AB INVALDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Translation note:

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

CONTENTS

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

Independent Auditor's Report

To the shareholders of Invalda AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of Invalda AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 5–94 which comprise the stand alone and consolidated statement of financial position as of 31 December 2010 and the stand alone and consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
8 April 2011

GENERAL INFORMATION

Board of Directors

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

Management

Mr. Darius Šulnis (President)
Mr. Raimondas Rajeckas (Chief Financial Officer)

Principal place of business and company code

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

Bankers

Nordea Bank Finland Plc Lithuania Branch
AB DnB NORD Bankas
AB Bankas SNORAS
AB Šiaulių Bankas
Danske Bank A/S Lithuania Branch
AB bankas Finasta
UAB Medicinos Bankas
AS UniCredit Bank Lithuania Branch
AB SEB Bankas

Auditor

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

The financial statements were approved and signed by the Management and the Board of Directors on 8 April 2011.

Management:

Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief Financial Officer

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

Consolidated and Parent Company's income statements

		Group		Company	
	Notes	**2010**	**2009**	**2010**	**2009**
Continuing operations					
Revenue	4	268,027	217,322	-	-
Other income	5.3	4,486	4,012	8,397	21,476
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	3	15,350	3,813	(18,013)	(7,538)
Net gains (losses) from fair value adjustments on investment property	11	1,236	(72,358)	-	-
Net changes in fair value of financial assets	5.1.	(4,486)	(1,357)	3,337	(4,121)
Changes in inventories of finished goods and work in progress		1,557	3,154	-	-
Raw materials and consumables used	4	(143,445)	(111,056)	(25)	(22)
Changes in residential real estate		(6,280)	(7,988)	-	-
Employee benefits expenses	4	(35,741)	(33,832)	(1,911)	(1,772)
Impairment, write-down, allowances and provisions	5.2	(4,415)	(39,199)	10,882	(108,723)
Premises rent and utilities		(17,171)	(15,728)	(178)	(174)
Depreciation and amortisation	10, 12	(10,415)	(10,120)	(103)	(130)
Repairs and maintenance of premises		(10,022)	(8,734)	(1)	(9)
Other operating expenses		(14,304)	(14,722)	(886)	(1,535)
Operating profit (loss)		**44,377**	**(86,793)**	**1,499**	**(102,548)**
Finance costs	5.4.	(18,034)	(31,199)	(13,160)	(22,502)
Share of profit (loss) of associates and joint ventures	3	14,813	(2,853)	-	-
Profit (loss) before income tax		**41,156**	**(120,845)**	**(11,661)**	**(125,050)**
Income tax credit (expense)	6	(123)	15,837	1,190	3,252
Profit (loss) for the year from continuing operations		**41,033**	**(105,008)**	**(10,471)**	**(121,798)**
Discontinued operations					
Profit after tax for the year from discontinued operations	7	11,431	19,355	-	-
PROFIT (LOSS) FOR THE YEAR		**52,464**	**(85,653)**	**(10,471)**	**(121,798)**
Attributable to:					
Equity holders of the parent					
Profit (loss) for the period from continuing operations		31,019	(107,951)	(10,471)	(121,798)
Profit (loss) for the period from discontinued operations		11,431	19,355		-
Profit (loss) for the period attributable to equity holders of the parent		42,450	(88,596)	(10,471)	(121,798)
Non - controlling interest					
Profit (loss) for the period from continuing operations		10,014	2,943	-	-
Profit (loss) for the period from discontinued operations		-	-	-	-
Profit (loss) for the period attributable to non – controlling interests		10,014	2,943	-	-
		52,464	**(85,653)**	**(10,471)**	**(121,798)**
Basic earnings (deficit) per share (in LTL)	8	0.84	(2.08)	(0.21)	(2.86)
Basic earnings (deficit) per share (in LTL) from continuing operations		0.61	(2.54)	(0.21)	(2.86)
Diluted earnings (deficit) per share (in LTL)	8	0.79	(2.08)	(0.21)	(2.86)
Diluted earnings (deficit) per share (in LTL) from continuing operations		0.59	(2.54)	(0.21)	(2.86)

Consolidated and Parent Company's statements of comprehensive income

		Group		Company	
		2010	2009	2010	2009
Profit (loss) for the year		**52,464**	**(85,653)**	**(10,471)**	**(121,798)**
Continuing operations					
Net gain (loss) on cash flow hedges	26	191	(47)	-	-
Income tax		(29)	8	-	-
		162	(39)	-	-
Net gain on available-for –sale financial assets		11	286	-	-
Reclassification adjustment for gain included in profit or loss		(221)	(76)	-	-
Income tax		42	(42)	-	-
		(168)	168	-	
Exchange differences on translation of foreign operations		-	293	-	-
Share of other comprehensive income of associates		1,878	473	-	-
Other comprehensive income for the period from continuing operations		**1,872**	**895**	**-**	**-**
Discontinued operations				-	
Net gain on available-for-sale financial assets		-	209	-	-
Reclassification adjustment for loss included in profit or loss		-	1,219	-	-
Income tax		-	(114)	-	-
		-	**1,314**	**-**	**-**
Share of other comprehensive income (losses) of associates		2,141	(3,205)	**-**	**-**
Other comprehensive income (losses) for the period from discontinued operations		**2,141**	**(1,891)**	**-**	**-**
Other comprehensive income (loss) for the period, net of tax		**4,013**	**(996)**	**-**	**-**
Total comprehensive income (loss) for the period, net of tax		**56,477**	**(86,649)**	**(10,471)**	**(121,798)**
Attributable to:					
Equity holders of the parent					
Income (loss) for the period from continuing operations		32,891	(107,056)	(10,471)	(121,798)
Income (loss) for the period from discontinued operations		13,572	17,464	-	-
Income (loss) for the period attributable to equity holders of the parent		46,463	(89,592)	(10,471)	(121,798)
Non - controlling interest					
Income (loss) for the period from continuing operations		10,014	2,943	-	-
Income (loss) for the period from discontinued operations		-	-	-	-
Income (loss) for the period attributable to non – controlling interests		10,014	2,943	-	-
		56,477	**(86,649)**	**(10,471)**	**(121,798)**

Consolidated and Parent Company's statements of financial position

		Group		Company	
	Notes	**As at 31 December 2010**	**As at 31 December 2009**	**As at 31 December 2010**	**As at 31 December 2009**
ASSETS					
Non-current assets					
Property, plant and equipment	10	38,876	43,709	238	212
Investment properties	11	240,573	263,775	-	-
Intangible assets	12	10,490	8,863	12	1
Investments into subsidiaries	1	-	-	87,398	81,311
Investments into associates and joint ventures	1	125,512	169,436	110,916	136,450
Investments available-for-sale	14	1,818	1,818	1,817	1,817
Loans granted	15	-	-	1,192	1,092
Other non-current assets	29	2,848	2,848	-	-
Deferred income tax asset	6	6,643	4,963	4,335	4,144
Total non-current assets		**426,760**	**495,412**	**205,908**	**225,027**
Current assets					
Inventories	16	27,618	41,837	-	-
Trade and other receivables	17	29,540	21,131	1,002	1
Current loans granted	15	22,303	28,959	73,360	78,396
Prepaid income tax		53	51	-	-
Prepayments and deferred charges		1,603	2,014	26	29
Investments available-for-sale	14	-	995	-	-
Financial assets held-for-trade	14	8,446	10,743	1,512	3,269
Restricted cash	19	4,173	5,475	-	-
Cash and cash equivalents	18	4,692	3,486	202	94
Total current assets		**98,428**	**114,691**	**76,102**	**81,789**
Assets of disposal group classified as held-for-sale		**72,075**	**-**	**25,004**	**-**
TOTAL ASSETS		**597,263**	**610,103**	**307,014**	**306,816**

(cont'd on the next page)

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

		Group		Company	
	Notes	**As at 31 December 2010**	**As at 31 December 2009**	**As at 31 December 2010**	**As at 31 December 2009**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1, 20	51,660	42,569	51,660	42,569
Share premium		44,676	50,588	44,676	50,588
Reserves	21	20,102	76,490	-	73,383
Retained earnings (accumulated deficit)		58,694	(90,978)	(10,471)	(120,204)
		175,132	**78,669**	**85,865**	**46,336**
Non - controlling interest		**24,919**	**13,041**	**-**	**-**
Total equity		**200,051**	**91,710**	**85,865**	**46,336**
Liabilities					
Non-current liabilities					
Non-current borrowings	22	127,260	28,722	94,350	4,061
Finance lease liabilities	23	447	103	-	-
Government grants		-	5	-	-
Provisions	25	480	480	-	-
Deferred income tax liability	6	14,734	14,900	-	-
Derivative financial instruments	26	-	122	-	-
Convertible bonds	27	32,440	-	32,440	-
Other non-current liabilities		1,101	-	-	-
Total non-current liabilities		**176,462**	**44,332**	**126,790**	**4,061**
Current liabilities					
Current portion of non-current borrowings	22	119,062	268,199	-	101,046
Current portion of financial lease liabilities	23	231	162	-	-
Current borrowings	22	57,849	73,039	90,855	67,789
Trade payables	24	31,172	28,679	739	642
Income tax payable		609	5,099	-	-
Provisions	25	345	1,616	250	1,466
Advances received	16	1,520	2,017	-	-
Derivative financial instruments	26	163	233	-	-
Convertible bonds	27	-	83,056	-	83,056
Other current liabilities	27	9,799	11,961	2,515	2,420
Total current liabilities		**220,750**	**474,061**	**94,359**	**256,419**
Total liabilities		**397,212**	**518,393**	**221,149**	**260,480**
TOTAL EQUITY AND LIABILITIES		**597,263**	**610,103**	**307,014**	**306,816**

(the end)

Consolidated and Parent Company's statements of changes in equity

		Equity attributable to equity holders of the parent									
				Reserves							
Group	**Notes**	**Share capital**	**Share premium**	**Fair value reserve**	**Legal and other reserves**	**Foreign currency translation reserve**	**Retained earnings (accumulated deficit)**	**Discontinued operation**	**Subtotal**	**Non - controlling interest**	**Total equity**
Balance as at 31 December 2008		**42,569**	**50,588**	**(1,576)**	**75,947**	**(293)**	**750**	**-**	**167,985**	**9,705**	**177,690**
Net gain (loss) on available-for-sale investments		-	-	168	-	-	-	1,314	1,482	-	1,482
Net gain (loss) on cash flow hedge		-	-	(39)	-	-	-	-	(39)	-	(39)
Foreign currency translation differences		-	-	-	-	293	-	-	293	-	293
Share of other comprehensive loss of associates	1	-	-	-	-	-	(2,732)	-	(2,732)	-	(2,732)
Net profit (loss) for the year 2009	8	-	-	-	-	-	(88,596)	-	(88,596)	2,943	(85,653)
Total comprehensive income (loss) for the year		**-**	**-**	**129**	**-**	**293**	**(91,328)**	**1,314**	**(89,592)**	**2,943**	**(86,649)**
Dividends declared		-	-	-	-	-	-	-	-	-	-
Increase of share capital of subsidiary by contribution from non-controlling interests		-	-	-	-	-	-	-	-	338	338
Share based payments		-	-	-	289	-	-	-	289	72	361
Changes in reserves	21	-	-	-	824	-	(671)	(153)	-	-	-
Non - controlling interest of subsidiaries acquired		-	-	-	-	-	(13)	-	(13)	(7)	(20)
Disposal of subsidiaries		-	-	-	-	-	284	(284)	-	(10)	(10)
Discontinued operations	7	-	-	1,314	(437)	-	-	(877)	-	-	-
Balance as at 31 December 2009		**42,569**	**50,588**	**(133)**	**76,623**	**-**	**(90,978)**	**-**	**78,669**	**13,041**	**91,710**

(cont'd on the next page)

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

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

(cont'd on the next page)

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

				Reserves			
Company	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Other reserves**	**Retained earnings (accumulated deficit)**	**Total**
Balance as at 31 December 2008		**42,569**	**50,588**	**4,257**	**69,126**	**1,594**	**168,134**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	(121,798)	**(121,798)**
Balance as at 31 December 2009		**42,569**	**50,588**	**4,257**	**69,126**	**(120,204)**	**46,336**
Increase of share capital	20	9,091	40,909	-	-	-	**50,000**
Changes in reserves	21	-	(46,821)	(4,257)	(69,126)	120,204	**-**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	(10,471)	**(10,471)**
Balance as at 31 December 2010		**51,660**	**44,676**	**-**	**-**	**(10,471)**	**85,865**

(the end)

Consolidated and Parent Company's statements of cash flows

		Group		Company	
		2010	**2009**	**2010**	**2009**
Cash flows from (to) operating activities					
Profit (loss) after tax from continuing operations		41,033	(105,008)	(10,471)	(121,798)
Profit after tax from discontinued operations		11,431	19,355	-	-
Net profit (loss) for the year		52,464	(85,653)	(10,471)	(121,798)
Adjustment to reconcile result before tax to net cash flows:					
Non-cash:					
Valuation (gain) loss, net	11	(1,236)	72,358	-	-
Depreciation and amortisation	10, 12	10,415	10,636	102	130
Loss (gain) on disposal of property, plant and equipment		128	245	(43)	(2)
Realized and unrealized loss (gain) on investments	5.1	4,486	(761)	(3,337)	9,825
Loss (gain) on disposal of subsidiaries and associates	3	(15,350)	(20,347)	18,013	-
Share of net loss (profit) of associates and joint ventures	3, 7	(26,244)	(10,432)	-	-
Interest income	5.3	(1,822)	(3,908)	(8,030)	(12,469)
Interest expenses	5.4	17,407	31,852	13,144	22,429
Deferred taxes	6	(1,796)	(21,167)	(1,190)	(3,252)
Current income tax expenses	6	1,919	4,056	-	-
Allowances	5.2	5,686	38,908	(9,666)	107,257
Change in provisions	25	(1,271)	1,969	(1,216)	1,466
Share based payment	21	352	361	-	-
Dividend income	5.3	-	-	(300)	(9,000)
Loss (gain) from other financial activities		(996)	293	-	86
		44,142	18,410	(2,994)	(5,328)
Working capital adjustments:					
Decrease (increase) in inventories		(252)	7,739	-	-
Decrease (increase) in trade and other receivables		(4,818)	866	(2)	(1)
Decrease (increase) in other current assets		440	(463)	3	38
Increase (decrease) in trade payables		2,485	2,086	5	(485)
Increase (decrease) in other current liabilities		(481)	(1,887)	226	74
Cash flows from (to) operating activities		**41,516**	**26,751**	**(2,762)**	**(5,702)**
Income tax (paid) returned		(6,759)	740	**-**	500
Net cash flows from (to) operating activities		**34,757**	**27,491**	**(2,762)**	**(5,202)**

(cont'd on the next page)

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

		Group		Company	
		2010	**2009**	**2010**	**2009**
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(3,610)	(3,757)	(157)	(32)
Proceeds from sale of non-current assets (except for investment properties)		127	486	66	7
Acquisition of investment properties		(746)	(98)	-	-
Proceeds from sale of investment properties		484	3,262	-	-
Acquisition and establishment of subsidiaries, net of cash acquired	3	(2,092)	-	(60)	-
Proceeds from sales of subsidiaries, net of cash disposed	3	46	12,643	57	48,779
Acquisition of associates and joint ventures	3	-	(123)	-	(129)
Proceeds from sales of associates and joint ventures	3	-	83,119	-	84,423
Loans granted		(10,995)	(15,515)	(25,478)	(49,391)
Repayment of granted loans		13,114	29,978	27,048	45,222
Dividends received		-	-	300	-
Interest received		333	2,572	48	3,093
Additional investments into existing subsidiaries		-	-	-	(6,819)
Proceeds from sale (acquisition) of held-for-trade and available-for-sale investments		4,986	(14,984)	4,689	(645)
Net cash flows from (to) investing activities		**1,647**	**97,583**	**6,513**	**124,508**
Cash flows from (to) financing activities					
Cash flows related to company shareholders:					
Dividends paid to equity holders of the parent		(59)	(69)	(59)	(69)
(Acquisition) and changes of non - controlling interest		-	318	-	-
Dividends paid to non - controlling interest		-	-	-	-
		(59)	249	(59)	(69)
Cash flows related to other sources of financing:					
Proceeds from loans		13,950	37,761	29,179	34,799
Repayment of loans		(30,831)	(165,296)	(20,933)	(137,850)
Interest paid		(18,020)	(22,393)	(11,830)	(16,031)
Finance lease payments		(294)	(257)	-	-
Transfer to/from restricted cash		56	10,131	-	-
Other cash outflows from financing activities		-	-	-	(73)
		(35,139)	(140,054)	(3,584)	(119,155)
Net cash flows to financial activities		**(35,198)**	**(139,805)**	**(3,643)**	**(119,224)**
Impact of currency exchange on cash and cash equivalents		**-**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents		**1,206**	**(14,731)**	**108**	**82**
Cash and cash equivalents at the beginning of the year		**3,486**	**18,217**	**94**	**12**
Cash and cash equivalents at the end of the year		**4,692**	**3,486**	**202**	**94**

(the end)

Notes to the financial statements

1 General information

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

Šeimyniškių str. 1A,
Vilnius,
Lithuania.

