UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
ANNUAL AND INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2007

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. 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 our report takes precedence over this translation.

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Translation note

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Independent auditor's report

To the Shareholders of Utenos trikotažas AB

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Utenos trikotažas AB and its subsidiaries ('the Group') and the financial statements of Utenos trikotažas AB ('the Company') set out in pages 5 - 59 which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, 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 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.

Basis for Qualified Opinion - departure from accounting policies

As discussed in Note 15 to the accompanying financial statements, as at 31 December 2007 the Group and the Company (as at 31 December 2006: the Group) were not in compliance with certain debt covenants which permitted the lender to demand immediate repayment of borrowings totalling LTL 47,378 thousand and LTL 37,230 thousand respectively (as at 31 December 2006: LTL 12,075 thousand). In our opinion, the classification of part of the borrowings as non-current is not in line with *IAS 1 Presentation of Financial Statements* which requires the liability to be classified as current at the balance sheet date unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Consequently, non-current borrowings should be reduced and current borrowings should be increased by LTL 32,164 thousand and LTL 26,743 thousand for the Group and the Company respectively as at 31 December 2007 (as at 31 December 2006: LTL 7,331 thousand).

Basis for Qualified Opinion - scope limitation

Accounts receivable of the Group amounting to LTL 15,367 thousand as at 31 December 2007 includes doubtful receivables amounting to LTL 440 thousand for which no impairment was recognised. *IAS 39 Financial instruments: Recognition and Measurement* requires accounts receivable to be stated at amortised cost using the effective interest method, less provision for impairment. There were no practical audit procedures that we could apply to enable us to obtain reasonable assurance about the correctness of the carrying amount of accounts receivable reported in the balance sheet as of 31 December 2007. Adjustment, if any, as might have been determined to be necessary, would affect the Group's total assets and shareholder's equity as at 31 December 2007, and the result of its operations for the year then ended.

The consolidated financial statements of the Group as at 31 December 2005 included net assets in the amount of LTL (398) thousand relating to the wholly-owned subsidiary ZAO UTP Ukraine, which as described in Note 26 to the accompanying financial statements was disposed as a part of Effigy UAB subgroup in January 2006. The financial statements of this subsidiary were not audited in accordance with International Standards on Auditing. Consequently, we were not able to determine whether any adjustments to the carrying amount might have been necessary had the audit been performed. Adjustments, if any, to the amount would have an impact on the gain on disposal of subsidiary amounting to LTL 436 thousand recognised in the income statement of the Group for the year ended 31 December 2006.

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion - departure from accounting policies* paragraph, and except for the possible effects of the matters described in the *Basis for Qualified Opinion - scope limitation* paragraphs, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2007 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2007 set out on pages 60– 91 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2007.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner
Vilnius, Republic of Lithuania
17 April 2008

Radzevičienė
Rasa Radzevičienė
Auditor's Certificate No. 000377

Balance sheets

	Notes	Group		Company	
		As of 31 December		As of 31 December	
		2007	2006	2007	2006
ASSETS					
Non-current assets					
Intangible assets	6				
Goodwill		4,286	2,523	-	-
Other intangible assets		312	451	139	155
Prepayments for intangible assets		1,042	716	1,042	716
Total intangible assets		5,640	3,690	1,181	871
Property, plant and equipment	7				
Land and buildings		9,390,	9,023	4,681	4,617
Structures		572	476	272	303
Vehicles and other property, plant and equipment		36,190	39,128	23,816	25,500
Construction in progress and prepayments		564	4,272	414	2,474
Total property, plant and equipment		46,716	52,899	29,183	32,894
Investment property	8	5,580	5,651	5,580	5,651
Non-current financial assets					
Investments into subsidiaries	9	-	-	12,753	10,742
Receivables from related parties	28		1,050	-	-
Trade and other receivables		40	117		73
Total non-current financial assets		40	1,167	12,753	10,815
Deferred income tax asset	23	185	428	248	206
Total non-current assets		**58,161**	**63,835**	**48,945**	**50,437**
Current assets					
Inventories and prepayments					
Inventories	10	19,350	21,678	15,828	12,451
Prepayments		336	406	243	288
Total inventories and prepayments		19,686	22,084	16,071	12,739
Trade and other accounts receivable					
Trade receivables	11	15,367	17,178	11,756	12,215
Receivables from subsidiaries	28	-	-	10,787	7,439
Receivables from other related parties	28	3,320	6,546	2,220	5,354
Prepaid income tax		2,123	1,228	2,092	1,227
Other taxes receivable		2,905	2,944	747	870
Other receivables		10	53		
Total accounts receivable		23,725	27,949	27,602	27,105
Other current assets		156	142	77	74
Cash and cash equivalents	12	645,	1,526	101	873
Total current assets		**44,212**	**51,701**	**43,851**	**40,791**
Total assets		**102,373**	**115,536**	**92,796**	**91,228**

Balance sheets (cont'd)

