
Utilities	21,595	12,136
Impairment of construction in progress	0	0
Impairment of stocks	0	0
Other	295,696	313,212
Total administrative expenses	<u>2,425,287</u>	<u>2,761,316</u>

Notes

In LTL	Jan-Sep 2010	Jan-Sep 2009
8 Personnel expenses		
Wages and salaries	3,524,133	4,807,692
Social security contributions	1,093,774	1,490,512
Total personnel expenses	4,617,907	6,298,204
In LTL	Jul-Sep 2010	Jul-Sep 2009
Personnel expenses		
Wages and salaries	1,057,388	1,388,441
Social security contributions	328,601	431,127
Total personnel expenses	1,385,989	1,819,568

Personnel expenses for January-September 2010 and January-September 2009 include change in accrued vacation compensations. Redundancy pays and holiday compensations for January-September 2010, inclusive of social security taxes, amounted to LTL 253,008.

Personnel expenses for January-September 2010 include wages and salaries for the management (together with accrued holiday reserve change, social security taxes, redundancy pays and holiday compensation) in the amount of LTL 414,688 (LTL 585,168 in January-September 2009). Salaries payable to the management in July-September 2010 amounted to LTL 137,702 (LTL 141,501 in July-September 2009).

No loans were granted to the management as on 30 September 2010 and 2009.

As on 30 September 2010, 173 employees were working for the Company (as on 30 September 2009 – 194 employees).

Average number of managers in January-September 2010 and 2009 was 5.

Notes

In LTL	Jan-Sep 2010	Jan-Sep 2009
9 Financial income and expenses		
Interest income	178,366	111,725
Other income	0	604
Total financial income	<u>178,366</u>	<u>112,329</u>
Interest on loans and lease liabilities	432,753	881,258
Foreign exchange loss	3,985	0
Other	148,742	64,292
Total financial expenses	<u>585,480</u>	<u>945,550</u>
Financial income and expenses, net	<u>(407,114)</u>	<u>(833,221)</u>
In LTL	Jul-Sep 2010	Jul-Sep 2009
Financial income and expenses		
Interest income	62,859	41,448
Other income	0	298
Total financial income	<u>62,859</u>	<u>41,746</u>
Interest on loans and lease liabilities	135,430	188,731
Foreign exchange loss	8	0
Other	45,069	38,505
Total financial expenses	<u>180,507</u>	<u>227,236</u>
Financial income and expenses, net	<u>(117,648)</u>	<u>(185,490)</u>
In LTL	Jan-Sep 2010	Jan-Sep 2009
10 Corporate income tax expenses		
Current tax	0	0
Change in deferred income tax	20,233	118,994
Total corporate income tax expenses	<u>20,233</u>	<u>118,994</u>

Notes

11 Deferred tax	Jan-Sep 2010		Jan-Sep 2009	
In LTL	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (20%)
Impairment of other receivables	811,016	121,652	885,209	177,042
Impairment of trade receivables	236,075	35,411	378,728	75,745
Impairment of construction in progress	644,699	96,705	549,188	109,838
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	78,733	11,810	142,594	28,519
Tax losses	941,086	141,163	0	0
Total deferred tax asset	406,741	406,741	391,144	391,144
Difference in depreciation of property, plant and equipment	(2,908,306)	(436,246)	(3,080,034)	(616,007)
Difference in amortisation of intangible assets	(5,183,074)	(777,461)	(4,091,900)	(818,380)
Carrying value of non-current assets that are subject to investment relief	(432,434)	(64,865)	(551,254)	(110,251)
Total deferred tax liability	(1,278,572)	(1,278,572)	(1,544,638)	(1,544,638)
Net deferred tax	(871,831)	(871,831)	(1,153,494)	(1,153,494)

Starting from January 2010, current income tax rate has been reduced to 15%. (In 2009 it amounted to 20 %)

Change in the deferred tax may be divided as follows:

In LTL	Jan-Sep 2010	Jan-Sep 2009
Deferred tax liability as of January 1	(851,598)	(1,034,500)
Deferred tax change	(20,233)	(118,994)
Deferred tax liability as on September 30	(871,831)	(1,153,494)

Notes

12 Corporate income tax

In LTL	<u>Jan-Sep 2010</u>	<u>Jan-Sep 2009</u>
Overpaid corporate income tax (liability) as of 1 January	216,969	103,019
Corporate income tax for the period	0	0
Corporate income tax paid	<u>72,720</u>	<u>184,650</u>
Overpaid corporate income tax (liability) as of 30 September	<u>289,689</u>	<u>287,669</u>