AB Invalda is incorporated and domiciled in Lithuania. AB Invalda is one of the major Lithuanian investment companies whose primary objective is to steadily increase the investor equity value. For the purpose of achieving this objective Invalda actively manages its investments, exercising control or significant influence over target businesses. AB Invalda concentrates on the priority segments, such as pharmaceutical, road and bridge construction, furniture manufacturing, real estate and facilities management, and IT infrastructure. The activities and assets of key associates of the Company representing pharmaceutical and road and bridge construction segments are concentrated in Poland.

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

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

As at 31 December 2010 and 2009 the shareholders of the Company were (by votes)*:

	2010		2009	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
Mrs. Irena Ona Mišeikiene	13,185,706	25.52%	-	-
Mr. Vytautas Bučas	9,585,803	18.56%	9,585,803	22.52 %
UAB Lucrum Investicija	5,363,865	10.38%	5,363,865	12.60 %
Mr. Darius Šulnis	4,071,762	7.88%	4,071,762	9.57 %
Mr. Algirdas Bučas	3,424,119	6.63%	3,424,119	8.04 %
Mr. Alvydas Banys	2,029,624	3.93%	2,029,624	4.77 %
Mrs. Daiva Banienė	1,836,234	3.55%	1,836,234	4.31 %
Mr. Dailius Juozapas Mišeikis	-	-	4,094,797	9.62 %
Other minor shareholders	12,162,645	23.55%	12,162,645	28.57 %
Total	51,659,758	100.00%	42,568,849	100.00 %

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

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2010 and 2009. On 3 February 2010 the share capital of the Company was increased to LTL 51,659,758 by issuing 9,090,909 ordinary shares with par value of LTL 1 each (see Note 20). Ms. Irena Ona Mišeikiene has inherited the Company's shares from Mr. Dailius Juozapas Mišeikis after his death. Subsidiaries, joint ventures and associated companies did not hold any shares of the Company as at 31 December 2010 and 2009. The Company did not hold its own shares.

As at 31 December 2010 the number of employees of the Group was 806 (as at 31 December 2009 – 701). As at 31 December 2010 the number of employees of the Company was 12 (as at 31 December 2009 – 14).

The financial statements were approved and signed by the Management and the Board of Directors on 8 April 2011.

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

1 General information (cont'd)

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

Company	Registration country	As at 31 December 2010 Share of the stock held by the Group (%)	As at 31 December 2010 Size of investment (acquisition cost)	As at 31 December 2009 Share of the stock held by the Group (%)	As at 31 December 2009 Size of investment (acquisition cost)	Main activities
Real estate segment:						
AB Invaldos Nekilnojamojo Turto Fondas	Lithuania	100.00	116,908	100.00	116,908	Real estate investor
UAB Ineturas	Lithuania	100.00	7,800	100.00	7,800	Real estate investor
UAB Trakų Kelias	Lithuania	100.00	512	100.00	512	Real estate investor
UAB Naujoji Švara	Lithuania	100.00	13,828	100.00	10,428	Real estate investor
UAB Ekotra	Lithuania	100.00	1,050	100.00	500	Real estate investor
UAB IBC Logistika	Lithuania	100.00	10,400	100.00	1,400	Real estate investor
UAB Saistas	Lithuania	100.00	2,897	100.00	1,884	Real estate investor
UAB Šimtamargis	Lithuania	100.00	300	100.00	300	Real estate investor
UAB Dizaino Institutas	Lithuania	100.00	2,677	100.00	2,677	Real estate investor
UAB Žemvesta	Lithuania	100.00	600	100.00	300	Real estate investor
UAB Agrobitė* **	Lithuania	100.00	230	-	-	Real estate investor
UAB SAGO	Lithuania	100.00	6,972	100.00	6,972	Real estate investor
UAB Nerijos Būstas	Lithuania	-	-	100.00	14,800	Real estate investor
UAB Riešės Investicija	Lithuania	100.00	6,500	100.00	6,500	Real estate investor
UAB Inreal	Lithuania	100.00	3,801	100.00	3,801	Intermediation in operation with real estate, property valuation
UAB Invalda Nekilnojamojo Turto Valdymas	Lithuania	100.00	10,049	100.00	7,899	Real estate management and administration
UAB CManagement (former UAB Invalda Construction Management)	Lithuania	100.00	367	100.00	367	Maintenance services
UAB Invalda Service	Lithuania	100.00	500	100.00	500	Facilities management
UAB Priemiestis**	Lithuania	100.00	2,251	-	-	Facilities management
UAB Aikstentis	Lithuania	76.00	108	76.00	108	Real estate investor
UAB Saulės Investicija	Lithuania	-	-	75.00	1,165	Real estate investor
UAB BNN	Lithuania	-	-	100.00	41	Real estate investor
UAB INTF investicija**	Lithuania	100.00	4,282	100.00	4,282	Real estate investor
UAB Broner	Lithuania	-	-	75.75	17,402	Real estate investor
UAB Wembley Neringa**	Lithuania	84.52	400	64.23	400	Dormant
UAB Elniakampio namai (former UAB Trakų Rekreacijos Centras)	Lithuania	100.00	25	76.00	10	Real estate investor
Furniture production segment:						
AB Vilniaus Baldai	Lithuania	72.01	13,727	72.01	13,727	Furniture manufacturing
UAB Ari-Lux**	Lithuania	72.01	17	72.01	17	Furniture manufacturing

(cont'd in the next page)

1 General information (cont'd)

		31 December 2010		31 December 2009		
Company	**Registration country**	**Share of the stock held by the Group (%)**	**Size of investment (acquisition cost)**	**Share of the stock held by the Group (%)**	**Size of investment (acquisition cost)**	**Main activities**
Information technology segment:						
UAB BAIP grupė (former UAB Positor)	Lithuania	80.00	4,003	80.00	4,003	Information technology solutions
UAB Informatikos Pasaulis**	Lithuania	80.00	699	80.00	699	Information technology solutions
UAB Vitma**	Lithuania	80.00	7,809	80.00	7,017	Information technology solutions
UAB BAIP (former UAB Baltic Amadeus Infrastruktūros Paslaugos)**	Lithuania	80.00	3,942	80.00	3,942	Information technology solutions
UAB Acena**	Lithuania	80.00	137	80.00	137	Information technology solutions
Other production and services segment:						
UAB Kelio Ženklai	Lithuania	100.00	6,554	100.00	6,554	Road signs production, wood manufacturing
VšĮ Iniciatyvos Fondas	Lithuania	100.00	10	100.00	10	Social initiatives activities
UAB Finansų Rizikos Valdymas	Lithuania	100.00	3,357	100.00	737	Investment activities
UAB Fortina***	Lithuania	100.00	3,275	100.00	25	Investment activities
UAB Ente	Lithuania	100.00	16	100.00	16	Investment activities
UAB Aktyvo	Lithuania	100.00	940	100.00	15	Management of bad debt
UAB Investicijų Tinklas	Lithuania	100.00	1,850	100.00	15	Investment activities
UAB Aktyvus Valdymas	Lithuania	100.00	100	100.00	15	Investment activities
UAB Volo	Lithuania	100.00	650	100.00	17	Investment activities
UAB MGK invest	Lithuania	100.00	10	-	-	Dormant
UAB MBGK**	Lithuania	100.00	4,720	-	-	Dormant
UAB Rizikos kapitalas*	Lithuania	100.00	10	-	-	Dormant
UAB RPNG*	Lithuania	100.00	10	-	-	Dormant
UAB Regenus*	Lithuania	100.00	10	-	-	Dormant
UAB Consult invalda*	Lithuania	100.00	10	-	-	Dormant
UAB Rovelija*	Lithuania	100.00	10	-	-	Dormant
AB Invetex**	Lithuania	77.46	5,253	-	-	Investment activities
			249,576		243,902	
Less indirect ownership			(32,991)		(33,906)	
Less impairment			(129,187)		(128,685)	
Investments into subsidiaries (Company)			87,398		81,311	

(the end)

*These companies were newly established in 2010.
**These companies are owned indirectly by the Company as at 31 December 2010.
***The Company has invested LTL 25 thousand directly and LTL 3,250 thousand indirectly.

In 2010 and 2009 investments in real estate segment subsidiaries were impaired by LTL 120,756 thousand and LTL 124,957 thousand, in other companies by LTL 8,431 thousand and LTL 3,728 thousand, respectively.

1 General information (cont'd)

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

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting Year*	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	19.42	2,686	(3,088)	44,498	2,570	41,928	46,870	Production and services
AB Sanitas***	26.53	109,558	53,314	641,361	378,452	262,909	339,372	Pharmacy
Tiltra Group AB**	44.78	67	10,555	341,967	50,429	291,538	687,256	Road and bridge construction
AB Kauno Tiltai**	43.36	24,937	15,462	402,703	129,367	273,270	527,406	Road and bridge construction
UAB ŽVF Projektai	21.46	2	(10)	321	(50)	371	-	Investment property
Less impairment		(1,505)						
Less assets held for sale		(25,004)						
Investment into associates (Company)		110,741						

Associates of the Group as at 31 December 2009 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year*	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	19.42	2,686	(6,251)	42,694	5,592	37,102	35,401	Production and services
AB Sanitas***	26.53	109,558	17,844	696,561	318,079	378,482	322,749	Pharmacy
Tiltra Group AB**	44.78	67	11,243	271,442	58,156	213,286	6,166	Road and bridge construction
AB Kauno Tiltai**	43.36	24,937	19,273	479,311	116,537	362,774	474,533	Road and bridge construction
UAB ŽVF Projektai	21.46	2	22	319	(40)	359	-	Investment property
Less impairment		(1,505)						
Investment into associates (Company)		135,745						

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

**The financial year of these associates is from 1 April until 31 March. Amounts, presented in the table above, are estimates used for the application of the equity method in the preparation of the consolidated financial statements of the Group and do not correspond with figures presented in the annual consolidated financial statements of these associates. Tiltra Group AB amounts increased in 2010 as a result of acquisition of control of Polish entity Poldim S.A.

***The market value of the Group's and the Company's investment to AB Sanitas as at 31 December 2010 and 2009 amounted to LTL 156.6 million and LTL 78.7 million according to published price quotations in NASDAQ OMX Vilnius, respectively.

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

1 General information (cont'd)

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

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

The Group has a 50 % interest in the following jointly controlled entities as at 31 December 2009:

Joint venture	Registration country	Description
SIA DOMMO GRUPA	Latvia	Real estate investor, management and administration
UAB Laikinosios Sostinės Projektai	Lithuania	Real estate investor
UAB DOMMO Nerija	Lithuania	Real estate investor
UAB MBGK Group	Lithuania	Investment activities
UAB RGJ Investicija	Lithuania	Dormant

The Company's interest in joint ventures as at 31 December 2010 and 2009 amounted to LTL 175 thousand (after impairment of LTL 1,280 thousand) and LTL 705 thousand (after impairment of LTL 4,331 thousand), respectively.

The share of the assets, liabilities, income and expenses of the jointly controlled entities as at 31 December 2010 and 2009 and for the years then ended are as follows (amounts stated relate to 100 % of these entities):

	2010	2009
Current assets	90	6,212
Non-current assets	19,754	151,135
Total assets	**19,844**	**157,347**
Current liabilities	31,294	175,329
Non-current liabilities	-	8,758
Total liabilities	**31,294**	**184,087**
Revenue	262	8,724
Expenses	(1,422)	(29,000)
Loss before income tax	(1,160)	(20,276)
Income tax	-	185
Net loss	**(1,160)**	**(20,091)**

1 General information (cont'd)

Investments into joint ventures UAB Laikinosios sostinės projektai (as at 31 December 2010 and 2009) and SIA Dommo Grupa (as at 31 December 2009, in 2010 the investment was sold, see Note 3) and related loans to them were impaired in the consolidated and standalone financial statements to nil. The Group has not recognised any losses from these investments in 2010. The assets, liabilities, income and expenses of these jointly controlled entities as at 31 December 2010 and 2009 and for the years then ended are as follows (amounts stated relate to 100 % of these entities):

	2010	2009
Current assets	49	3,289
Non-current assets	14,500	138,236
Total assets	**14,549**	**141,525**
Current liabilities	26,347	168,284
Non-current liabilities	-	4,958
Total liabilities	**26,347**	**173,242**
Revenue	246	8,018
Expenses	(1,006)	(26,004)
Loss before income tax	(760)	(17,986)
Income tax	-	44
Net loss	**(760)**	**(17,942)**

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year ended 31 December 2010 are as follows:

2.1. Basis of preparation

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

Statement of compliance

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

Basis of consolidation

Basis of consolidation from 1 January 2010
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Basis of consolidation (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

Basis of consolidation prior to 1 January 2010
Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses absorbed by the parent company prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

Functional and presentation currency

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

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

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

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2010:

- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 2 *Share-based Payment - Group cash-settled and share-based payment transactions* effective 1 January 2010
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* effective 1 February 2010 (early adopted)
- Improvements to IFRSs (May 2008, April 2009) effective 1 January 2010 (with one exception effective 1 July 2009)
- IFRIC 12 *Service Concession Arrangements* effective 30 March 2009 in the EU
- IFRIC 15 *Agreements for the Construction of Real Estate* effective 1 January 2010
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* effective 1 July 2009 in the EU
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 November 2009 in the EU
- IFRIC 18 *Transfers of Assets from Customers* effective 1 November 2009 in the EU

The principal effects of these changes are as follows:

IAS 27 *Consolidated and Separate Financial Statements (Amended)*

The amended IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The amended standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary have to be measured at its fair value, and a gain or loss is recognized in profit or loss. Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets. The changes by IAS 27 (Amended) affect loss of control of subsidiaries and transaction with non-controlling interests after 1 January 2010 and do not result in a material impact on financial statements as the Company and the Group were previous using the treatment determined in IAS 27 (Amended) with three exceptions. First, at the end of a year 2009 net losses equal to LTL 2,343 thousand were not attributed to the non-controlling interest of UAB Aikstentis. Not attributed part of net losses is not revised, because the standard is applicable prospectively, and due to the sale of UAB Broner net profit of LTL 2,316 thousand was attributed to the non-controlling interest. Second, acquisition of non-controlling interests for cash (LTL 318 thousand) was reclassified from investing to financing cash flows in the statement of cash flows for the year ended 31 December 2009. Third, as of 1 January 2010 share-based payment transaction are recognized not in the separate reserve within the equity, but are attributed fully to non-controlling interest.