	Notes	Group		Company	
		As of 31 December		As of 31 December	
		2007	2006	2007	2006
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	13	19,834	19,834	19,834	19,834
Reserves					
Foreign currency translation reserve		(54)	(203	-	-
Other reserves	14	1,983	1,983	1,983	1,983
Total reserves		1,929	1,780	1,983	1,983
Retained earnings (deficit)		(3,766)	11,959	3,969	13,586
		17,997	**33,573**	**25,786**	**35,403**
Minority interest		**852**	**1,084**	**-**	**-**
Total equity		**18,849**	**34,657**	**25,786**	**35,403**
LIABILITIES					
Non-current liabilities					
Borrowings	15	38,543	31,654	33,102	24,280
Total non-current liabilities		**38,543**	**31,654**	**33,102**	**24,280**
Current liabilities					
Borrowings	15	20,057	18,307	12,738	10,649
Trade and other payables					
Trade payables		15,093	20,485	12,950	12,789
Payables to subsidiaries	28	-	-	547	9
Payables to other related parties	28	569	458	486	343
Income tax payable		8	81	-	-
Other taxes payable		388	711	213	349
Accrued charges and other current liabilities	16	8,866	9,183	6,974	7,406
Total trade and other payables		24 924	30,918	21,170	20,896
Total current liabilities		**44,981**	**49,225**	**33,908**	**31,545**
Total liabilities		**83,524**	**80,879**	**67,010**	**55,825**
Total equity and liabilities		**102,373**	**115,536**	**92,796**	**91,228**

The notes on pages 12 to 59 form an integral part of these financial statements.

These financial statements were approved by General Manager and Head of Finance on 16 April 2008.

General Manager	Gintaras Pileičikas	
Head of Finance	Darius Varnas	

Income statements

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2007	2006	2007	2006
Revenue	5,17	137,541	163,274	114,751	124,810
Cost of sales	18	(121,488)	(138,342)	(102,102)	(102,788)
Gross profit		**16,053**	**24,932**	**12,649**	**22,022**
Selling expenses	19	(3,695)	(4,166)	(2,833)	(3,017)
General and administrative expenses	19	(15,013)	(14,552)	(9,844)	(9,485)
Other income (expenses), net	20	595	1,618	585	668
Operating profit (loss)		**(2,060)**	**7,832**	**557**	**10,188**
Finance cost, net	21	(5,715)	(3,403)	(2,289)	(1,648)
Profit (loss) before income tax		**(7,775)**	**4,429**	**(1,732)**	**8,540**
Income tax expense	23	(248)	(2,335)	49	(2,088)
Profit (loss) for the year		**(8,023)**	**2,094**	**(1,683)**	**6,452**
Attributable to:					
Equity holders of the Company	24	(7,791)	2,374	(1,683)	6,452
Minority interest		(232)	(280)	-	-
		(8,023)	**2,094**	**(1,683)**	**6,452**
Basic and diluted earnings (loss) per share for profit (loss) attributable to the equity holders of the Company (in LTL)	24	(0.39)	0.12	-	-

The notes on pages 12 to 59 form an integral part of these financial statements.

Statements of changes in equity

		Equity attributable to the equity holders of the Company						
Group	Notes	Share capital	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance as of 1 January 2006		19,834	(84)	1,983	13,552	35,285	1,206	36,491
Currency translation differences – recognised directly in equity			(119)	-	-	(119)	-	(119)
Net profit (loss) for the year		-	-	-	2,374	2,374	(280)	2,094
Total recognised income and expenses for 2006		-	(119)	-	2,374	2,255	(280)	1,975
Dividends paid	14, 25	-	-	-	(3,967)	(3,967)		(3,967)
Contributions by minority shareholders		-	-	-			158	158
Balance as of 31 December 2006/ 1 January 2007		19,834	(203)	1,983	11,959	33,573	1,084	34,657
Currency translation differences – recognised directly in equity		-	149	-	-	149	-	149
Net profit (loss) for the year		-	-	-	(7,791)	(7,791)	(232)	(8,023)
Total recognised income and expenses for 2007		-	149	-	(7,791)	(7,642)	(232)	(7,874)
Dividends paid	14, 25	-	-	-	(7,934)	(7,934)	-	(7,934)
Balance as of 31 December 2007		19,834	(54)	1,983	(3,766)	17,997	852	18,849

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Other reserves	Retained earnings	Total
Balance as of 1 January 2006		19,834	1,983	11,101	32,918
Dividends paid	14, 25	-	-	(3,967)	(3,967)
Net profit for the year – **total recognised income and expenses for 2006**		-	-	6,452	6,452
Balance as of 31 December 2006/ 1 January 2007		19,834	1,983	13,586	35,403
Dividends paid	14, 25	-	-	(7,934)	(7,934)
Net profit (loss) for the year – **total recognised income and expenses for 2007**		-	-	(1,683)	(1,683)
Balance as of 31 December 2007		19,834	1,983	3,969	25,786

The notes on pages 12 to 59 form an integral part of these financial statements.