Notes

13 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2009	17,854,268	17,381,057	1,576,707	2,380,695	2,395,792	3,510,030	45,098,549
Additions	387,715	515,588	33,500	44,160	166,466		1,147,429
Disposals	0	(2,206)	(209,422)	(6,605)	0	0	(218,233)
Reclassificationnns	4,155,622	6,447	0	0	(652,039)	(3,510,030)	0
Cost as of 30 September 2009	22,397,605	17,900,886	1,400,785	2,418,250	1,910,219	0	46,027,745
Accumulated depreciation as of 1 January 2009	7,132,540	11,408,026	900,823	1,859,042	593,513	0	21,893,944
Depreciation for H1	539,941	1,302,054	149,654	170,801	79,393	0	2,241,843
Impairment loss	0	0	0	0	(115,958)	0	(115,958)
Disposals	7,760	(2,203)	(184,289)	(4,239)	(7,760)	0	(190,731)
Accumulated depreciation as of 30 September 2009	7,680,241	12,707,877	866,188	2,025,604	549,188	0	23,829,098
Net book value as of 30 September 2009	14,717,364	5,193,009	534,597	392,646	1,361,031	0	22,198,647
Cost as of 1 January 2010	22,397,605	17,793,254	1,221,049	2,292,679	1,997,899		45,702,486
Additions	100,488	2,018,299	214,152	20,303	1,578,890	2,600,901	6,533,033
Disposals	0	(933,242)	(132,441)	(2,887)	0	0	(1,068,570)
Reclassificationnns	0	0	0	0	0	0	0
Cost as of 30 September 2010	22,498,093	18,878,311	1,302,760	2,310,095	3,576,789	2,600,901	51,166,949
Accumulated depreciation as of 1 January 2010	7,863,819	13,021,950	736,632	1,943,368	573,076	0	24,138,835
Depreciation for 9 months	553,435	1,287,938	146,319	121,183	71,633	0	2,180,508
Impairment loss	0	0	0	0	0	0	0
Disposals	0	(932,531)	(100,136)	(2,886)	0	0	(1,035,553)
Accumulated depreciation as of 30 September 2010	8,417,254	13,377,357	782,815	2,061,665	644,699	0	25,283,790
Net book value as of 30 September 2010	14,080,839	5,500,954	519,945	248,430	2,932,090	2,600,901	25,883,159

Notes

13 Property, plant and equipment (cont'd)

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

The depreciation was distributed as follows:

In LTL	30.09.2010	30.09.2009
Cost of sales	1,072,640	1,079,113
Inventories	205,896	246,290
Administrative and other expenses	901,972	916,440
Total	2,180,508	2,241,843

Notes

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2009	181,206	529,371	18,913,672	19,624,249
Additions during 9 months	0	6,000	0	6,000
Disposals	0	0	0	0
Cost as of 30 September 2009	181,206	535,371	18,913,672	19,630,249
Accumulated amortisation as of 1 January 2009	181,206	444,239	4,097,962	4,723,407
Amortisation for 9 months	0	40,008	709,263	749,271
Disposals	0	0	0	0
Accumulated amortisation as of 30 Sep 2009	181,206	484,247	4,807,225	5,472,678
Net book value as of 30 September 2009	0	51,124	14,106,447	14,157,571
Cost as of 1 January 2010	173,096	549,135	18,913,672	19,635,903
Additions during 9 months	0	8,715	0	8,715
Disposals	0	0	0	0
Cost as of 30 September 2010	173,096	557,850	18,913,672	19,644,618
Accumulated amortisation as of 1 January 2010	173,096	496,675	5,043,646	5,713,417
Amortisation for 9 months	0	25,251	709,262	734,513
Disposals	0	0	0	0
Accumulated amortisation as of 30 Sep2010	173,096	521,926	5,752,908	6,447,930
Net book value as of 30 September 2010	0	35,924	13,160,764	13,196,688

All amortisation expenses are included under operating expenses.

In LTL	30.09.2010	31.12.2009
15 Financial assets		
Long-term loans granted	317,658	0
Long-term guarantees granted	0	0
Total financial assets	317,658	0

Long-term loans granted: EUR 92,000 (LTL 317,658) loan to an associated company at (8.5%) fixed annual interest rate; term of repayment of the loan – December 2012).