IFRS 3 *Business Combinations (Revised)*

The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The changes by IFRS 3 (Revised) affect acquisitions after 1 January 2010. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards are not restated. The amendment does not impact the financial statements for the year ended 31 December 2010, except disclosures in Note 3.

Amendments to IFRS 2 *Share-based Payment - Group cash-settled and share-based payment transactions*

The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendment does not impact the financial statements for the year ended 31 December 2010.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendment to *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged*

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment has no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Amendment to IAS 32 *Classification of Rights Issues*

The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment has no impact on the Group's financial statements.

<u>Improvements to IFRSs (May 2008 and April 2009)</u>

In May 2008 and April 2009 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the changes are effective for financial years beginning on or after 1 January 2010, unless stated otherwise. These amendments to standards did not have a material effect on the financial statements.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Clarification that all of a subsidiary's assets and liabilities are classified as held for sale, even when the entity will retain a non-controlling interest in the subsidiary after the sale. This amendment is effective for periods commencing 1 July 2009. Other amendment clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 2 *Share-based payments:* The amendment clarifies that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2.
- IFRS 8 *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 4.
- IAS 1 *Presentation of Financial Statements*: allows classification of certain liabilities settled by entity's own equity instruments as non-current.
- IAS 7 *Statement of Cash Flows*: explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 17 *Leases*: allows classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease.
- IAS 18 *Revenue*: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent.
- IAS 36 *Impairment of Assets:* The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.
- IAS 38 *Intangible Assets:* The amendment supplements IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination.
- IAS 39 *Financial Instruments: Recognition and Measurement*: amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender.
- IFRIC 9 *Reassessment of Embedded Derivatives:* This amendment states that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope.
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*: The amendment removes the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

IFRIC 12 *Service Concession Arrangements*

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRIC 15 *Agreements for the Construction of Real Estate*

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The interpretation does not impact the financial statements for the year ended 31 December 2010.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have an impact on the consolidated financial statements because the Group does not have hedges of net investments.

IFRIC 17 *Distributions of Non-cash Assets to Owners*

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets is recognised in profit or loss for the year when the entity settles the dividend payable. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. IFRIC 17 does not have an impact on the consolidated financial statements because the Group does not distribute non-cash assets to owners in the past.

IFRIC 18 *Transfers of Assets from Customers*

The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation does not impact the financial statements for the year ended 31 December 2010.

As of 1 January 2010 have been effective also these amendments which are not relevant to the Group:

IFRS 1 *First-time Adoption of International Financial Reporting Standards (Revised)*

The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.

Amendments to IFRS 1 *Additional Exemptions for First-time Adopters*

The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result.

<u>Standards adopted by the EU but not yet effective</u>

IAS 24 *Related Party Disclosures (Revised)* (effective for financial years beginning on or after 1 January 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. The Group is currently assessing the impact of the revised standard on disclosures in its financial statements

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendment to IFRS 1 *Limited exemption from comparative IFRS 7 disclosures for first-time adopters* (effective for annual periods beginning on or after 1 July 2010).

Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendments will not have any impact on the Group's financial statements.

Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirements* (effective for financial years beginning on or after 1 January 2011)

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Group will apply the amendment from 1 January 2011. The amendment will not have any impact on the Group's financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 July 2010).

The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The group will apply the interpretation from 1 January 2011. The Group is currently assessing the impact of the interpretation on its financial statements.

Improvements to IFRSs (issued in May 2010)

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

- IFRS 1 First-time adoption of International Financial Reporting Standards. The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, it should explain those changes and update the reconciliations between previous GAAP and IFRS. This amendment applied prospectively.

  Other amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRSs, but during the period covered by its first IFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity. Entities that adopted IFRSs in previous periods are permitted to apply the amendment retrospectively in the first annual period after the amendment is effective, provided the measurement date is within the period covered by the first IFRS financial statements.

  The amendment clarifies also that entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition. This amendment applied prospectively.

  All these amendments will have no impact on the Group financial statements.

- IFRS 3 Business combinations. Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). The amendment is applicable to annual periods beginning on or after 1 July 2010 and applied retrospectively.

  Other amendment clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The amendment is applicable to annual periods beginning on or after 1 July 2010 and applied prospectively from the date the entity applies IFRS 3.

  The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards. The amendment is applicable to annual periods beginning on or after 1 July 2010 and applied prospectively.

  The Group does not expect the amendments to have any material effect on its financial statements.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Improvements to IFRSs (issued in May 2010) (cont'd)

- IFRS 7 *Financial instruments: Disclosures*. The amendment clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period. It applied retrospectively. The Group is currently assessing the impact of the amendment on its financial statements.
- IAS 1 *Presentation of financial statements*. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. It applied retrospectively. The Group is currently assessing the impact of the amendment on its financial statements.
- IAS 27 *Consolidated and separate financial statements.* The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21, IAS 28 and IAS 31 apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier. It is applicable to annual periods beginning on or after 1 July 2010 and applied retrospectively. The amendment will have no impact on the Group financial statements.
- IAS 34 *Interim financial reporting*. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around (i) the circumstances likely to affect fair values of financial instruments and their classification; (ii) transfers of financial instruments between different levels of the fair value hierarchy; (iii) changes in classification of financial assets; and (iv) changes in contingent liabilities and assets. It applied retrospectively. The Group is currently assessing the impact of the amendment on its interim financial statements.
- IFRIC 13 *Customer loyalty programmes.* The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programmes. The amendment will have no impact on the Group financial statements.

Standards not yet adopted by the EU

IFRS 9 *Financial Instruments Part 1: Classification and Measurement* (effective for financial years beginning on or after 1 January 2013 once adopted by the EU)

IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features are as follows:

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

In subsequent phases, the IASB will address classification and measurement of hedge accounting and impairment of financial assets. The completion of this project is expected in 2011. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRS 7 *Disclosures - Transfers of Financial Assets* (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU

The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position . Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU)

The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The Group is currently assessing the impact of the amended standard on its financial statements.

Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU)

The amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, and guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment will not have any impact on the Group's financial statements.

2.2. Going concern

These financial statements have been prepared on a going concern basis. For critical judgements in relation to going concern assumption refer to Note 2.30.

2.3. Property, plant and equipment

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

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

Depreciation is calculated on a straight-line basis over the following estimated useful lives.

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

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

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

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

2 Accounting principles (cont'd)

2.4. Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the consolidated Group, are classified as investment properties. As from 1 January 2009, investment properties also include properties that are being constructed or developed for future use as investment properties.

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

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

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

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

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

2.5. Intangible assets other than goodwill

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

<u>Contracts</u>

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

Contracts assured on the acquisition of subsidiaries are capitalised at the fair value established on acquisition and treated as an intangible asset. Following initial recognition, contracts are carried at cost less any accumulated impairment losses. The information technology solution service contracts are amortised during 10 years (remaining amortisation period is 7 years), the dwelling-houses facilities management contracts are amortised during 5 years, the market management contract – 11 years.

<u>Software</u>

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 1-3 years.

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

<u>Other intangible assets</u>

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised during 3–4 years.

2 Accounting principles (cont'd)

2.6. Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

Business combinations prior to 1 January 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2 Accounting principles (cont'd)

2.7. Investments in associates (the Group)

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

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

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

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

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

Previously (prior to 1 January 2010), when the group ceased to have significant influence over an entity, the carrying amount of the investment at the date of loss of significant influence became its cost for the purposes of subsequently accounting for the retained interests as jointly controlled entity or financial assets. The carrying value of such investments at 1 January 2010 has not been restated.

2.8. Investments in joint ventures (the Group)

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

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

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

Previously (prior to 1 January 2010), when the group ceased to have joint control over an entity, the carrying amount of the investment at the date of loss of joint control became its cost for the purposes of subsequently accounting for the retained interests as associates or financial assets. The carrying value of such investments at 1 January 2010 has not been restated.

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

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

2 Accounting principles (cont'd)

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

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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

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

2.11. Impairment of non-financial assets

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

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

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

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

<u>Goodwill</u>

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

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

2 Accounting principles (cont'd)

2.12. Investments and other financial assets

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognized in profit and loss within "Net changes in fair value on financial assets". Interest income or expense are recognized in finance income or expense according to the terms of the contract or when right to the payment has been established. Dividends earned on investments are recognised in the income statement as other income when the right of payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through amortisation process.

Available-for-sale financial instruments

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

Fair value

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

Offsetting financial instruments

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

2 Accounting principles (cont'd)

2.13. Derivative financial instruments and hedge accounting

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

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

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

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

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

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

As at 31 December 2010 and 2009, the Group had an interest rate swap used as a hedge for the exposure to the changes in the variable interest rate of loans only. See Note 26 for more details.

<u>Cash flow hedges</u>

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

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

<u>Current versus non-current classification</u>

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

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

2 Accounting principles (cont'd)

2.14. Impairment of financial assets

Assets carried at amortised cost

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

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

The group first assesses whether objective evidence of impairment exists.

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

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

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

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

Available-for-sale financial investments

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

2 Accounting principles (cont'd)

2.15. Inventories

Raw materials, finished goods and work in progress

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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

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

Residential real estate

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

2.16. Cash and cash equivalents

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

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

2.17. Financial liabilities

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

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

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

<u>Trade payables</u>

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

<u>Borrowings</u>

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

2 Accounting principles (cont'd)

2.18. Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

2.19. Compound financial instruments

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

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

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

2.20. Lease

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

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

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

2 Accounting principles (cont'd)

2.20. Lease (cont'd)

Financial lease

Group as a lessee

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

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

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

Operating lease

Group as a lessee

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

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

Group as a lessor

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

2 Accounting principles (cont'd)

2.21. Revenue recognition

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

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

<u>Sale of goods</u>

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

<u>Disposal of investments</u>

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

<u>Long-term contracts</u>

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

<u>Rental income</u>

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

<u>Interest income</u>

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

<u>Dividends income</u>

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

2.22. Dividends distribution

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

2.23. Borrowing costs

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

2.24. Current and deferred income tax

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

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

2 Accounting principles (cont'd)

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

The standard income tax rate in Lithuania was 15 % in 2010 and 20 % in 2009. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15 % income tax rate has been established for indefinite period starting 1 January 2010. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

The standard income tax rate in Latvia is 15 %.

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

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

2 Accounting principles (cont'd)

2.25. Grants

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

2.26. Provisions

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

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

2.27. Segments

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

2.28. Share capital

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

2 Accounting principles (cont'd)

2.29. Employee benefits

Social security contributions

The Company and the Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Bonus plans

The Company and the Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Pension and anniversary obligations

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

Share - based payments

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

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

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

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

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

2 Accounting principles (cont'd)

2.30. Significant accounting judgements and estimates

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

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

Judgements

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

Discontinued operations and assets held for sale

On 18 November 2010 the Company signed an agreement regarding the sale of 44.78 % shares of Tiltra Group AB and 43.36 % shares of AB Kauno Tiltai for the total of PLN 314 million (approx. LTL 270 million), if the conditions precedent set out in the Agreement is fulfilled. The mentioned companies compose the entire road and bridge construction segment. Therefore the investments were classified as assets held for sale in the statement of financial position and presented as discontinued operations in the income statement. The judgement was made for the following reasons:

- The investments were available for immediate sale in their current condition subject to the terms that are usual for sale transactions of this type of investments
- The sale was highly probable, because the management had intention to sell the investments and had concentrated all resources to complete the transaction
- The transaction had to be closed until 31 March 2011 according to the agreement

For more details on the discontinued operations refer to Note 7 and Note 31.

Estimates and assumptions

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

Going concern assumption

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. Management believes it is taking all the necessary measures to support the sustainability of the Company's and Group's business in the current circumstances.

Management has considered a wide range of factors relating to debt repayment schedules and potential sources of re-financing and is satisfied that the going concern basis is appropriate. The judgement was based on the factors listed below.

Prices of real estate have stabilized recently and some sectors (like residential) even demonstrated moderate growth. Several international market players are creating investment funds focused on the Baltic market, which will provide liquidity to the market. In commercial market, especially A class business centres, occupation levels are satisfactory, and as no new major projects are coming to the market, therefore this might lead to price increases to tenants and growth of cash flow.

The Group has agreed with Nordea bank on the extension of financing of the real estate segment in April 2011. Current loans, which mature in 2011 (including the loan which was reclassified because of breach of covenants), were extended for 3 years and the bank provided indemnify against for non-compliance with covenants for the same period (see Note 28 and 31).

In addition, the Group's and the Company's management always explores oportunities to dispose of current investments if the price of disposal is appropriate.

2 Accounting principles (cont'd)

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

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

Fair value of investment properties

Investment properties have been valued on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics or on the sales comparison approach method which refers to the prices of the analogues transactions in the market or on the basis of their highest and best use which are subject to uncertainty. The highest and best use concept considers in the valuation not only the existing use but any possible use of the asset, determined from the market evidence. Accordingly, fair value is the highest value by consideration of any use which is financially feasible and justifiable and reasonably probable. A use that is not legally permissible or physically possible was not considered a highest and best use. Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The fair value of the investment properties as at 31 December 2010 was LTL 240,573 thousand (as at 31 December 2009 – LTL 263,775 thousand) (described in more details in Note 11).

Impairment of loans granted and trade receivables

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

Deferred income tax assets

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

Deferred income tax asset is recognized on separate company basis taking into account future performance plans of those companies. For the loss making Group entities other than the Company, deferred tax asset is recognized only to the extent deferred tax liability was available and the realization period allows offsetting. No deferred tax asset is recognized from tax losses carry forward of LTL 13,632 thousand as 31 December 2010 (as at 31 December 2009 – LTL 32,058 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2010 in the total deferred tax asset balance of the Group the amount of LTL 4,327 thousand (as at 31 December 2009 – LTL 4,330 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and only LTL 4,538 thousand (as at 31 December 2009 – LTL 3,749 thousand) was recognized from the taxable losses of other group entities, net of transferred tax losses within the Group (Note 6).