Cash flow statements

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2007	2006	2007	2006
Cash flows from operating activities					
Net profit for the year		(8,023)	2,094	(1,683)	6,452
Adjustments for non-cash items:					
Gain on disposal of subsidiary	20	-	(436)	-	-
Depreciation and amortisation	6,7,8	9,172	8,937	6,316	5,953
Reversal of impairment of property, plant and equipment and investment property	19	(128)	(698)	(128)	(698)
Gain on disposal of property, plant and equipment	20	(61)	(705)	(85)	(220)
Write-off of property, plant and equipment		82	9	-	2
Impairment and write-off of inventories		1,258	93	557	5
Impairment and write-off of accounts receivable		48	(163)	20	(10)
Interest income	21	(79)	(176)	(216)	(121)
Interest expenses	21	3,308	2,150	2,260	1,416
Foreign exchange loss on borrowings and non-current assets		2,038	785	-	-
Income tax expense	23	248	2,335	(49)	2,088
Changes in working capital:					
Decrease (increase) in inventories		1,069	(639)	(3,935)	1,920
Decrease (increase) in trade receivables		1,763	(7,382)	439	(6,013)
Decrease (increase) in receivables from subsidiaries		-	-	-	(1,000)
Decrease (increase) in other receivables and other current assets		4,491	(1,855)	3,372	(2,988)
Increase in trade and other accounts payable		(5,281)	9,189	342	3,539
(Decrease) increase in taxes payable and other current liabilities		(640)	600	(568)	(17)
Cash generated from operations		9,265	14,138	5,642	12,403
Income tax paid		(973)	(1,943)	(858)	(1,898)
Net cash flows from operating activities		**8,292**	**12,195**	**4,784**	**10,505**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(4,326)	(13,364)	(2,552)	(1,256)
Acquisition of intangible assets		(387)	(524)	(375)	(237)
Proceeds from sale of non-current assets		74	2,426	297	1,173
Acquisition of subsidiaries, net of cash acquired (in the Group)		(2,011)	-	(2,011)	-
Disposals of subsidiaries, net of cash disposed (in the Group)	26	-	(507)	-	9
		-	-	(2,348)	-
Interest received		80	176	216	121
Net cash flows used in investing activities		**(6,570)**	**(11,793)**	**(6,773)**	**(190)**

Cash flow statements (cont'd)

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2007	2006	2007	2006
Cash flows from financing activities					
Cash flows related to the Company's shareholders					
Dividends paid		(7,934)	(3,967)	(7,934)	(3,967)
		(7,934)	(3,967)	(7,934)	(3,967)
Cash flows related to other sources of financing					
Proceeds from borrowings		20,691	17,283	21,116	4,000
Repayment of borrowings		(12,052)	(11,969)	(9,705)	(8,960)
Contributions by minority shareholders		-	158	-	-
Interest paid		(3,308)	(2,150)	(2,260)	(1,416)
		5,331	3,322	9,151	(6,376)
Net cash flows used in financing activities		**(2,603)**	**(645)**	**1,217**	**(10,343)**
Net decrease in cash and cash equivalents		**(881)**	**(243)**	**(772)**	**(18)**
Cash and cash equivalents at the beginning of the year	12	**1,526**	**1,790**	**873**	**891**
Foreign exchange effect on the balance of cash and cash equivalents		**-**	**(21)**	**-**	**-**
Cash and cash equivalents at the end of the year	12	**645**	**1,526**	**101**	**873**

The notes on pages 12 to 59 form an integral part of these financial statements.

Notes to the financial statements

1. General information

Utenos Trikotažas AB (hereinafter "the Company") is a joint-stock company registered in the Republic of Lithuania on 6 December 1994. The address of its registered office is as follows:

Basanavičiaus g. 122,
Utena,
Lithuania

The Company is engaged in production of knitted articles.

The shares of Utenos Trikotažas AB are listed on the Official List of the National Stock Exchange.

As of 31 December 2007 and 2006 the shareholders of the Company were as follows:

	2007		2006	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	9,445	47.62	9,475	47.77
Investment Fund *Amber Trust*	2,700	13.61	3,000	15.13
East Capital Asset	2,109	10.63	2,034	10.26
Employees of the Company	325	1.64	398	2.00
Other shareholders	5,255	26.50	4,927	24.84
	19,834	100.00	19,834	100.00

In 2007, the average number of employees of the Company was 944 (2006: 999).

The consolidated group (hereinafter "the Group") consists of the Company and the following subsidiaries:

	Registered address	Group's share (%) as of 31 December 2007	2006	Profile of activities
Šatrija AB	Vilniaus g. 5, Raseiniai	89.78	89.78	Sewing of clothes
Gotija UAB	Laisvės pr. 33, Kaunas	90.50	90.50	Retail trade
OAO MTF Mrija	Motroso g. 13, Mukačiov, Ukraine	98.95	91.85	Production of knitted articles

In 2007, the average number of employees of the Group was 1,916 (2006: 1,969).