Notes

In LTL	30.09.2010	31.12.2009
16 Inventories		
Raw materials	4,566,970	4,897,033
Finished goods	2,018,729	1,821,418
Goods for resale	1,113,279	919,393
Work in progress	45,359	51,500
Total inventories	7,744,337	7,689,344
In LTL	30.09.2010	31.12.2009
17 Prepayments and deferred expenses		
Prepayments to suppliers	55,220	1,076,617
Deferred advertising expenses	223,659	120,183
Deferred insurance and subscription	2,185	70,829
Other	26,587	12,523
Total prepayments and deferred expenses	307,651	1,280,152
In LTL	30.09.2010	31.12.2009
18 Trade receivables		
Trade receivables	13,867,758	29,100,442
Impairment allowance for bad debts	(236,076)	(236,076)
Net trade receivables	13,631,682	28,864,366

Notes

18 Trade receivables (cont'd)

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

In LTL	30.09.2010	31.12.2009
Impairment allowance for bad debts as of 1 January	(236,076)	(378,728)
Reverse of impairment allowance for bad debts	0	142,652
Impairment allowance for bad debts at the end of the period	(236,076)	(236,076)

19 Other receivables

In LTL	30.09.2010	31.12.2009
Loans granted	2,653,062	2,653,062
Prepayments to the Tax Inspectorate	434,191	297,480
Overpaid income tax	289,689	216,969
Other receivables	448,446	249,456
Amounts deposited for the guarantee	483,000	243,000
Doubtful receivables	811,016	832,923
Total other receivables before write-down allowance	5,119,404	4,492,890
Impairment	(811,016)	(832,923)
Total other receivables, net	4,308,388	3,659,967

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 571,380 (LTL 1,972,861) to a related company (8.5% fixed annual interest rate, maturity of the loans granted – December 2010).

Change in impairment allowance of receivables was as follows:

In LTL	30.09.2010	31.12.2009
Impairment allowance for bad debts and other receivables as of 1 January	(832,923)	(885,209)
Reverse of impairment allowance for bad debts	21,907	52,286
Impairment allowance for bad debts and other receivables at the end of the period	(811,016)	(832,923)

Notes

In LTL	30.09.2010	31.12.2009
20 Cash and cash equivalents		
Cash at bank and in hand	599,886	82,098
Total cash and cash equivalents	599,886	82,098

21 Capital and reserves

Share capital

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

Legal reserve

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

Notes

22 Earnings per share

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

	<u>Jan-Sep 2010</u>	<u>Jan-Sep 2009</u>
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	<u>42,583</u>	<u>167,031</u>
Earnings per share, in LTL	<u>0.00</u>	<u>0.01</u>

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

In LTL	<u>30.09.2010</u>	<u>31.12.2009</u>
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23 Interest bearing loans and borrowings

Non-current liabilities

Bank loans	5,433,644	6,833,698
Financial lease (leasing) liabilities	<u>665,297</u>	<u>267,175</u>

Total non-current liabilities	<u>6,098,941</u>	<u>7,100,873</u>
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Current liabilities

Overdraft	4,782,047	0
Bank and other loans	<u>2,534,249</u>	<u>13,160,058</u>

Total current liabilities	<u>7,316,296</u>	<u>13,160,058</u>
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Total	<u>13,415,237</u>	<u>20,260,931</u>
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Notes

23 Interest bearing loans and borrowings (cont'd)

Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-2 years	2-5 years	Over 5 years
LTL 5,000,000 overdraft – 3.66% fixed interest rate.	415,085	415,085			
Loan of EUR 3,015,412 (LTL 10,411,615) – 3-month fluctuating LIBOR + 2.9%	7,300,383	1,866,739	5,433,644	0	0
EUR 1,737,720 (LTL 6,000,000) overdraft – 3.59% fixed interest rate	4,366,962	4,366,962			
Financial lease (leasing) – 6-month variable LIBOR EUR+ 1% and 3-month variable+EURIBOR+3%	1,332,808	667,510	665,297		
Total financial liabilities	13,415,237	7,316,296	6,098,941	0	0

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

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

In order to secure the bank loans, the Company has pledged tangible and intangible non-current assets, inventories, cash and cash inflows to the bank accounts and trade receivables. For further comments refer to Note 28.

In LTL	30.09.2010	31.12.2009
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24 Governmental grants

Balance value at the beginning of the period	0	0
Grants received	3,767,123	0
Used within the period	0	0
Balance value at the end of the period	3,767,123	0

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

Notes

In LTL	30.09.2010	31.12.2009
25 Other payables		
Payable excise tax	3,021,393	6,887,932
Payable VAT	1,786,466	3,646,916
Vacation reserve and social security	331,660	488,751
Taxes payable	79,810	60,324
Accrued expenses	25,020	1,002,883
Other payables	246,217	375,192
Total other payables	5,490,566	12,461,998

Notes

26 Financial risk management

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

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

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

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

Credit risk

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

The Company controls credit risk or risk by using credit conditions and procedures of market analysis. The Company has no significant credit risk concentration because it is distributed among different buyers. Moreover, the Company has insured trade receivables in 2009.