Tax legislation

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

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

2 Accounting principles (cont'd)

2.31. Contingencies

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

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

2.32. Events after the reporting period

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

2.33. Comparative figures

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Business combinations and acquisition of non-controlling interests

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
At 1 January	**169,436**	**236,045**	**136,450**	**209,985**
Share of (loss)/ profit	26,244	10,432	-	-
Share of exchange differences	1,590	(146)	-	-
Share of cash flow hedge reserves	1,355	268	-	-
Acquisition of non-controlling interest in subsidiary held by associate	1,074	(2,871)	-	-
Share of other equity movements	-	17	-	-
Increase of share capital	850	-	850	-
Acquisition	-	145	-	145
Disposals of real estate companies	-	-	(3,725)	-
Disposals	(2,287)	(74,369)	(705)	(72,075)
Reversal of impairment due to disposals	-	-	3,725	-
Impairment	-	(85)	-	(1,605)
Reclassification of allowance on loans capitalized within share capital of associates	(675)	-	(675)	-
Reclassification to assets held for sale	(72,075)	-	(25,004)	-
At 31 December	**125,512**	**169,436**	**110,916**	**136,450**

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

	Company	
	2010	**2009**
At 1 January	**81,311**	**165,361**
Acquisition	10	-
Acquisition of non-controlling interest	-	19
Establishment of subsidiaries and increase of share capital (nominal amount of loans capitalised)	22,585	66,625
Reclassification of allowance on loans capitalized within share capital of subsidiaries	(10,089)	(12,152)
Disposal of Finasta Group	-	(47,571)
Disposals of real estate companies	(16,006)	-
Disposals of other subsidiaries	-	(19,277)
Reversal of impairment due to disposals	16,006	-
Reversal of impairment due to increase of recoverable amount of the investments	4,343	-
Additional impairment charge for the year	(10,725)	(71,694)
Other	(37)	-
At 31 December	**87,398**	**81,311**

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

Acquisitions in 2010

UAB Priemiestis

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

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

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

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

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

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

Analysis of cash flows on acquisition:	
Consideration paid in cash	(2,251)
Cash acquired with the subsidiary	249
Acquisition of subsidiaries, net of cash acquired	**(2,002)**

Acquisitions in 2009

There were no acquisitions in 2009.

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

Establishment of companies (increase of share capital)

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

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

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

In 2009 the Company invested LTL 61,441 thousand additionally to increase share capital of subsidiaries (the part of granted loans was converted to shares) and LTL 684 thousand additionally to increase share capital of other minor subsidiaries.

During the 1st quarter of 2009 the Company invested LTL 4,500 thousand additionally to increased share capital of AB FMĮ Finasta and UAB Finasta įmonių finansai. The last mentioned company invested funds to AB bankas Finasta in order to restore its equity to comply with minimum equity requirement set by the Lithuanian legislation.

Other acquisitions and disposals

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

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

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

Non – controlling interest acquisition in 2010

There were no non – controlling interest acquisitions in 2010.

Non – controlling interest acquisition in 2009

AB Vilniaus Baldai

During the 1st quarter of 2009 the Group acquired 0.05 % of shares of AB Vilniaus Baldai for LTL 19 thousand additionally. The value of the additional interest acquired was LTL 15 thousand. The negative difference equal to LTL 4 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

Additional acquisition of associates and joint ventures in 2010

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

Additional acquisition of associates in 2009

AB *Sanitas*

The Company also acquired 1.54% of AB Sanitas shares for LTL 145 thousand as part of deal of AB Sanitas shares' sale. The purchase price will be adjusted depending on the price Baltic Pharma Limited will receive latter from the shares' sale together with other AB Sanitas shareholders who concluded shareholders agreement. The Group has recognised the derivative, which represents probable share price adjustment for purchased and sold shares.

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

Disposals in 2010

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Net gain (loss) on sale of subsidiaries	15,272	(3,105)	(15,948)	(17,849)
Net gain (loss) on sale of associates and joint ventures	78	8,752	(2,065)	12,145
Direct costs of disposal of subsidiaries, associates and joint ventures	-	(1,834)	-	(1,834)
	15,350	3,813	(18,013)	(7,538)

Disposal of companies attributable to the Real estate segment

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

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

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

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

Disposals in 2009

Finasta Group

On 16 September 2009 Finasta Group companies (AB Finasta, UAB Invalda turto valdymas, UAB Finasta įmonių finansai, AB bankas Finasta, IPAS Invalda Asset Management Latvia) have been sold for LTL 45,750 thousand. The Company has suffered loss of LTL 1,821 thousand from this transaction, the Group have earned profit of LTL 15,019 thousand. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying value
Intangible assets	8,199
Property, plant and equipment	3,453
Financial assets available-for-sale	866
Deferred tax asset	5,091
Loans	9,381
Financial assets held for trade	13,244
Other current assets	2,937
Deposits	542
Cash	35,795
Total assets	**79,508**
Borrowings	(5,871)
Deposits	(39,669)
Trade and other receivables	(3,237)
Total liabilities	**(48,777)**
Group's net assets sold	**30,731**
Profit from sale	15,019
Proceeds from sale	**45,750**
Cash sold	(35,795)
Proceeds from sale of subsidiary, net of cash disposed	**9,955**

The revenues and net loss of Finasta Group (before elimination of transactions with Invalda AB Group entities) during 2009 until the date of disposal amounted to LTL 5,577 thousand and LTL 5,690 thousand, respectively.

As part of deal the Company is obliged to reimburse some loans granted by AB bankas Finasta, if they are not collected within 12 month after the sale date. Due to this the Company recognised LTL 1,466 thousand provisions as at 31 December 2009. In October 2010 it was negotiated that the Company has to pay for these loans LTL 2,150 thousand and that the other Group companies could fulfil the obligation on behalf of the Company. In 2010 the Group has paid compensation of LTL 1,900 thousand and the Company continued to recognise the provision of LTL 250 thousand.

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

Disposals in 2009 (cont'd)

UAB Finansų spektro investicija

In August 2009 the Group sold UAB Finansų Spektro Investicija for LTL 2,800 and have suffered loss of LTL 3,065 thousand. The Company has suffered loss of LTL 8,456 thousand. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying value
Property, plant and equipment	85
Financial assets available-for-sale	221
Financial assets held for trade	21,267
Other current assets	4
Cash	6
Total assets	**21,583**
Borrowings and finance lease liabilities	**(15,718)**
Group's net assets sold	**5,865**
Loss from sale	(3,065)
Proceeds from sale	**2,800**
Cash sold	(6)
Proceeds from sale of subsidiary, net of cash disposed	**2,794**

The revenues and the net loss of UAB Finansų spektro investicija during 2009 until the date of disposal amounted to LTL 20 thousand and LTL 948 thousand, respectively.

Other sales

In June 2009 the Group has ended withdrawal from Ukraine. The Group sold Ukrainian investments: TOV Inreal, TOV Inreal-Ocinka, TOV Inkredo. The Company and the Group have suffered loss of LTL 2,055 thousand and LTL 143 thousand, respectively. On the other hand, the Company has reversed allowance of LTL 2,208 thousand, which was recognised for these investments in the financial statements for 2008.

In April 2009 the Group also sold TOV Finasta in Ukraine for LTL 257 thousand (it was sold for the amount equivalent to the company's cash) and has suffered loss of LTL 319 thousand. The Company has suffered loss of LTL 1,951 thousand and has reversed allowance of LTL 1,948 thousand, which was recognised in the financial statements for 2008.

In June 2009 the Group sold 100 % shares of SIA Inreal for EUR 1. The Group have earned profit of LTL 112 thousand from this transaction (SIA Inreal had negative equity). The Company has suffered loss of LTL 2,839 thousand and has reversed allowance of LTL 2,750 thousand, which was recognised in the financial statements for 2008.

In January 2009 liquidation of SIA Gravity was completed. In the consolidated financial statements loss of LTL 7 thousand was recognised, in the Company's statements loss of LTL 726 thousand was recognised and allowance of LTL 726 thousand, which was recognised in the financial statements for 2007, was reversed.

Proceeds from other sales described above amounted to LTL 297 thousand, cash sold LTL 403 thousand, net cash outflow on disposal amounted to LTL 106 thousand.

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

Disposals of associates and joint ventures in 2010

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

Disposals of associates and joint ventures in 2009

Disposal of AB Sanitas

24 October 2008 AB Invalda signed an agreement regarding the transfer of 6,314,502 AB Sanitas shares, which amounts to 20.3 % of authorised share capital. The buyer is Baltic Pharma Limited, company controlled by City Venture Capital International (CVCI).

28 October 2008, as the first part of agreement, 5 % of AB Sanitas shares were transferred for LTL 25,513 thousand.
12 January 2009 the deal was closed and 15.3% of AB Sanitas shares were transferred for LTL 78,070 thousand.

The Company and the Group gained LTL 11,097 thousand and LTL 13,818 thousand profit from second part of the deal in 2009, respectively.

Considering the undertaken investment return risk the price paid for the shares according to the agreement with Baltic Pharma Limited will be adjusted positively or negatively depending on the price Baltic Pharma Limited will receive later from the shares' sale together with other AB Sanitas shareholders who concluded shareholders agreement. The Company has assured possible variations in sales prices by pledge of 3,763,816 shares of AB Sanitas held to Baltic Pharma Limited and by other shares of AB Sanitas held.

To reflect likely share price adjustment a derivative was recognised in the statement of financial position within 'Financial assets held for trade' (as at 31 December 2010 – LTL 1,512 thousand, as at 31 December 2009 – LTL 1,512 thousand). Derivative is measured based on management assumptions using valuation techniques.

UAB VIPC Klaipėda

The Group sold 47 % shares of UAB VIPC Klaipėda. The Group has suffered loss of LTL 3,964 thousand and the Company have earned profit of LTL 1,049 thousand.

UAB Girių Bizonas

2 July 2009 the Group subsidiary AB Vilniaus Baldai signed the additional agreement regarding price adjustment of UAB Girių bizonas shares. According to the additional agreement the final sales price of the shares was reduced by LTL 1,102 thousand.

4 Segment information

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

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

<u>Real estate and facilities management</u>

The real estate and facilities management segment is involved in investment in real estate, real estate management and administration, facilities management, construction management, intermediation in buying, selling and valuation of real estate.

<u>Pharmaceutical</u>

The pharmacy segment produces generic injectables, tablets, ointments and eye drops and pre-filled syringes and sells own products and provides toll manufacturing services.

<u>Furniture production</u>

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

<u>Road and bridge construction</u>

The road and bridge construction segment is involved in:
- management of the design, construction, and repair of bridges, viaducts, and flyovers.
- management of the tunnels design, construction and renovation. Tunnel engineering network construction and renovation.
- production and sale of asphalt concrete and reinforced concrete.
- production of and trade in materials for road construction.
- installation of water supply systems, sewer systems, rain water drainage systems and water treatment equipment. Selection of engineering systems, design and project coordination services, the construction and installation of water treatment systems, technical and and technological supervision services during construction work and system testing and operating services.
- management of the design, repair and surface regeneration work of airport taxiways, runways, ramps, aircraft parking areas, and special areas.
- management of railroad design, construction and the repair of railroads, dismantling of railroads, utilisation of fouled track ballast, and the installation of new sections of railroad.
- management of the design, construction, and repair of sea and river port quays, embankments, docks, berth structures, piers, closing dikes, and pavement.

<u>Information technology infrastructure</u>

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

<u>Other production and service segments</u>

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

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

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

4 Segment information (cont'd)

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

	Real estate and facilities management	Pharma-ceutical	Furniture production	Information technology infrastructure	Other production and service	Elimination	Total continuing operations
Year ended 31 December 2010							
Revenue							
Sales to external customers	35,751	-	197,214	27,554	7,508	-	268,027
Inter-segment sales	682	-	-	131	86	(899)	-
Total revenue	**36,433**	**-**	**197,214**	**27,685**	**7,594**	**(899)**	**268,027**
Results							
Interest income	300	-	1,773	-	8,531	(8,782)	1,822
Other income	336	-	1,250	232	1,658	(812)	2,664
Net gain from fair value adjustment on investment property	1,236	-	-	-	-	-	1,236
Net gains on disposal of subsidiaries, associates and joint ventures	15,215	-	-	-	135	-	15,350
Net changes in fair value of financial assets	-	-	-	-	(4,486)	-	(4,486)
Impairment, write-down, allowances and provisions	(11,171)	-	(72)	(5)	6,833	-	(4,415)
Employee benefits expense	(4,545)	-	(22,257)	(5,079)	(3,860)	-	(35,741)
Raw materials and consumables used	(670)	-	(121,584)	(16,663)	(4,546)	18	(143,445)
Depreciation and amortization	(837)	-	(6,397)	(1,819)	(1,362)	-	(10,415)
Interest expenses	(11,164)	-	(776)	(746)	(13,504)	8,783	(17,407)
Other expenses	(25,995)	-	(16,401)	(4,190)	(1,953)	1,692	(46,847)
Share of profit (loss) of the associates and joint ventures	1,226	14,144	-	-	(557)	-	14,813
Profit (loss) before income tax	364	14,144	32,750	(585)	(5,517)	-	41,156
Income tax credit (expenses)	2,992	-	(4,895)	(44)	1,824	-	(123)
Net profit for the year	**3,356**	**14,144**	**27,855**	**(629)**	**(3,693)**	**-**	**41,033**
Attributable to:							
Equity holders of the parent	1,043	14,144	20,057	(503)	(3,722)	-	31,019
Non-controlling interest	2,313	-	7,798	(126)	29	-	10,014
As at 31 December 2010							
Assets and liabilities							
Segment assets	273,448	-	108,717	16,285	101,583	(100,357)	399,676
Investment in associates and joint ventures	175	124,782	-	-	555	-	125,512
Total assets	**273,623**	**124,782**	**108,717**	**16,285**	**102,138**	**(100,357)**	**525,188**
Segment liabilities	**216,723**	**-**	**35,946**	**14,342**	**230,558**	**(100,357)**	**397,212**
Other segment information							
Capital expenditure:							
• Property, plant and equipment	803	-	2,303	923	390	-	4,419
• Investment properties	746	-	-	-	-	-	746
• Intangible assets	2,509	-	250	345	15	-	3,119

4 Segment information (cont'd)

The following table presents revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2009:

	Real estate and facilities management	Pharma-ceutical	Furniture production	Information technology infrastructure	Other production and service	Elimination	Total continuing operations
Year ended 31 December 2009							
Revenue							
Sales to external customers	36,327	-	148,966	25,378	6,651	-	217,322
Inter-segment sales	714	-	-	158	-	(872)	-
Total revenue	**37,041**	**-**	**148,966**	**25,536**	**6,651**	**(872)**	**217,322**
Results							
Interest income	543	-	790	10	12,081	(11,275)	2,149
Other income	284	-	1,287	644	151	(503)	1,863
Net losses from fair value adjustment on investment property	(72,277)	-	-	-	(81)	-	(72,358)
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	(3,996)	-	(1,102)	-	8,911	-	3,813
Net changes in fair value on financial assets	-	-	-	-	(1,357)	-	(1,357)
Impairment, write-down, allowances and provisions	(38,437)	-	546	-	(1,308)	-	(39,199)
Employee benefits expense	(4,826)	-	(20,262)	(5,210)	(3,534)	-	(33,832)
Raw materials and consumables used	(176)	-	(92,223)	(15,017)	(3,646)	6	(111,056)
Depreciation and amortization	(773)	-	(6,240)	(1,641)	(1,466)	-	(10,120)
Interest expenses	(17,604)	-	(1,210)	(681)	(24,162)	13,097	(30,560)
Other expenses	(26,792)	-	(11,307)	(5,079)	(2,881)	1,402	(44,657)
Share of profit (loss) of the associates and joint ventures	(6,405)	4,734	-	-	(1,182)	-	(2,853)
Profit (loss) before income tax	(133,418)	4,734	19,245	(1,438)	(11,823)	1,855	(120,845)
Income tax credit (expenses)	16,767	-	(3,655)	(159)	2,884	-	15,837
Net profit for the year	**(116,651)**	**4,734**	**15,590**	**(1,597)**	**(8,939)**	**1,855**	**(105,008)**
Attributable to:							
Equity holders of the parent	(115,763)	4,734	11,226	(1,063)	(8,940)	1,855	(107,951)
Non-controlling interest	(888)	-	4,364	(534)	1	-	2,943
As at 31 December 2009							
Assets and liabilities							
Segment assets	306,563	-	77,990	14,587	129,120	(87,593)	440,667
Investment in associates and joint ventures	-	108,763	-	-	2,171	-	110,934
Total assets	**306,563**	**108,763**	**77,990**	**14,587**	**131,291**	**(87,593)**	**551,601**
Segment liabilities	**276,809**	**-**	**33,077**	**12,365**	**283,735**	**(87,593)**	**518,393**
Other segment information							
Capital expenditure:							
• Property, plant and equipment	50	-	2,156	1,007	135	-	3,348
• Investment properties	558	-	-	-	-	-	558
• Intangible assets	-	-	189	131	-	-	320

4 Segment information (cont'd)

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

	Group	
	2010	**2009**
Segment assets	525,188	551,601
Road and bridge construction segment assets (discontinued operations)	72,075	58,502
Total assets	**597,263**	**610,103**

In 2010 employee benefits expense included LTL 7,818 thousand social security contribution paid by employer (2009: LTL 7,848 thousand) and LTL 2,269 thousand social security contribution paid by employee (2009: 2,281 LTL thousand)

Analysis of revenue by category:

	Group	
	2010	**2009**
Sales of goods		
Furniture production	197,209	148,966
Sales of residential real estate	7,426	8,207
IT sector revenue	20,261	17,431
Sales of other production	7,451	6,632
Total	**232,347**	**181,236**
Revenue from services		
Rent and other real estate income	28,325	28,120
IT sector revenue	7,293	7,947
Furniture sector revenue	5	-
Other services revenue	57	19
Total	**35,680**	**36,086**
Total revenue	**268,027**	**217,322**

The entity is domiciled in the Lithuania. The result of its revenue from external customers in the Lithuania is LTL 69,964 thousand (2009: LTL 65,939 thousand), and the total of revenue from external customers from other countries is LTL 198,063 thousand (2009: LTL 151,383 thousand).

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

	Group	
	2010	**2009**
European Union countries	164,395	119,849
Other than European Union countries	33,668	31,534
Total	**198,063**	**151,383**

The following table presents non-current assets other than financial instruments and deferred tax assets regarding Group's geographical distribution for the years ended 31 December 2010 and 2009:

	Lithuania	**Latvia**	**Ukraine**	**Total continuing operations**
Year ended 31 December 2010	289,939	-	-	289,939
Year ended 31 December 2009	319,195	-	-	319,195

Revenues of LTL 193,074 thousand (2009: LTL 148,001 thousand) are derived from a single external customer and these revenues are attributable to the furniture productions segments. Revenues of LTL 18,287 thousand (2009: LTL 17,731 thousand) are derived from another single external customer and the majority of these revenues are attributable to the information technology segments.

5 Other revenues and expenses

5.1. Net changes in fair value on financial assets

	Group		Company	
	2010	**2009**	**2010**	**2009**
Net gain (loss) from financial assets at fair value	(4,706)	(1,436)	3,337	(4,121)
Realised gain from available-for-sale investments	220	79	-	-
	(4,486)	(1,357)	3,337	(4,121)

5.2. Impairment, write-down, allowances and provisions

	Group		Company	
	2010	**2009**	**2010**	**2009**
Impairment of current loans granted	778	(21,649)	(3,683)	(33,339)
Impairment of investments	-	(87)	13,349	(73,298)
Change in write-down of inventories	(35)	(14,503)	-	-
Change in allowance for trade receivables	(6,345)	(991)	-	(620)
Provisions	1,271	(1,969)	1,216	(1,466)
Other impairment losses	(84)	-	-	-
	(4,415)	(39,199)	10,882	(108,723)

In 2010 the main reason for reversal of impairment was disposal of investments, which were impaired in 2009. In 2009 impairment of investments of the Group comprise impairment of investment into joint ventures engaged in real estate business, the Company – mainly impairment of investments into subsidiaries, associated, jointly controlled companies engaged in real estate businesses (to Note 1).

5.3. Other income

	Group		Company	
	2010	**2009**	**2010**	**2009**
Interest income	1,822	2,149	8,030	12,469
Dividend income	-	-	300	9,000
Other income	2,664	1,863	67	7
	4,486	4,012	8,397	21,476

In 2010 the Company recognised LTL 3,618 thousand interest income on impaired loans (2009: LTL 1,410 thousand). In 2010 the Group recognised LTL 242 thousand interest income on impaired loans (2009: nil).

5.4. Finance costs

	Group		Company	
	2010	**2009**	**2010**	**2009**
Interest expenses	(17,407)	(30,560)	(13,144)	(22,429)
Other finance expenses	(627)	(639)	(16)	(73)
	(18,034)	(31,199)	(13,160)	(22,502)

6 Income tax

	Group		Company	
	2010	**2009**	**2010**	**2009**
Components of the income tax credit (expenses)				
Current year income tax	(1,931)	(4,161)	-	-
Prior year current income tax correction	12	135	-	-
Deferred income tax credit (expenses)	1,796	19,863	1,190	3,252
Income tax credit (expenses) charged to the income statement	(123)	15,837	1,190	3,252

	Group	
	2010	**2009**
Consolidated statement of comprehensive income		
Deferred income tax on cash flow hedge	(29)	8
Deferred tax effect of net gains (loss) on available-for-sale investments	42	(156)
Income tax credit (expenses) recognised in statement of comprehensive income	13	(148)

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	6,393	4,963	4,335	4,144
Deferred tax assets to be recovered within 12 months	250	-		
	6,643	4,963	4,335	4,144
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	(14,685)	(14,900)	-	-
Deferred tax liability to be recovered within 12 months	(49)	-	-	-
	(14,734)	(14,900)	-	-

6 Income tax (cont'd)

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

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

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

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rate as at 31 December 2009.

The movement in deferred income tax assets and liabilities during 2009 is as follows:

	Balance as at 31 December 2008	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2009
Deferred tax asset					
Tax loss carry forward for indefinite period of time	14,325	4,283	8	(6,655)	11,961
Tax loss carry forward till 2014	-	927	-	-	927
Property, plant and equipment	102	(41)	-	-	61
Investment properties	1,522	878	-	-	2,400
Investments available-for-sale	1,118	(1,004)	(114)	-	-
Investments held for trade	981	534	-	(1,515)	-
Investments into subsidiaries and associates	68	(68)	-	-	-
Receivables	-	208	-	-	208
Inventories	601	(246)	-	-	355
Accruals	80	-	-	(9)	71
Intangible assets	21	(11)	-	-	10
Other	-	94	-	-	94
Deferred tax asset available for recognition	18,818	5,554	(106)	(8,179)	16,087
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(5,090)	(1,338)	-	1,619	(4,809)
Less: unrecognised deferred tax asset due to future uncertainties	(3,082)	(986)	-	1,515	(2,553)
Recognised deferred income tax asset, net	10,646	3,230	(106)	(5,045)	8,725
Asset netted with liability of the same legal entities	(5,066)	1,294	-	10	(3,762)
Deferred income tax asset, net	**5,580**	**4,524**	**(106)**	**(5,035)**	**4,963**
Deferred tax liability					
Property, plant and equipment	(1,035)	839	-	-	(196)
Investment properties	(33,207)	16,462	-	-	(16,745)
Investments available-for-sale	-	-	(42)	-	(42)
Investments held for trade	(1,085)	772	-	10	(303)
Inventories	(236)	226	-	-	(10)
Other	(1,005)	(361)	-	-	(1,366)
Deferred income tax liability	(36,568)	17,938	(42)	10	(18,662)
Liability netted with asset of the same legal entities	5,066	(1,294)	-	(10)	3,762
Deferred income tax liability, net	**(31,502)**	**16,644**	**(42)**	**-**	**(14,900)**
Deferred income tax, net	**(25,922)**	**21,168**	**(148)**	**(5,035)**	**(9,937)**

6 Income tax (cont'd)

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

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

The movement in deferred income tax assets and liabilities for the Company during 2009 is as follows:

	Balance as at 31 December 2008	Recognised in the income statement	Balance as at 31 December 2009
Deferred tax asset			
Tax loss carry forward for indefinite period of time	1,972	1,431	3,403
Tax loss carry forward till 2014	-	927	927
Accruals	5	(2)	3
Deferred tax asset available for recognition	1,977	2,356	4,333
Asset netted with liability of the same legal entities	(1,085)	896	(189)
Deferred income tax asset, net	**892**	**3,252**	**4,144**
Deferred tax liability			
Investments held for trade	(1,085)	896	(189)
Deferred income tax liability	(1,085)	896	(189)
Liability netted with asset of the same legal entities	1,085	(896)	189
Deferred income tax liability, net	**-**	**-**	**-**
Deferred income tax, net	**892**	**3,252**	**4,144**

6 Income tax (cont'd)

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Accounting profit before tax from continuing operations	41,156	(120,845)	(11,661)	(125,050)
(Loss) profit before tax from a discontinued operation	11,431	18,081	-	-
(Loss) profit before income tax	**52,587**	**(102,764)**	**(11,661)**	**(125,050)**
Tax calculated at the tax rate of 15 % (20 % in 2009)	(7,888)	20,553	1,749	25,010
Tax non-deductible (expenses) / non taxable income	6,030	(1,085)	(555)	(20,425)
Change in unrecognised deferred tax asset	1,723	(5,438)	(4)	-
Tax loss carry forward expiry (derecognition)	-	-	-	-
Correction of prior year current income tax	12	153	-	48
Change in income tax rate	-	2,928	-	(1,381)
Income tax credit (expenses) recorded in the income statement	(123)	17,111	1,190	3,252
Income tax attributable to a discontinued operation	-	1,274	-	-
Income tax attributable to a continuing operation	(123)	15,837	1,190	3,252

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Non-current assets classified as held-for-sale				
Associates representing road and bridge construction segment	72,075	-	25,004	-
	72,075	-	25,004	-

18 November 2010 Company signed an agreement regarding the sale 44.78 % shares of Tiltra Group AB and 43.36 % shares of AB Kauno Tiltai for PLN 314 million (approx. LTL 270 million), if the conditions precedent set out in the Agreement is fulfilled. The mentioned companies compose the road and bridge construction segment. The Buyer of the shares is Trakcja Polska S. A., which main activity is a rail infrastructure construction. According to the Agreement the Company would receive 12.5 % in the increased capital of Trakcja Polska valued at PLN 132 million (approx. LTL 113 million) and Trakcja Polska newly issued bonds, worth almost PLN 120 million (approx. LTL 103 million). After executing of set-off the Company would receive cash of PLN 62 million (approx. LTL 53 million). According to the Agreement the sale has to be closed in 1st quarter of 2011. All figures mentioned above are disclosed without costs related to the transaction. As described in Note 2.30 the investments are classified as non-current assets held for sale. Details about the events after the reporting period relating to the Transaction are disclosed in the Note 31.

Discontinued operations

	2010	2009
Gain after tax for the period from discontinued operations (financial mediation)	-	6,070
Share of profit of associates (road and bridge construction)	11,431	13,285
Total discontinued operations	**11,431**	**19,355**

	2010	2009
Earnings per share:		
Basic and diluted from discontinued operations	0.23	0.46

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

Financial mediation

31 March 2009 the Management Board of Invalda AB approved entering into the contract with the Bank Snoras AB regarding the sale of Finasta Group companies (Bank Finasta AB, FBC Finasta, asset management companies Invalda Turto Valdymas and Invalda Asset Management Latvia, as well as Finasta Įmonių Finansai AB). Contract was signed on 1 April 2009. The disposal of the Finasta Group companies was completed on 16 September 2009 and shares were transferred for LTL 45,750 thousand.

In April 2009 TOV Finasta was sold for LTL 257 thousand.

The results of the financial mediation segment for the year 2009 are presented below:

	2009
Revenue	5,540
Other income	1,757
Interest income	1,759
Net change in fair value on financial assets	2,076
Impairment charges	(1,680)
Depreciation and amortization	(667)
Other operating expenses	(15,700)
Operating loss	**(6,915)**
Interest expenses	(1,292)
Other finance cost	(608)
Loss before tax from a discontinued operation	**(8,815)**
Income tax	1,274
Loss for the period from a discontinued operation (financial mediation)	**(7,541)**
Loss on sale of TOV Finasta	**(319)**
Reclassification adjustment for fair value reserve of Finasta Group included in profit (loss)	**(1,145)**
Reclassification adjustment for fair value reserve of Finasta Group included in profit (loss) (deferred tax)	**56**
Gain on sale of Finasta Group	**15,019**
Gain after tax for the period from discontinued operations (financial mediation)	**6,070**

The net cash flows incurred by financial mediation segment are as follows:

	2009
Operating	9,851
Investing	10,101
Financing	(9,997)
Net cash (outflow)/inflow	**9,955**

8 Earnings per share

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

The weighted average number of shares for 2010 and 2009 were as follows:

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

Calculation of weighted average for 2009	Number of shares (thousand)	Par value (LTL)	Issued/366 (days)	Weighted average (thousand)
Shares issued as at 31 December 2008	42,569	1	365/365	42,569
Shares issued as at 31 December 2009	42,569	1	-	42,569

Diluted earnings per share in 2009 are equal to basic earnings per share in the Group. In the Company diluted earnings per share are equal to basic earnings per share in 2010 and in 2009.

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

	Group		Company	
	2010	2009	2010	2009
Net profit (loss), attributable to the equity holders of the parent from continuing operations	31,019	(107,951)	(10,471)	(121,798)
Net profit, attributable to the equity holders of the parent from discontinued operation	11,431	19,355	-	-
Net profit (loss), attributable to equity holders of the parent for basic earnings	42,450	(88,596)	(10,471)	(121,798)
Weighted average number of ordinary shares (thousand)	50,813	42,569	50,813	42,569
Basic earnings (deficit) per share (LTL)	0.84	(2.08)	(0.21)	(2.86)

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

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

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

	Group
Net profit (LTL thousand), attributable to the equity holders of the parent for basic earnings	42,450
Interest on convertible bond, net of tax effect	2,716
Net profit (LTL thousand), attributable to equity holders of the parent for diluted earnings	45,166
Weighted average number of ordinary shares (thousand)	56,881
Diluted earnings(deficit) per share (LTL)	0.79

9 Dividends per share

In 2010 and 2009 dividends were not declared.