The shareholders of the Company have the statutory right to amend the financial statements subsequent to the issue date.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

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

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, amendments and interpretations effective in 2007:
IFRS 7, *Financial Instruments: Disclosure* (effective for annual periods beginning on or after January 2007), and the complementary Amendments to IAS 1, *Presentation of Financial Statements – Capital Disclosure* were adopted by the Group and the Company in 2007. IFRS 7 introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures have been made in these financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant to the Group's and the Company's operations:
The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Company's and the Group's operations:

- IFRS 4, *Insurance Contracts.*
- IFRIC 7, *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies.*
- IFRIC 8, *Scope of IFRS 2.*
- IFRIC 9, *Reassessment of Embedded Derivatives.*
- IFRIC 10, *Interim Financial Reporting and Impairment.*

(c) Standards, amendments and interpretations that have been published but as at 31 December 2007 are not yet effective and have not been early adopted:

- IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The Group and the Company will adopt this standard starting from 1 January 2007, however, it is not expected to have significant effect on the Group's and the Company's financial statements.
- IAS 23, *Borrowing Costs* (effective from 1 January 2009). The Group and the Company will adopt this standard starting from 1 January 2007, and their current accounting policies relating to borrowing costs will be amended accordingly.
- IAS 27, *Consolidated and Separate Financial Statements* (revised in January 2008 and effective for annual periods beginning on or after 1 July 2009).
- IFRS 3, *Business Combinations* (revised in January 2008 and effective for business combinations wherein the acquisition date is the first annual period beginning on or after 1 July 2009) will have no significant effect on the Company's and the Group's financial statements.
- Vesting Conditions and Cancellations – Amendment to IFRS 2, *Share-based Payment* (issued in January 2008 and effective for annual periods beginning on or after 1 January 2008) will have no significant effect on the Company's and the Group's financial statements.
- IFRS 8, *Operating Segments* (effective from 1 January 2009).
- IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007). Management believe this Standard will have no significant effect on the Company's and the Group's financial statements.
- IFRIC 12, *Service Concession Arrangements* (effective from 1 January 2007). Management believe this IFRIC is not relevant to the Group's and the Company's operations.
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). This interpretation is not relevant to the Group or the Company.
- IFRIC 14, *IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirement and Their Interaction* (effective for annual periods beginning on or after 1 January 2008). Management believe this IFRIC is not relevant to the Group's and the Company's operations.
- *Financial Instruments and Liabilities Arising on Liquidation* – IAS 32 and IAS 1 (Amendment), effective from 1 January 2009. Management believe this Standard will have no significant effect on the Company's and the Group's financial statements.

IFRIC 12, 13, 14, Amendments to IAS 1, 23, 27 and 32, amended IFRS 2 and revised IFRS 3 have not yet been endorsed by the European Union.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries in the Company's stand-alone financial statements are accounted for at cost – that is the income from the investment is recognized only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in the litas (LTL), which is the Company's functional and presentation currency.

The litas has been pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment (Note 2.8) and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (3 to 5 years).

Costs that are directly associated with the development of identifiable and unique software products controlled by the Company and the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (2 to 5 years).

2.6 Property, plant and equipment

Property, plant and equipment is carried at historical cost, less subsequent accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 – 80 years
Structures	4 – 25 years
Motor vehicles	4 – 7 years
Other property, plant and equipment	2 – 20 years

2.6 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.8). Impairment of property, plant and equipment as well as reversals of impairment during the year are included into general and administrative expenses caption in the income statement.

Borrowing costs are expensed when incurred.

Construction in progress is transferred to appropriate groups of property, plant and equipment when it is completed and available for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

2.7 Investment property

Property held for long-term rental yields or capital appreciation or both and which is not occupied by the Company and the Group is classified as investment property. Investment property comprises freehold land and buildings.

Investment property is stated at historical cost, less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Buildings are depreciated over their expected useful life of 40 to 70 years using the straight–line method to write off the cost of each asset to its residual value. Depreciation of investment property is included into other income (expenses) caption in the income statement.

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.8). Impairment of investment property as well as reversals for the year are included into general and administrative expenses in the Company's and Group's income statement.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit from operations.

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.9 Financial assets

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other amounts receivable' in the balance sheet (Note 2.11).

Loans and receivables are carried at amortised cost using the effective interest method. The Company and the Group assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other amounts receivables is described in Note 2.11.

(b) Investments in subsidiaries
The Company's investments in subsidiaries are stated at cost less impairment.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Trade and other amounts receivable

Amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amounts receivables is established when there is objective evidence that the Company or the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the amounts receivable have impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When an amount receivable is uncollectible, it is written off against the allowance account for amounts receivable. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

(a) Ordinary shares

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

(b) Treasury shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is recognised in the income statement on the sale, issuance, or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

2.14 Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries. Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding assets, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

(b) Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. These reserves can be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. Legal reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5 per cent of net result are required until the reserve reaches 10 per cent of share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

(c) Reserve for acquisition of treasury shares

This reserve is maintained as long as the Company and the Group is involved in acquisition/disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the nominal value of treasury shares acquired.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

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

Borrowings are classified as current liabilities unless the Company or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Income tax

(a) Current income tax

The Group companies are taxed individually irrespective of the overall results of the Group.

Income tax expense reported in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and the Republic of Ukraine.