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

Liquidity risk

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

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

Notes

26 Financial risk management (cont'd)

Liquidity risk (cont'd)

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

Market risk

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

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR. As of 30 September 2010, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Foreign exchange risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. The Company does not have any material exposure in other foreign currencies as of 30 September 2010 and 31 December 2009.

Capital management

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

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

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

Notes

27 Related party transactions

Related parties of the Company are:

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

Parent and ultimate parent companies are as follows:

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

Other main related parties are:

Company	Relationship
UAB Belvedere prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Landut	Belvedere group company
Gemaco	Belvedere group company
PHP Wieslaw Wawrzyniak	Belvedere group company
Moncigale S.A.S.	Belvedere group company
Gognac Gautier	Belvedere group company
Marie Brizard&Roger Inten.	Belvedere group company
Marie Brizard Espagne	Belvedere group company
I000 Galiart .	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp. Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder
Arūnas Tuma	Shareholder

Notes

27 Related party transactions (cont'd)

Sales to and purchases from related parties during the reporting periods ended 30 September 2010 and 30 September 2009 are as follows:

Company	Type of transaction	Jan-Sep 2010	Jan-Sep 2009
Purchases from:			
Belvedere group companies	Purchase of services	483,281	1,897,272
Belvedere group companies	Purchase of raw materials	682,102	547,508
Shareholder	Purchase of services	232,200	232,200
Belvedere group companies	Purchase of non-current assets	0	35,506
Ultimate parent company	Purchase of inventories	24,070	33,622
Total purchases		1,421,653	2,746,108
Sales to:			
Belvedere group companies	Sales of production including excise tax	30,513,403	36,703,306
Parent company	Sales of production including excise tax	31,828	259,988
Parent company	Other income	0	0
Ultimate parent company	Sales of production including excise tax	0	0
Belvedere group companies	Sales of services, etc.	245,343	191,052
Total sales		30,790,574	37,154,346
Excise tax		23,081,525	25,971,176
Total sales net of excise tax		7,709,049	11,183,170

Notes

27 Related party transactions (cont'd)

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

Company	30.09.2010	31.12.2009
Trade receivables		
From Belvedere group companies	1,929,790	4,717,184
From ultimate parent company	3,390,605	3,759,312
From parent company	0	91,610
Total trade receivables	5,320,395	8,568,106
Trade payables		
To Belvedere group companies	284,638	193,395
Total trade payables	284,638	193,395

Remuneration to the Company's management is enclosed in Note 8 to the Financial Statements. Information on the loans granted to the associated company is provided in Note 15 and Note 19.

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

Notes

28 Off-balance and other liabilities

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

In LTL	30.09.2010	31.12.2009
Carrying amount of pledged buildings and structures	10,960,724	11,720,502
Carrying amount of pledged trademarks	13,160,764	13,870,026
Carrying amount of pledged inventories	7,744,337	7,689,344

The Company has transferred to the Bank the existing and further monetary funds deposited on the accounts with AB DnB Nord bank and amounts receivable from its buyers, which were equal to LTL 13,631,682 as on 30 September 2010 (LTL 28,864,366 as on 31 December 2009), under the Claiming Right Transfer Agreement in order to secure fulfilment of its liabilities under the Crediting Contract.

29 Fair value of financial instruments

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

Carrying amount of assets and liabilities provided in the balance sheet as of 30 September 2010 does not significantly differ from their balance sheet value, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 30 September 2010:

In LTL	Carrying amount	Fair value
Granted long-term loans	317,658	317,658
Advance payments and deferred expenditure	307,651	307,651
Trade debtors	13,631,682	13,631,682
Other amounts receivable	4,308,388	4,308,388
Cash and cash equivalents	599,886	599,886
Total	19,165,265	19,165,265

Notes

29 Fair value of financial instruments (cont'd)

Financial liabilities as of 30 September 2010:

In LTL	Carrying amount	Fair value
Loan and other amounts subjected to calculation of interest rate	13,415,237	13,415,237
Amounts payable to suppliers	3,105,841	3,105,841
Other amounts payable	5,490,566	5,490,566
Total	<u>22,011,644</u>	<u>22,011,644</u>