10 Property, plant and equipment

Group	Buildings	Machinery and equipment	Vehicles	Construction in progress	Other property, plant and equipment	Total
Cost:						
Balance as at 31 December 2008	32,677	63,989	1,269	11,480	13,010	122,425
Additions	-	1,819	118	59	1,430	3,426
Disposals and write-offs	(5)	(2,165)	(187)	-	(1,634)	(3,991)
Disposals of subsidiaries	-	-	(150)	-	(164)	(314)
Transfers between groups	-	2	-	(2)	-	-
Disposal of Finasta Group	-	-	(10)	-	(4,795)	(4,805)
Transfer to/ from investment properties (Note 11)	(945)	-	-	(11,038)	-	(11,983)
Balance as at 31 December 2009	31,727	63,645	1,040	499	7,847	104,758
Additions	-	1,552	484	126	1,570	3,732
Disposals and write-offs	(17)	(2,399)	(471)	-	(486)	(3.373)
Disposals of subsidiaries	-	-	-	-	(3)	(3)
Transfers between groups	101	47	-	(125)	(23)	-
Acquisition of subsidiaries	630	-	45	-	12	687
Balance as at 31 December 2010	32,441	62,845	1,098	500	8,917	105,801
Accumulated depreciation:						
Balance as at 31 December 2008	11,913	38,546	752	-	5,536	56,747
Charge for the year	1,360	5,717	128	-	1,880	9,085
Disposals and write-offs	(5)	(1,962)	(187)	-	(1,106)	(3,260)
Disposals of subsidiaries	-	-	(52)	-	(100)	(152)
Disposal of Finasta Group	-	-	(3)	-	(1,350)	(1,353)
Transfer to/ from investment properties	(18)	-	-	-	-	(18)
Balance as at 31 December 2009	13,250	42,301	638	-	4,860	61,049
Charge for the year	1,356	5,761	109	-	1,697	8,923
Disposals and write-offs	(12)	(2,266)	(303)	-	(463)	(3,044)
Disposals of subsidiaries	-	-	-	-	(3)	(3)
Transfers between groups	-	30		-	(30)	-
Balance as at 31 December 2010	14,594	45,826	444	-	6,061	66,925
Net book value as at 31 December 2009	**18,477**	**21,344**	**402**	**499**	**2,987**	**43,709**
Net book value as at 31 December 2010	**17,847**	**17,019**	**654**	**500**	**2,856**	**38,876**

10 Property, plant and equipment (cont'd)

Company	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:			
Balance as at 31 December 2008	323	406	729
Additions	-	33	33
Disposals and write-offs	-	(31)	(31)
Balance as at 31 December 2009	323	408	731
Additions	154	20	174
Disposals and write-offs	(323)	(14)	(337)
Balance as at 31 December 2010	154	414	568
Accumulated depreciation:			
Balance as at 31 December 2008	189	229	418
Charge for the year	54	74	128
Disposals and write-offs	-	(27)	(27)
Balance as at 31 December 2009	243	276	519
Charge for the year	33	66	99
Disposals and write-offs	(274)	(14)	(288)
Balance as at 31 December 2010	2	328	330
Net book value as at 31 December 2009	**80**	**132**	**212**
Net book value as at 31 December 2010	**152**	**86**	**238**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2010 amounts to LTL 8,923 thousand and LTL 99 thousand, respectively (in the year 2009 LTL 9,085 thousand and LTL 128 thousand, respectively). Amounts of LTL 8,923 thousand and LTL 99 thousand for the year 2010 (LTL 8,801 thousand and LTL 128 thousand for the year 2009) have been included into operating expenses of continuing operations in the Group's and the Company's income statement, respectively. The remaining amounts have been included into discontinued operations in 2009.

Property, plant and equipment of the Group with a net book value of LTL 23,100 thousand as at 31 December 2010 (LTL 27,434 thousand as at 31 December 2009) was pledged to the banks as a collateral for the loans (Note 22).

There were no borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset for the year 2010 and 2009).

11 Investment properties

	Group	
	2010	**2009**
Balance at the beginning of the year	**263,775**	**326,872**
Additions	746	558
Disposals	(484)	(3,262)
Transfer from construction in progress	-	11,038
Transfer from buildings	-	927
Disposals of subsidiaries	(24,700)	-
Gain from fair value adjustment	8,372	1,075
Loss from fair value adjustment	(7,136)	(73,433)
Balance at the end of the year	**240,573**	**263,775**

Investment properties of the Group include office buildings, warehouses, land and flats. The majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 12,141 thousand in 2010 (LTL 14,689 thousand in 2009). The direct operating expenses arising from investment properties that generated rental income during the year 2010 amounted to LTL 7,603 thousand (LTL 6,696 thousand in 2009).

Investment properties are stated at fair value, which has been determined based on the joint valuations performed by the accredited valuers: independent valuer UAB Verslavita and UAB Inreal (the Group company) as at 31 December 2010 and UAB OBER-HAUS Nekilnojamasis Turtas, UAB Liturta and UAB Inreal as at 31 December 2009. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using the sales comparison approach and income approach method. Sales comparison approach method refers to the prices of the analogues transactions in the market or on the basis of their highest and best use which are subject to uncertainty. The highest and best use concept considers in the valuation not only the existing use but any possible use of the asset, determined from the market evidence. Accordingly, fair value is the highest value by consideration of any use which is financially feasible and justifiable and reasonably probable. Income approach method is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Capitalisation rate used to determine fair value as at 31 December 2010 was 8 - 9 %.

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

In 2009 the real estate object located at Turgaus str. 37, Klaipeda was transferred from construction in progress to investment properties while construction is suspended and future use is undetermined (carrying amount in 2008 was LTL 11,023 thousand, additions during 2009 amounted to LTL 15 thousand, fair value as at 31 December 2009 was LTL 10,000 thousand).

As at 31 December 2010 investment properties with carrying amount of LTL 229,518 thousand (LTL 257,247 thousand as at 31 December 2009) were pledged to the banks as collateral for the loans (Note 22).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2010 and 2009. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end except as stated above.

12 Intangible assets

Group	Contracts	Software	Other intangible assets	Total
Cost:				
Balance as at 31 December 2008	17,911	4,485	84	22,480
Additions	-	379	70	449
Acquisition of subsidiaries	-	-	-	-
Disposals and write-offs	-	-	-	-
Disposals of subsidiaries	-	-	-	-
Disposal of Finasta Group	(7,213)	(3,278)	(54)	(10,545)
Balance as at 31 December 2009	10,698	1,586	100	12,384
Additions	-	277	345	622
Acquisition of subsidiaries	2,497	-	-	2,497
Disposals and write-offs	-	(672)	(9)	(681)
Balance as at 31 December 2010	13,195	1,191	436	14,822
Accumulated amortisation:				
Balance as at 31 December 2008	2,497	1,600	68	4,165
Charge for the year	1,418	278	6	1,702
Disposals and write-offs	-	-	-	-
Disposals of subsidiaries	-	-	-	-
Disposal of Finasta Group	(1,622)	(671)	(53)	(2,346)
Balance as at 31 December 2009	2,293	1,207	21	3,521
Charge for the year	1,227	261	4	1,492
Disposals and write-offs	-	(672)	(9)	(681)
Balance as at 31 December 2010	3,520	796	16	4,332
Net book value as at 31 December 2009	**8,405**	**379**	**79**	**8,863**
Net book value as at 31 December 2010	**9,675**	**395**	**420**	**10,490**

12 Intangible assets (cont'd)

Company	Software	Other intangible assets	Total
Cost:			
Balance as at 31 December 2008	22	2	24
Additions	-	-	-
Disposals and write-offs	(6)	-	(6)
Balance as at 31 December 2009	16	2	18
Additions	15	-	15
Disposals and write-offs	-	-	-
Balance as at 31 December 2010	31	2	33
Accumulated amortisation:			
Balance as at 31 December 2008	17	2	19
Charge for the year	4	-	4
Disposals and write-offs	(6)	-	(6)
Balance as at 31 December 2009	15	2	17
Charge for the year	4	-	4
Disposals and write-offs	-	-	-
Balance as at 31 December 2010	19	2	21
Net book value as at 31 December 2009	**1**	**-**	**1**
Net book value as at 31 December 2010	**12**	**-**	**12**

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

The amortisation charge of the Group's and the Company's intangible assets for the year 2010 amounts to LTL 1,492 thousand and LTL 4 thousand, respectively (in the year 2009 LTL 1,319 thousand and LTL 4 thousand, respectively) and have been included into operating expenses of continuing operations in the Group's and the Company's income statement. The remaining amounts have been included into discontinued operations in 2009.

13 Financial instruments by category

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

13 Financial instruments by category (cont'd)

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2009				
Assets as per statement of financial position				
Investments available-for-sale	2,813	-	-	2,813
Trade and other receivables excluding tax receivables	-	19,716	-	19,716
Financial assets held-for-trade	-	-	10,743	10,743
Current loans granted	-	28,959	-	28,959
Restricted cash	-	5,475	-	5,475
Cash and cash equivalents	-	3,486	-	3,486
Total	**2,813**	**57,636**	**10,743**	**71,192**

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

Group	Financial liabilities at amortised cost	Derivatives used for hedging	Total
31 December 2009			
Liabilities as per statement of financial position			
Borrowings	369,960	-	369,960
Finance lease liabilities	265	-	265
Trade payables	28,679	-	28,679
Derivative financial instruments	-	355	355
Convertible bonds	83,056	-	83,056
Other current payables excluding tax payables and employee benefit payables	7,185	-	7,185
Total	**489,145**	**355**	**489,500**

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

13 Financial instruments by category (cont'd)

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2009				
Assets as per statement of financial position				
Investments available-for-sale	1,817	-	-	1,817
Financial assets held-for-trade	-	-	3,269	3,269
Non-current loans granted		1,092		
Current loans granted	-	78,396	-	79,488
Cash and cash equivalents	-	94	-	94
Total	**1,817**	**79,582**	**3,269**	**84,668**

Company	**31 December 2010**	**31 December 2009**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	185,205	172,896
Trade payables	739	642
Convertible bonds	32,440	83,056
Other current payables excluding tax payables and employee benefit payables	2,222	2,276
Total	**220,606**	**258,870**

14 Financial assets available-for-sale and held-for-trade

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
Available-for-sale				
Ordinary shares – quoted	-	995	-	-
Ordinary shares – unquoted (carried at cost)	1,818	1,818	1,817	1,817
Investment funds	-	-	-	-
	1,818	2,813	1,817	1,817
Less current portion	-	(995)	-	-
Non-current portion	1,818	1,818	1,817	1,817
Held-for-trade				
Ordinary shares	6,934	9,221	-	1,757
Bonds	-	-	-	-
Derivative	1,512	1,512	1,512	1,512
Investment funds	-	10	-	-
	8,446	10,743	1,512	3,269

The fair value of the quoted ordinary shares is determined by reference to published price quotations in the active market The unquoted ordinary shares are measured at cost. The derivative value is determined by using valuation method (Note 3). None of these financial assets is either past due or impaired. The fair value of unquoted ordinary shares has not been disclosed because the fair value cannot be measured reliably. The Company, as a non-controlling shareholder, is getting only limited information about these investments. There is only a limited number of comparable companies in Europe. No liquid market for these securities exists, only small deals are noticed in recent years. The Company intends to dispose of these shares in case majority stake of the company is sold to another investor or if current shareholders will offer attractive price.

15 Loans granted

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

	Group		Company	
	2010	2009	2010	2009
Loans granted to third parties	43,785	23,168	38,947	12,883
Loans granted to related parties	22,974	51,700	79,543	117,624
	66,759	74,868	118,490	130,507
Less: long-term loans	-	-	(1,192)	(1,092)
Less: allowance for impairment to third parties	(38,648)	(18,161)	(35,005)	(10,874)
Less: allowance for impairment to related parties	(5,808)	(27,748)	(8,933)	(40,145)
Total allowance for impairment	(44,456)	(45,909)	(43,938)	(51,019)
	22,303	28,959	73,360	78,396

As at 31 December 2010, the Group and the Company had loans granted to third parties with the maturity term till 2011 (as at 31 December 2009 – till 2010). The major part of impaired loans granted to third parties is overdue and are granted to the companies, which are filled for bankruptcy. The annual interest rate of loans granted to third parties is fixed and varies from 5 % to 11 %. Loans granted to related parties are disclosed in more details in Note 30.

As at 31 December 2010 the Group's and the Company's loans granted at nominal value of LTL 44,487 thousand and LTL 55,479 thousand, respectively, were impaired (as at 31 December 2009 LTL 51,274 thousand and LTL 78,558 thousand, respectively). The net amounts of LTL 31 thousand and LTL 11,541 thousand, respectively, are recognised in the statement of financial position of the Group and the Company (LTL 5,365 thousand and LTL 27,539 thousand in 2009, respectively).

The Group holds collateral with contract value of LTL 463 thousand to secure the granted loans at nominal value of LTL 1,969 thousand.

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

	Individually impaired	
	Group	Company
Balance as at 31 December 2008	25,513	30,102
Charge for the year	21,994	33,788
Disposals of subsidiaries	(952)	-
Write-offs charged against the allowance	(301)	(270)
Recoveries of amounts previously written-off	(345)	(449)
Reclassification of allowance on loans capitalized within share capital of subsidiaries	-	(12,152)
Balance as at 31 December 2009	45,909	51,019
Charge for the year	6,928	5,609
Write-offs charged against the allowance	-	-
Recoveries of amounts previously written-off	(7,706)	(1,926)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	(675)	(10,764)
Balance as at 31 December 2010	44,456	43,938

Changes in allowance for impairment of loans granted for the year 2010 and 2009 have been included within impairment and allowance expenses in the income statement (Note 5.2.). Mainly the reason for the allowance is the drop in prices of constructed residential real estate and valuation losses of investment properties. Considering the economic situation in Latvia, the loans to Latvian companies were impaired to nil.

15 Loans granted (cont'd)

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

		Granted loans past due but not impaired				
	Granted loans neither past due nor impaired	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2010	22,272	-	-	-	-	22,272
2009	23,594	-	-	-	-	23,594

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

		Granted loans past due but not impaired				
	Granted loans neither past due nor impaired	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2010	62,940	71	-	-	-	63,011
2009	51,950	-	-	-	-	51,950

All granted loans neither past due nor impaired as at 31 December 2010 and 2009 have no history of counterparty defaults.

16 Inventories

	Group					
	2010			2009		
	Acquisitions costs	Allowance	Carrying value	Acquisitions costs	Allowance	Carrying value
Raw materials	10,719	(192)	10,527	6,405	(129)	6,276
Work in progress	2,229	-	2,229	2,103	-	2,103
Finished goods	8,039	(30)	8,009	6,596	(58)	6,538
Residential real estate	5,532	-	5,532	43,324	(17,047)	26,277
Goods for resale	1,321	-	1,321	643	-	643
	27,840	(222)	27,618	59,071	(17,234)	41,837

The acquisition cost of the Group's inventories excluding residential real estate accounted for at net realisable value as at 31 December 2010 amounted to LTL 444 thousand (LTL 433 thousand as at 31 December 2009). Changes in the allowance for inventories for the years 2010 and 2009 have been included within impairment and allowance expenses in the income statement (Note 5.2.).