Starting from 1 January 2002 income tax rate applied to the Company and its subsidiaries operating in Lithuania is 15%. On 1 January 2006 the Provisional Law on Social Tax came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax the entities will have to pay an additional tax of 4% calculated on the same basis as corporate income tax for one financial year starting from 1 January 2006 and a tax of 3% for one financial year starting from 1 January 2007. Subsequent to 2007, the corporate income tax rate applied to the companies in the Republic of Lithuania will be standard, i.e. 15%. Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and / or derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and / or derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature. Till 1 January 2002, the companies also applied an investment allowance, which entitled them to expense immediately the acquisition costs of property, plant and equipment for corporate profit tax calculation purposes, however, depreciation expenses subsequently charged on these assets were treated as not tax-deductible. Corporate income tax rate in Ukraine is 25%.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Leases

(a) Finance lease - where the Company or the Group is the lessee

Leases of property, plant and equipment where the Company or the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

(b) Operating lease - where the Company or the Group is the lessee or the lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Payments received under operating leases (net of any incentives given to the lessee) are credited to the income statement on a straight-line basis over the period of the lease. Properties (land and buildings) leased out under operating leases are included in investment property in the balance sheet (Note 2.7).

2.19 Employee benefits

(a) 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 staff costs.

(b) 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 or 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 the balance sheet date are discounted to present value.

2.19 Employee benefits (continued)

(c) Bonus plans

The Company or 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.

2.20 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company or the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expected expenditures to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's and the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

(a) Sales of goods

Revenue from sales of goods is recognised only when substantially all risks and benefits arising from ownership of goods are transferred to the customer and amount of revenue can be estimated reliably.

(b) Sewing services

Revenue from sewing services is recognised when the service has been completed.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company or the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Revenue recognition (continued)

(e) Rental income

Payments received under operating leases (net of any incentives given to the lessee) are credited to the income statement on a straight-line basis over the period of the lease (Note 2.18).

2.22 Dividend distribution

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

2.23 Earnings per share

Basic earnings per share are calculated by dividing net profit attributed to the equity holders of the Company from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Group and held as treasury shares.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group.

Risk management is carried out by the Group's management. Overall risk management principles have not been prepared in writing.

3.1 Financial risk factors (continued)

Financial instruments by category

Accounting policies of financial instruments were applied to the following items:

	Group				Company			
	31 December 2007		31 December 2006		31 December 2007		31 December 2006	
	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total
On-balance sheet items of assets								
Non-current amounts receivable from related parties	-	-	1,050	1,050	-	-	-	-
Non-current trade and other amounts receivable	40	40	117	117	-	-	73	73
Trade receivables	15,367	15,367	17,178	17,178	11,756	11,756	12,215	12,215
Amounts receivable from subsidiaries	-	-	-	-	10,787	10,787	7,439	7,439
Amounts receivable from other related parties	3,320	3,320	6,546	6,546	2,220	2,220	5,354	5,354
Other amounts receivable	10	10	53	53	-	-	-	-
Cash and cash equivalents	645	645	1,526	1,526	101	101	873	873
	19,382	19,382	26,470	26,470	24,864	24,864	25,954	25,954

3.1 Financial risk factors (continued)

	Group				Company			
	31 December 2007		31 December 2006		31 December 2007		31 December 2006	
	Other financial liabilities	Total	Other financial liabilities	Total	Other financial liabilities	Total	Other financial liabilities	Total
On-balance sheet items of liabilities								
Borrowings	58,600	58,600	49,961	49,961	45,840	45,840	34,929	34,929
Trade payables	15,093	15,093	20,485	20,485	12,950	12,950	12,789	12,789
Amounts payable to subsidiaries	-	-	-	-	547	547	9	9
Amounts payable to other related parties	569	569	458	458	486	486	343	343
Accrued charges and other current liabilities	8,866	8,866	9,183	9,183	6,974	6,974	7,406	7,406
	83,128	83,128	80,087	80,087	66,797	66,797	55,476	55,476

(a) Market risk

(i) Foreign exchange risk
The Group operates internationally, however, its exposure to foreign exchange risk is insignificant since only a minor part of the Group's transactions are carried out in currencies other than LTL or EUR. Purchase and sale transactions carried out in the euros do not expose the Company to foreign exchange risk as the litas has been pegged to the euro at a fixed exchange rate.

The Group is exposed to foreign exchange risk due to the borrowings of its subsidiary OAO MTF Mrija that are denominated in the euros. UAH strengthening/weakening by 5% against the euro (with all other variables remaining stable) as at 31 December 2007 would increase/reduce the Group's net loss by LTL 507 thousand (2006: LTL 602 thousand) due to change in foreign exchange rates of borrowings from banks.

(ii) Price risk
The Company and the Group are not exposed to price risk of financial instruments since they do not possess any material financial instruments that could be sensitive to such risk.

3.1 Financial risk factors (continued)

(iii) Cash flow and fair value interest rate risk

The Group and the Company are exposed to interest rate risk primarily in connection with interest-bearing loans granted to subsidiaries and related parties, and long-term borrowings. Borrowings with variable interest rates expose the Group to cash flow interest rate risk. Loans granted with fixed interest rates expose the Group to fair value interest rate risk. Loans granted by the Group in 2007 and 2006 with fixed interest rates were denominated in the litas and the euros. Borrowings with variable interest rates of the Group in 2007 and 2006 were denominated in LTL, EUR and UAH.

The Group analyses its interest rate exposure on an annual basis. The Group calculates the impact on profit and loss by multiplying year-end balances of interest-bearing loans, borrowings and finance lease payables by the defined interest rate shift according to their interest repricing maturities.

Based on the simulations performed, the impact on the Group's post-tax profit of a 0.5 per cent increase/decrease in interest rates would be a maximum decrease/increase of LTL 31 thousand (2006: LTL 32 thousand), respectively, and the impact on the Company's post-tax profit of a 0.5 per cent increase/decrease in interest rates would be a maximum decrease/increase of LTL 37 thousand (2006: LTL 25 thousand), respectively, mainly as a result of higher/lower interest expense on borrowings and loans granted.

(b) Credit risk

Credit risk arises from cash balances at bank, loans granted and trade receivables.

i) Concentration risk

The Group's exposure to credit risk is concentrated to loans granted and trade receivables from its related parties.

The table below shows the credit risk concentration.

	Group		Company	
	2007	2006	2007	2006
Non-current amounts receivable from related parties (Note 28)	-	1,050	-	-
Trade receivables from related parties (Note 28)	2,220	5,446	9,554	11,751
Loans granted to related parties (Note 28)	1,100	1,100	3,453	1,042
Trade receivables from other parties (Note 15)	15,367	17,178	11,756	12,215
Total loans and trade receivables	18,687	24,774	24,763	25,008

3.1 Financial risk factors (continued)

ii) Maximum exposure to credit risk

The table below summarises all credit risk exposures relating to on-balance sheet items of the Group. Maximum exposure to credit risk before collateral held or other credit enhancements:

	Group		Company	
	2007	2006	2007	2006
Cash and cash equivalents at bank	572	1,443	47	841
Loans and amounts receivable	18,687	24,774	24,763	25,008
Other amounts receivable and taxes receivable	2,915	2,997	747	870
Non-current amounts receivable	40	117	-	73
Total	**22,214**	**29,331**	**25,557**	**26,792**

iii) Credit quality of financial assets

The Group chooses the banks and financial institutions with a Fitch rating not lower than D.

The credit quality of trade customers is assessed in view of their financial position, history of co-operation with them and other facts. Credit insurance company defines individual credit limits based on the assessment of risk of each trade customer. The application of credit limits is continuously monitored by the Group's management.

The table below summarises the credit limits established for, and year-end balances of amounts receivable from seven major trade customers.

Group (excluding the Company's customers)	31 December 2007		31 December 2006	
	Credit limit	Amount receivable	Credit limit	Amount receivable
Cosalt Ballyclare Limited	900	1,057	900	999
J.Lindeberg	1,000	481	1,000	697
Johnson Clothing Ltd	2,000	262	1,000	1,601
Taiga AB	600	395	600	103
Uniform Clothing Solutions	150	403	-	3
Musto Ltd	200	144	200	145
Ala Carte Identity Clothing AB	250	100	250	116

Company	31 December 2007		31 December 2006	
	Credit limit	Amount receivable	Credit limit	Amount receivable
Promiles Decathlon	2,417	1,403	2,417	1,011
Industria de diseno textil	4,005	91	4,005	877
Hennes & Mauritz AB	4,005	1,546	4,005	706
Kappal AB	2,003	1,526	2,003	1,421
French Connection Limited	2,417	219	2,417	862
Remei	501	1,556	501	561
Brantex A/S	691	2 35	691	536

3.1 Financial risk factors (continued)

As at 31 December 2007 and 2006, the credit limits established for certain customers of the Group and the Company were exceeded, however, in the opinion of the Group's management, this fact did not result in significant credit exposure for the Group or the Company because the credit limits were exceeded for those customers who dully fulfilled their obligations in the past. Moreover, most of the Group's and the Company's amounts receivable are covered with insurance.

The Company's trade receivables amounting to LTL 10,071 thousand as at 31 December 2007 (31 December 2006: LTL 12,215 thousand) are insured against insolvency of debtors with insurance companies Atradius Sweden and Euler Hermes Services Baltic UAB for the recoverable amount of LTL 12,132 thousand (31 December 2006: LTL 12,132 thousand).

The Group's trade receivables amounting to LTL 13,687 thousand as at 31 December 2007 (31 December 2006: LTL 17,178 thousand) are insured against insolvency of debtors with insurance companies Atradius Sweden, Euler Hermes Kreditcersicherung and Euler Hermes Services Baltic UAB for the recoverable amount of LTL 47,132 thousand (31 December 2006: LTL 39,332 thousand).

The credit quality of financial assets that are neither past due nor impaired can be assessed considering independent credit ratings (if any) or historical data on their performance.

(i) Trade receivables – trade customers with no independent rating

	Group		Company	
	2007	2006	2007	2006
New trade customers (up to 12 months)	6,097	9,516	5,578	9,422
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	12,590	14,208	19,185	15,586
Total trade receivables:	18,,687	23,724	24,763	25,008

(ii) Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
A*	538	1,188	24	824
No rating	34	255	23	17
Total:	572	1,443	47	841

*- independent ratings established by Fitch agency.

No financial assets that were neither past due nor impaired were re-negotiated last year.