The advance payments received for these apartments as at 31 December 2010 amounted to LTL 50 thousand (31 December 2009: LTL 628 thousand). The Group expects to realise these apartments within 18 months. The acquisition cost of the Group's residential real estate accounted for at net realisable value as at 31 December 2010 amounted to nil (31 December 2009: LTL 32,889 thousand).

As disclosed in Note 22, inventories of the Group with the carrying value of LTL 14,532 thousand as at 31 December 2010 (LTL 36,277 thousand as at 31 December 2009) were pledged to banks as collateral for the loans.

17 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
Trade and other receivables, gross	34,457	20,674	1,622	620
Taxes receivable, gross	2,440	1,415	-	1
Less: allowance for doubtful trade and other receivables	(7,357)	(958)	(620)	(620)
	29,540	21,131	1,002	1

Changes in allowance for doubtful trade and other receivables for the year 2010 and 2009 have been included within impairment and allowance expenses in the income statement (Note 5.2.).

17 Trade and other receivables (cont'd)

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

As at 31 December 2010 the Group's and the Company's trade and other receivables at nominal value of LTL 7,577 thousand and LTL 620 thousand, respectively, were impaired (as at 31 December 2009 LTL 958 thousand and LTL 620 thousand, respectively). The net amounts of LTL 220 thousand and LTL nil, respectively, are outstanding in the statement of financial position of the Group and the Company (nil in 2009).

The Group holds collateral with contract value of LTL 4,000 thousand to secure the trade receivables with nominal value of LTL 3,174 thousand.

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

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2008	807	-
Charge for the year	991	620
Disposals of subsidiaries	(221)	-
Write-offs charged against the allowance	(619)	-
Recoveries of amounts previously written-off		-
Balance as at 31 December 2009	958	620
Charge for the year	6,345	-
Write-offs charged against the allowance	(365)	-
Recoveries of amounts previously written-off	-	-
Acquisition of subsidiaries	419	-
Balance as at 31 December 2010	7,357	620

The ageing analysis of trade and other receivables of the Group as at 31 December 2009 and 2010 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2010	20,111	2,501	572	190	3,506	26,880
2009	16,636	1,519	687	264	610	19,716

The ageing analysis of trade and other receivables of the Company as at 31 December 2009 and 2010 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2010	1,002	-	-	-	-	1,002
2009	-	-	-	-	-	-

Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2010 and 2009 have no history of counterparty defaults. With respect to trade and other receivables that are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group and the Company trades only with recognised, creditworthy third parties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security, except as mentioned above.

18 Cash and cash equivalents

	Group		Company	
	2010	**2009**	**2010**	**2009**
Cash at bank	4,507	3,476	202	94
Cash on hand	24	10	-	-
Cash in transit	161	-	-	-
	4,692	3,486	202	94

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 December 2010 of the Group and the Company is LTL 4,692 thousand and LTL 202 thousand, respectively (LTL 3,486 thousand and LTL 94 thousand, respectively, as at 31 December 2009).

The Group's and the Company's foreign and local currency accounts in banks amounting to LTL 2,706 thousand and LTL 196 thousand as at 31 December 2010 (LTL 1,718 thousand and nil as at 31 December 2009) are pledged to the banks as collateral in relation to the loan, respectively (Note 22).

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Moody's ratings				
Prime-1	2,657	2,916	197	25
Prime-3	5	13	-	-
Not Prime	23	4	-	-
Not rated	1,822	543	5	69
	4,507	3,476	202	94

19 Restricted cash

Major part of restricted cash amounting to LTL 3,389 thousand as of 31 December 2010 (LTL 3,384 thousand as at 31 December 2009) represents the balance of cash received by the Group company AB Invalda Nekilnojamojo Turto Fondas for sold investment properties which were pledged to Nordea Bank Finland Plc Lithuania Branch. The subsidiary has no ability to use these funds except for repayment of the loan and payment of interest. In 2009 the amount of LTL 8,981 thousand was settled as repayment of loan. The remaining amount was deposited in to secure variation in future cash flows.

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

20 Share capital

The total authorised number of ordinary shares is 51,659,758 (as of 31 December 2009: 42,568,849 shares) with a par value of LTL 1 per share (as of 31 December 2009: LTL 1 per share). All issued shares are fully paid.

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

21 Reserves

The movements in legal and other reserves are as follows:

Group	Legal reserve	Reserve for acquisition of own shares	Share based payments reserve	Fair value reserve	Other reserves	Total
As at 31 December 2008	**6,821**	**69,126**	**-**	**(1,576)**	**-**	**74,371**
Net gain on available for sale investments	-	-	-	168	-	168
Net (loss) on cash flow hedge	-	-	-	(39)	-	(39)
Share based payments	-	-	289	-	-	289
Discontinued operation	(437)	-	-	1,314	-	877
Transfer to reserves	146	-	-	-	678	824
As at 31 December 2008	**6,530**	**69,126**	**289**	**(133)**	**678**	**76,490**
Net gain on available for sale investments	-	-	-	(168)	-	(168)
Net (loss) on cash flow hedge	-	-	-	162	-	162
Share based payments	-	-	-	-	-	-
Sales of subsidiaries	(211)	-	-	-	-	(211)
Transfer to reserves (a)	-	18,002	-	-	-	18,002
Transfer from reserves (b)	(5,047)	(69,126)	-	-	-	(74,173)
As at 31 December 2010	**1,272**	**18,002**	**289**	**(139)**	**678**	**20,102**

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

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

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

Fair value reserves

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

Legal reserve

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

Reserve for the acquisition of own shares

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

Share based payments reserve

The share-based payment transactions reserve is used to recognise the value of equity-settled share-based payment transactions provided to key management personnel of information technology segment, as part of their remuneration in 2009. The key management personnel has the right to share option subject to the information technology segment achieving its target of EBITDA for years 2009 – 2012 (year's and accumulated targets are used). For the year 2009 EBITDA target was not reached, but in 2010 the target was reached. The value of share based payments was calculated using binominal method. Expenses of LTL 352 thousand were recognised within "employee benefits expenses" in 2010 (2009: LTL 361 thousand).

22 Borrowings

	Group		Company	
	2010	2009	2010	2009
Non-current:				
Non-current bank borrowings	127,260	24,661	94,350	-
Other borrowings	-	3,500	-	3,500
Borrowings from related parties	-	561	-	561
	127,260	28,722	94,350	4,061
Current:				
Current portion of non-current borrowings	119,062	268,199	-	101,046
Current bank borrowings	51,779	59,265	44,303	46,391
Other borrowings	6,070	11,145	-	2,190
Borrowings from related parties	-	2,629	46,552	19,208
Non-bank deposits	-	-	-	-
	176,911	341,238	90,855	168,835
Total borrowings	304,171	369,960	185,205	172,896

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

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

	Group		Company	
Borrowings denominated in:	2010	2009	2010	2009
EUR	246,511	302,805	137,794	122,985
LTL	57,660	67,155	47,411	49,911
	304,171	369,960	185,205	172,896

22 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
Property, plant and equipment	23,100	27,434	-	-
Investments held-for-trade	4,852	7,021	-	-
Investments into subsidiaries and associates	182,684	162,830	204,392	205,983
Investment properties	229,518	257,247	-	-
Inventories	14,532	36,277	-	-
Cash	2,706	1,718	196	-
Other current assets	4,173	5,463	-	-
Trade receivables	-	296	-	-
Assets held-for-sale	-	1,168	-	1,757
Granted loans	-	7,978	23,091	39,330

In addition to the above, as at 31 December 2010 and 2009 bonds issued between group entities with carrying value of LTL 1,664 thousand (2009: 1,551) and shares of Invalda AB were pledged to the banks as a collateral for the Group loans.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Borrowings	4.86%	5.68%	5.95%	8.83%

As at 31 December 2010 and 2009 some Group entities (real estate business segment) have not complied with certain bank loan covenants. In 2009 the Company has not complied also with certain bank loan covenants.

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

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

23 Finance lease

The assets leased by the Group under finance lease contracts consist of vehicles and other fixtures, fittings, tools and equipment. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The remaining terms of financial lease are from 4 to 59 months. In 2010 the Group has acquired vehicles of LTL 539 thousand (2009: LTL 118 thousand) and other fixtures, fittings tools and equipment of LTL 313 thousand (2009: nil) through finance lease. The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group	
	2010	**2009**
Machinery and equipment	-	144
Other fixtures, fittings, tools and equipment	478	99
Vehicles	349	145
	827	388

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

	Group	
Borrowings denominated in:	**2010**	**2009**
EUR	645	265
LTL	33	-
	678	265

As at 31 December 2010 and 2009 the interest rate on the financial lease liabilities in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin varying from 1.3 % to 4 %. As at 31 December 2010 the interest rate on the financial lease liabilities in LTL are 6-month VILIBOR and the margin 4.5%, but not less 7 %.

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

	Group			
	2010		**2009**	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	270	231	169	162
From one to five years	488	447	113	103
Total financial lease obligations	758	678	282	265
Interest	(80)		(17)	-
Present value of financial lease obligations	678	678	265	265
Financial lease obligations are accounted for as:				
- current		231		162
- non-current		447		103

24 Trade payables

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

25 Provisions

	Group		
	Sale of Finasta Group (Note 3)	Constructor claims	Total
As of 1 January 2009	**-**	**127**	**127**
Changes during the year	1,466	503	1,969
As of 31 December 2009	**1,466**	**630**	**2,096**
Changes during the year	(1,216)	(55)	(1,271)
As of 31 December 2010	**250**	**575**	**825**
Non-current 2010	-	480	480
Current 2010	250	95	345
Non-current 2009	-	480	480
Current 2009	1,466	150	1,616

In 2010 and 2009 Company's statement of financial position provisions include only provision related to sale of Finasta Group.

26 Cash flow hedge

	Group	
	2010	**2009**
Non-current financial liabilities – interest rate swaps (effective hedges)	-	(122)
Current financial liabilities – interest rate swaps (effective hedges)	(163)	(233)
	(163)	(355)

As at 31 December 2010 the Group company UAB Naujoji Švara had an interest rate swap agreement in place with a notional amount outstanding of EUR 1,697 thousand (equivalent of LTL 5,859 thousand) (as at 31 December 2009 EUR 1,754 thousand (equivalent of LTL 6,055 thousand) whereby the Group receives a variable rate equal to 3-month EURIBOR and pays a fixed rate of 4.78 %. The swap is being used to hedge the exposure to the changes in the variable interest rate of UAB Naujoji Švara loan received from Nordea Bank Finland Plc Lithuania Branch.

The cash flow hedges of the expected loan repayments were assessed to be highly effective and a net unrealised loss of LTL 163 thousand with tax assets of LTL 24 thousand (as at 31 December 2009 – 355 LTL thousand with current tax assets of LTL 54 thousand) relating to the hedging instrument is included in the Group equity. The fair value loss of LTL 139 thousand deferred in equity as at 31 December 2010 (LTL 301 thousand as at 31 December 2009) is expected to be released to the consolidated income statement till August 2011 on a quarterly basis when loans repayments are due.

27 Other liabilities

Convertible bonds

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

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

During the General Shareholder Meetings which was held on 30 January 2010 it was decided to change the conditions of convertible bonds and to issue new emission of convertible bonds of LTL 7,440 thousand. After realizing the decision a maturity of convertible bonds of LTL 25,000 thousand was extended until 1 July 2012 and new emission of convertible bonds of LTL 7,440 thousand (maturity - 1 July 2012) was issued. Convertible bonds of LTL 50,000 thousand were converted into the Company's shares (see Note 20).

27 Other liabilities (cont'd)

The liabilities of LTL 32,440 thousand arising from these bonds are classified as non-current liabilities as at 31 December 2010 and the liabilities of LTL 83,056 thousand (par value and accrued interest) are classified as current liabilities as at 31 December 2009.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Financial liabilities				
Dividends payable	2,614	2,873	2,138	2,197
Liability incurred in relation to business combination	401	1,240	-	-
Other amounts payable	1,687	3,072	84	79
	4,702	7,185	2,222	2,276
Non – financial liabilities				
Salaries and social security payable	3,985	2,719	293	144
Tax payable	1,112	2,057	-	-
	5,097	4,776	293	144
Total other current liabilities	9,799	11,961	2,515	2,420
Other non current liabilities				
Non-current financial liabilities	330	-	-	-
Pensions and anniversary obligation	771	-	-	-
Total other long term liabilities	1,101	-	-	-

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

28 Financial assets and liabilities and risk management

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

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

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

28 Financial assets and liabilities and risk management (cont'd)

The Group and the Company also enter or may enter into derivative transactions, such as interest rate swaps and forward currency contracts. The purpose of them is to manage the interest rate and currency risks arising from the operations and its sources of finance. The Company has not used any of derivative instruments so far, as management considered that there is no demand for them. As described in Note 26 the Group uses interest rate swap contracts to manage its cash flows.

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

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

The main risks arising from the financial instruments are cash flow, interest rate risk, liquidity risk, foreign currency risk and credit risk. The risks are identified and disclosed below.

Credit risk

The Group estimates the credit risk separately by the segments. The single furniture production segment has significant concentration of trading counterparties. The main customer of AB Vilniaus Baldai as at 31 December 2010 accounts for approximately 51 % (57 % as at 31 December 2009) of the total Group's trade and other receivables (Note 5). The single customer of real estate sector accounts approximately 10.7 % of the total Group's trade and other receivables (in 2009 it was the subsidiary and the debt was eliminated in full on consolidation).

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables, which are not overdue and not impaired, due to constant control of the Group for receivable balances. Also, in 2010 and 2009 due to worsening of worldwide and Lithuanian economical conditions a decrease in real estate prices was noted. This factor had an impact to some related parties of the Group and Company which had significant investments into real estate. As it is further described in Note 15, this had impact to significant increase in impairment level of loans granted by the Group and the Company.

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

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

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

28 Financial assets and liabilities and risk management (cont'd)

Interest rate risk

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

To manage the interest rate risk the Group's company UAB Naujoji Švara entered into interest rate swap, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge loan from banks Nordea Finland Plc Lithuania Branch (Note 26). The Group and the Company is ready to enter into other interest rate swap agreements if this allows to further mitigate risk.