The Group's other taxes receivable as at 31 December 2007 comprised VAT amount of LTL 1,945 thousand (2006: LTL 1,392 thousand) receivable by the subsidiary in Ukraine, the recoverability / recovery date of which depends on the Ukrainian tax authority. Management believe the major portion of this amount will be recovered in 2008.

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents necessary to cover the expected expenditure. The Group makes short-term cash flow forecasts in order to maintain sufficient cash and monitor liquidity risk.

The table below summarises the Group's and the Company's financial liabilities. The financial liabilities are classified into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table below represent contractual undiscounted cash flows. Amounts payable and other financial liabilities due within 3 months or less are equal to their carrying amounts as the impact of discounting is insignificant.

Group

31 December 2007	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Borrowings from banks	10,642	10,357	34,640	-
Finance lease liabilities	529	1,325	6,688	370
Trade payables and other financial liabilities	24,528	-	-	-
	35,699	**11,682**	**41,328**	**370**

31 December 2006	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Borrowings from banks	6,333	13,197	29,229	-
Finance lease liabilities	424	599	5,106	934
Trade payables and other financial liabilities	30,126	-	-	-
	36,883	**13,796**	**34,335**	**934**

Company

31 December 2007	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Borrowings from banks	5,069	8,521	28,340	-
Finance lease liabilities	523	1,306	6,668	370
Trade payables and other financial liabilities	20,957	-	-	-
	26,549	**9,827**	**35,008**	**370**

31 December 2006	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Borrowings from banks	2,800	8,263	20,478	-
Finance lease liabilities	414	586	5,063	934
Trade payables and other financial liabilities	20,547	-	-	-
	23,761	**8,849**	**25,541**	**934**

3.1 Financial risk factors (continued)

During the reporting year, the Group and the Company incurred a loss of LTL 8,023 thousand and LTL 1,683 thousand, respectively. In addition, at the end of the reporting financial year, the Company and its subsidiary OAO MTF Mrija did not comply with certain covenants stipulated in loan agreements signed with the banks (Note 15), and OAO MTF Mrija shareholders' equity did not meet the minimal statutory equity level defined in the Ukrainian laws (Note 3.2). Nevertheless, the Group's and the Company's financial statements have been prepared on a going concern principle, based on assumption that the Group and the Company will continue their operation in the near future. The reasonableness of this assumption depends on whether sufficient financial resources will be available to the Group or the Company to cover their current liabilities. In the opinion of the Group's management, cash flows generated by the Group and the Company from their operating activities will be sufficient to cover their current liabilities.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group defines its capital as cash and cash equivalents, equity and debt.

As at 31 December The Group's and the Company's capital structure was as follows:

The Group			The Company	
2007	2006		2007	2006
20,057	18,307	Total borrowings	12,738	10,649
(645)	(1,526)	Less: cash and cash equivalents	(101)	(873)
19,412	16,781	Net debt	12,637	9,776
18,849	34,657	Total Equity	25,786	35,403
38,261	51,438	Total capital	38,423	45,179

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100 thousand (LTL 10 thousand for a private company) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2007 and 31 December 2006, the Company and its subsidiaries registered in Lithuania complied with these requirements.

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2007. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies on the moment of the company's registration. As at 31 December 2007, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital. The Company, being the major shareholder of OAO MTF Mrija, will propose to restore the shareholders' equity to meet the statutory level by way of additional contributions during the general meeting of shareholders, which will be held in April 2008.

3.3 Fair value estimation

Trade payables and receivables accounted for in the Company's balance sheet should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals their carrying amount. Interest rate on the loans received by the Company, as well as on finance lease payables, is subject to repricing at least every six months, therefore, it is deemed that their fair value equals their carrying amount.

4. Critical accounting estimates and judgments

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

The Company and the Group make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(a) Estimate of impairment for goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy described in Note 2.8. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates which are further discussed in Note 6.

(b) Income taxes

Tax authorities have a right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Ukrainian subsidiary - 3 year period after the current year) and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances that might result in a potential material liability in this respect to the Company and to the Group.

(c) Related-party transactions

In the normal course of business the Company and the Group enter into transactions with their related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

4. Critical accounting estimates and judgments (continued)

Furthermore, the Group's and the Company's trade and other amounts receivable balance as at 31 December 2007 includes amounts of LTL 2,220 thousand and LTL 2,220 thousand, respectively (2006: LTL 6,542 thousand and LTL 5,354 thousand, respectively) (Note 28) receivable from the related party Effigy UAB. In addition, the Company's amounts receivable from subsidiaries balance as at 31 December 2007 includes receivables, prepayments and short-term loans totalling LTL 10,658 thousand (2006: LTL 7,302 thousand) from the subsidiary OAO MTF Mrija (Note 28), and the Group's amounts receivable from other related parties balance as at 31 December 2007 includes receivables, prepayments and short-term loans totalling LTL 1,100 thousand (2006: zero) from the ultimate parent company UAB Koncernas SBA (Note 28). In the opinion of the Company's management, the above-mentioned receivables will be recovered during the forthcoming twelve-month period.