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

	Increase/decrease in basis points	Group	Company
		Effect on profit before tax	
2010			
EUR	100	(2,442)	(943)
LTL	100	(25)	-
EUR	-200	4,883	1,887
LTL	-200	49	-
2009			
EUR	+100	(2,952)	(1,010)
LTL	+100	(18)	-
EUR	-200	5,903	2,021
LTL	-200	37	-

28 Financial assets and liabilities and risk management (cont'd)

Liquidity risk

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

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

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

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2010 and 2009 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing loans	-	29,008	89,682	236,142	1,302	356,134
Finance lease obligations	-	86	184	488	-	758
Trade and other payables	-	31,075	98	200	160	31,533
Derivative financial instruments and hedge agreements	-	57	108	-	-	165
Other liabilities	2,614	496	863	729	-	4,702
Balance as at 31 December 2010	**2,614**	**60,722**	**90,935**	**237,559**	**1,462**	**396,292**
Interest bearing loans	37,934	37,852	250,754	91,304	55,830	473,674
Finance lease obligations	-	52	117	113	-	282
Trade and other payables	-	27,837	842	-	-	28,679
Derivative financial instruments and hedge agreements	-	63	184	179	-	426
Other liabilities	2,876	1,365	2,944	-	-	7,185
Balance as at 31 December 2009	**40,810**	**67,169**	**254,841**	**91,596**	**55,830**	**510,246**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2010 and 2009 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing loans	-	2,008	98,192	131,938	-	232,138
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	739	-	-	-	739
Other current liabilities	2,138	60	24	-	-	2,222
Balance as at 31 December 2010	**2,138**	**2,807**	**98,216**	**131,938**	**-**	**235,099**
Interest bearing loans	-	2,836	259,571	4,162	-	266,569
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	642	-	-	-	642
Other current liabilities	2,197	79	-	-	-	2,276
Balance as at 31 December 2009	**2,197**	**3,557**	**259,571**	**4,162**	**-**	**269,487**

28 Financial assets and liabilities and risk management (cont'd)

Liquidity risk (cont'd)

Some of the Group's companies did not comply with loans covenants and accordingly such loans were classified as current in statement of financial position of the Group and the Company as at 31 December 2010 and 2009. However, the banks have not demanded for early repayment of these loans. In 2010 one loan was reclassified from non-current to current liabilities because of non-compliance with bank covenants. In the table above these loans are presented according to their contractual maturity terms based on agreements. If these loans are classified as payable on demand, the "On demand" bucket of the Group would increase by LTL 69,430 thousand, "less than 3 months" bucket would decrease by LTL 1,104 thousand, "4 to 12 months" bucket would decrease by LTL 4,273 thousand, "2 to 5 years" bucket would decrease by LTL 71,002 thousand, but the Group agreed with Nordea bank on the extension of financing of the real estate segment in April 2011. The agreement with the bank was changed prolonging repayment terms of borrowings for 3 years (including reclassified loan) and the bank provided indemnify against non-compliance with covenants for the same 3 years.

In 2009 the loans of UAB Broner, UAB Nerijos būstas, UAB Saulės investicija (these subsidiaries were sold in 2010, please see Note 3 for details) in amount of LTL 37,934 thousand were presented within „On demand" bucket and other non-compliant loans were presented according to their contractual maturity terms based on agreements. If all loans, where non-compliance with covenants occurred, are classified as payable on demand in 2009, the "On demand" bucket of the Group would increase by LTL 109,659 thousand, "4 to 12 months" bucket would decrease by LTL 2,077 thousand, "2 to 5 years" bucket would decrease by LTL 61,322 thousand, "more than 5 years" bucket would decrease by LTL 55,274 thousand, but the payments were made according to their contractual maturity terms based on agreements.

The Group's liquidity ratio ((total current assets plus assets of disposal group classified as held-for-sale) / total current liabilities plus liabilities of disposal group directly associated with the assets classified as held-for-sale) as at 31 December 2010 was approximately 0.77 (0.24 as at 31 December 2009), the quick ratio ((total current assets – inventories) / total current liabilities) – 0.32 (0.15 as at 31 December 2009). The Company's liquidity ratio as at 31 December 2010 was approximately 1.07 (0.32 as at 31 December 2009), the quick ratio – 0.81 (0.32 as at 31 December 2009). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes active actions to improve the situation.

In addition, the Group's and the Company's management expects disposing of other non-current assets of the Group and the Company during the year 2011 if reasonable price is proposed, as the Group and the Company always have the assets (the investments, the real estate objects) which are ready and available-for-sale. Proceeds from such sales would be used for settlement of the Group's and the Company's liabilities. However, there are no firm decisions taken yet other than those as disclosed in these financial statements. The Group will continue selling residential real estate in 2011 – cash proceeds will be allocated to reduction of remaining liabilities.

Taking into account the above facts the management of the Group and the Company concludes that the Group's and the Company's liquidity situation is and will be adequately managed.

Foreign exchange risk

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

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

28 Financial assets and liabilities and risk management (cont'd)

Foreign exchange risk (cont'd)

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

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2010			
PLN/LTL	+10 %	(56)	-
USD/LTL	+10 %	(14,494)	(14,467)
SEK/LTL	+10 %	(21)	-
PLN/LTL	-10 %	56	-
USD/LTL	-10 %	13,879	13,852
SEK/LTL	-10 %	21	-
2009			
PLN/LTL	+10 %	(27)	-
USD/LTL	+10 %	(11,743)	(11,715)
PLN/LTL	-10 %	27	-
USD/LTL	-10 %	11,421	11,393

Fair value of financial instruments

The Group's and the Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

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

The carrying amount of the financial assets and financial liabilities of the Group and the Company as at 31 December 2010 and 2009 approximated their book value.

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

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

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

28 Financial assets and liabilities and risk management (cont'd)

Fair value hierarchy

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

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

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

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2009:

	Level 1	Level 2	Level 3	Total balance
Assets				
Held-for-trade securities	9,231	-	-	9,231
Derivatives	-	-	1,512	1,512
Available-for-sale securities	995	-	-	995
Total Assets	10,226	-	1,512	11,738
Liabilities				
Cash flow hedge	-	355	-	-

During the reporting period ending 31 December 2010 and 2009, there were no transfers between Level 1 and Level 2 fair value measurements.

There are not any changes in level 3 instruments for the year ended 31 December 2010.

28 Financial assets and liabilities and risk management (cont'd)

The following table presents the changes in level 3 instruments for the year ended 31 December 2009:

	Available-for-sale	Held-for-trade	Derivatives	Total
Opening balance	760	9,066	1,480	11,306
Gains and losses recognised in profit or loss	-	-	32	32
Disposal subsidiaries	-	(8,208)	-	(8,208)
Transfer to Level 1	(760)	(858)	-	(1,618)
Closing balance	-	-	1,512	1,512
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	-	32	-

Reason for transfer from Level 3 was sale of UAB Finansų spektro investicija and partial recoveries of securities market in Lithuania.

Capital management

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

The Group's and the Company's capital comprise share capital, share premium, reserves and retained earnings.
The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2010 and 2009.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. Due to significant changes in investment property prices, turmoil in financial markets and economic crisis in Lithuania as of 31 December 2010 the 16 subsidiaries (real estate segment – 11, information technology segment – 2, other segment -3) did not comply with the above mentioned requirements (2009: 24; real estate segment – 14, information technology segment – 3, other segment -7) If subsidiaries, based on results of the current year, violate requirements required by laws, according to the order and terms provided for in laws the Company shall apply the appropriate means so that the aforementioned requirements on the capital would be met. It is expected that after the issuance of annual financial statements appropriate measures will be taken in order to increase share capitals of the above mentioned companies capitalising to equity the loans granted by the Company to subsidiaries.

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

29 Commitments and contingencies

Operating lease commitments – Group as a lessee

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

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

In 2010 and 2009, the lease expenses for lease of premises of the Group amounted to LTL 5,502 thousand and LTL 6,063 thousand, respectively. In 2010, other asset lease expenses of the Group and the Company amounted to LTL 2,295 thousand and LTL 246 thousand, respectively (LTL 2,921 thousand and LTL 230 thousand, respectively, in 2009).

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

		Group		Company	
		2010	**2009**	**2010**	**2009**
Within one year					
	- lease of premises	5,063	5,041	-	-
	- other lease	586	1,497	191	240
		5,649	6,538	191	240
From one to five years					
	- lease of premises	22,546	21,789	-	-
	- other lease	579	2,092	121	294
		23,125	23,881	121	294
After five years					
	- lease of premises	9,700	15,520	-	-
	- other lease	-	-	-	-
		9,700	15,520	-	-
		38,474	**45,939**	**312**	**534**
Denominated in:					
- EUR		37,495	44,786	39	127
- LTL		979	1,153	273	407
- Other currencies		-	-	-	-

29 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessor

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

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

		2010	2009
Within one year			
	- non-cancellable	5,617	6,240
	- cancellable	3,909	2,401
		9,526	8,641
From one to five years			
	- non-cancellable	4,242	2,866
	- cancellable	2,051	2,563
		6,293	5,429
After five years			
	- non-cancellable	211	-
	- cancellable	-	3,635
		211	3,635
		16,030	**17,705**

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

		2010	2009
Within one year			
	- non-cancellable	781	45
	- cancellable	5,252	1,612
		6,033	1,657
From one to five years			
	- non-cancellable	612	-
	- cancellable	11,694	5,150
		12,306	5,150
After five years			
	- non-cancellable	-	-
	- cancellable	1,411	1,692
		1,411	1,692
		19,750	**8,499**

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

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

29 Commitments and contingencies (cont'd)

Acquisition of AB Agrowill Group shares

On 21 July 2008 the shareholders of associated company AB Agrowill Group took a decision to increase the share capital from LTL 26,143 thousand to LTL 30,778 thousand by issuing 4,635,045 ordinary shares with a par value of LTL 1 each for the price of LTL 5.80 per share with a total issue price of LTL 26,883 thousand. The shareholders cancelled the priority right to acquire the newly issued shares for all shareholders and approved that 3,090,030 to be acquired by UAB ŽIA Valda and 1,545,015 shares by UAB Finansų Rizikos Valdymas. In 2008 UAB Finansų Rizikos Valdymas signed shares subscription agreement and fully paid for the shares an amount of LTL 8,961 thousand.

In December 2008 UAB ŽIA Valda refused to pay for the subscribed part of the shares and cancelled shares subscription agreement. On 16 December 2008 the management board of AB Agrowill Group decided to increase the share capital only by the shares subscribed and acquired by UAB Finansų Rizikos Valdymas. UAB Finansų Rizikos Valdymas argued this decision and suited a claim to the court. In 2010 the claim was completed by legal peace treaty. UAB Finansų rizikos valdymas has received new shares of AB Agrowill group. In 2010 all owned shares of AB Agrowill Group were sold by the Group to unrelated party.

30 Related party transactions

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

The related parties of the Group in 2010 and 2009 were associates, joint ventures and the Company's shareholders (Note 1) and key management personnel.

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

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

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

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

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

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

2010 Group	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Liabilities to shareholders and management	3,640	10	13,975	-

The maturity of loans granted is 2011, effective interest rate is 6 %,

30 Related party transactions (cont'd)

Transactions of the Group with associates in 2009 and balances as at 31 December 2009 were as follows:

2009 **Group**	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	944	99	12,166	-
Real estate income	503	-	53	-
Roads and bridges construction segment	521	-	245	-
Other	93	-	-	-
	2,061	99	12,464	-

Transactions of the Group with joint ventures in 2009 and balances as at 31 December 2009 were as follows:

2009 **Group**	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	138	593	31,568	3,190
Real estate income	33	10	46	-
Other	8	-	620	-
	179	603	32,234	3,190

Transactions of the Group with other related parties in 2009 and balances as at 31 December 2009 were as follows:

2009 **Group**	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Liabilities to shareholders and management	571	441	7,967	5,847

The maturity of loans granted is 2010, effective interest rate 6.5–13%, for borrowings received maturity is 2010-2011, effective interest rate 8–9 %.

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

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

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

30 Related party transactions (cont'd)

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

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

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

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

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

2010 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Liabilities to shareholders and management	916	2	-	-

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

Transactions of the Company with subsidiaries in 2009 and balances as at 31 December 2009 were as follows:

2009 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	11,763	1,443	74,649	16,579
Real estate income	-	121	-	23
Dividends	9,000	-	-	-
Other	7	85	-	6
	20,770	1,649	74,649	16,608

Transactions of the Company with associates in 2009 and balances as at 31 December 2009 were as follows:

2009 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	944	100	12,165	-

Transactions of the Company with joint ventures in 2009 and balances as at 31 December 2009 were as follows:

2009 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	131	567	31,568	3,190
Other	-	-	620	-
	131	567	32,188	3,190

Transactions of the Company with other related parties in 2009 and balances as at 31 December 2009 were as follows:

2009 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Liabilities to shareholders and management	-	93	-	1,334

30 Related party transactions (cont'd)

The maturity of loans granted is from 2010 till 2017, effective interest rate 6.5–13%, for borrowings received maturity is 2010 - 2011, effective interest rate 5.5–9 %.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash. In 2010 the Company has recognised additional impairment losses in respect of loans due from joint ventures and subsidiaries, amounting to LTL 200 thousand and LTL 5,382 thousand, respectively (LTL 15,429 thousand and LTL 11,503 thousand, respectively in 2009. The Group recognised in 2010 and 2009 the same amount as the Company in respect of the loans granted to joint ventures. As at 31 December 2010 the impairment allowance for Company's loans granted to joint ventures and subsidiaries, amounted to LTL 5,808 thousand and LTL 3,125 thousand, respectively (LTL 27,748 thousand and LTL 12,397 thousand, respectively, in 2009). As at 31 December 2010 and 2009 the impairment allowance for Company's trade receivables from joint ventures amounted to LTL 620 thousand. As at 31 December 2010 the cumulative interest amount, which is not recognised in the financial statements, but is calculated according to the loans' agreements, for Company's loans granted to joint ventures and subsidiaries, amounted to LTL 30 thousand and 1,362 thousand (nil and LTL 759 thousand, respectively, in 2009). The impairment allowance was reduced due to capitalization of loan to increased share capital and disposal of subsidiaries and joint ventures. Doubtful debts assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management compensation and other payments

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

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
Wages, salaries and bonuses	1,935	1,776	771	831
Social security contributions	611	550	250	257
Share-based payments	164	169	-	-
Total key management compensation	2,710	2,495	1,021	1,088

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2010 and 2009 dividends were not paid.

31 Events after the reporting period

UAB Lauko gėlininkystės bandymų stotis

On 4 January 2011 the Group acquired 51 % of shares of UAB Lauko gėlininkystės bandymų stotis for LTL 911 thousand (all amount paid in cash) from Valstybės turto fondas (the State Property Fund which is the operator of the government owned shares). The acquiree operates in field of growing and trading of ornamental trees and shrubs. Operations of the company acquired are meant to be continued also developing the owned real estate. Acquisition-related cost was equal to nil.

Based on a preliminary assessment, the fair values of the identifiable assets and liabilities of UAB Lauko gėlininkystės bandymų stotis at the acquisition date were:

	Fair values
Property, plant and equipment	1,433
Inventories	531
Trade receivables	11
Other current assets	29
Cash	275
Total assets	**2,279**
Current liabilities	(82)
Total liabilities	**(82)**
Net assets	2,197
Non-controlling interests	(1,077)
Acquired net assets	**1,120**
Profit from bargain purchases	**(209)**
Purchase consideration transferred	**911**

Tiltra Group AB and AB Kauno Tiltai

On 18 November 2010 AB Invalda , the Tiltra Group AB and AB Kauno Tiltai (further – Tiltra Group) and their shareholders, and Polish company Trakcja Polska S. A. and Comsa Emte group (Spain) entered into Agreement regarding merger of activities of Trakcja Polska and Tiltra Group. As disclosed in Note 7, the Agreement should have expired in the event that transaction completion has not occurred on or prior to 31 March 2011. The transaction was not closed by this date, therefore the above-mentioned Agreement has expired.

Extension of maturity of loans

The Group has agreed with Nordea bank on the extension of current financing of the real estate segment in April 2011. Current loans, which mature in 2011 (the total amount of loans is LTL 122,206 thousand), were extended for 3 years and the bank provided indemnify against non-compliance with covenants for the same period.