(d) Estimates of useful lives of property, plant and equipment

The Company and the Group have machinery with useful lives estimated based on the expected product lifecycles. However, economic useful lives may differ from the currently estimated ones due to technical innovations and competitors' actions.

Furthermore, the Company and the Group have buildings with useful lives exceeding 50 years (Notes 2.6 and 2.7). Management of the Company believe that based on the past experience and present condition of the buildings such longer useful lives are justifiable.

5. Segment information

Primary reporting format – business segments

The Company's principal activities are production of knitted articles.

The Group also produces other clothes, provides sewing services and is engaged in retail and wholesale trade in its own production. In previous years, sewing services as well as retail and wholesale trade were treated as separate reportable segments of the Group. However, considering a reduced volume of sewing services provided to external customers of the Group, as well as significantly reduced revenue from retail and wholesale trade as a result of disposal of subsidiary Effigy UAB, management consider that the only reportable segment of the Group is the production of knitted articles and other clothes.

Secondary reporting format – geographical segments

Grouping into different geographical segments is based on the Group's and Company's internal management accounting information system. Management believe that these geographical segments have certain common characteristics.

2007	**Western Europe**	**Lithuania and the Baltic States**	**Other regions**	**Elimination**	**Total**
Revenue					
External sales of the Group	117,682	19,756	103	-	137,541
Internal sales of the Group	-	15,423	2,211	(17,634)	-
	117,682	35,179	2,314	(17,634)	137,541
Assets (trade and other accounts receivable)	13,830	8,372	12,310	(10,787)	23,725

5. Segment information (continued)

2006	Western Europe	Lithuania and the Baltic States	Other regions	Elimination	Total
Revenue					
External sales of the Group	140,731	21,547	996	-	163,274
Internal sales of the Group	-	8,639	2,618	(11,257)	-
	140,731	30,186	3,614	(11,257)	163,274
Assets (trade and other accounts receivable)	21,712	11,973	1,703	(7,439)	27,949

Management believe that allocation of assets other than accounts receivable to these geographical segments would be impractical.

The Group's assets (except for the assets of subsidiary OAO MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was LTL 13.6 million as of 31 December 2007 (LTL 13.4 million as of 31 December 2006). Capital expenditure relating to property, plant and equipment in Ukraine amounted to LTL 2.011 million in 2007 (including LTL 320 thousand intercompany purchases of property, plant and equipment within the Group) (2006: LTL 10.7 million, including LTL 1.1 million intercompany purchases of property, plant and equipment within the Group).

Intersegment transactions include transfers among business and geographical segments. Such transactions are accounted for at cost plus certain margin. These transactions are eliminated on consolidation.

The Company's revenue per customer exceeding 10% of total sales in 2007 and 2006 was as follows:

Customer	Geographical segment	Percentage of total sales (%)	
		2007	2006
Hennes Mauritz AB	Western Europe	13.7	17
Kappahl AB	Western Europe	11.2	11
Remei	Western Europe	8.9	7.9
French Connection	Western Europe	2.7	8.2

6. Intangible assets

	Group				Company
	Goodwill, related to OAO MTF Mrija	Goodwill, related to UAB Justima	Other intangible assets	Total	Other Intangible assets
Cost:					
Balance as of 1 January 2006	1,229	1,522	2,460	5,211	1,775
Additions	-	-	449	449	162
Disposal of subsidiary	-	-	(372)	(372)	-
Foreign currency translation differences	(99)	-	(12)	(111)	-
Disposals and write-offs	-	-	(8)	(8)	(9)
Balance as of 31 December 2006	1,130	1,522	2,517	5,169	1,928
Additions	2,012	-	61	2,073	49
Disposals and write-offs	-	-	(55)	(55)	(55)
Foreign currency translation differences	(249)	-	(27)	(276)	-
Balance as of 31 December 2007	2,893	1,522	2,496	6,911	1,922
Amortisation and impairment:					
Balance as of 1 January 2006	-	129	2,323	2,452	1,739
Charge for the year	-	-	112	112	43
Disposal of subsidiary	-	-	(359)	(359)	-
Foreign currency translation differences	-	-	(9)	(9)	(9)
Disposals and write-offs	-	-	(1)	(1)	-
Balance as of 31 December 2006	-	129	2066	2,195	1,773
Charge for the year	-	-	180	180	65
Disposals and write-offs	-	-	(55)	(55)	(55)
Foreign currency translation differences	-	-	(7)	(7)	-
Balance as of 31 December 2007	-	129	2,184	2,313	1,783
Net book value as of 31 December 2005	**1,229**	**1,393**	**137**	**2,759**	**36**
Net book value as of 31 December 2006	**1,130**	**1,393**	**451**	**2,974**	**155**
Net book value as of 31 December 2007	**2,893**	**1,393**	**312**	**4,598**	**139**

The Company and the Group have no internally generated intangible assets. Amortisation expenses of intangible assets are included within general and administrative expenses in the income statement.

As of 31 December 2007, the acquisition cost of intangible assets of the Group and the Company that were fully amortised but still in use amounted to LTL 1,791 thousand and LTL 1,710 thousand, respectively (LTL 1,768 thousand and LTL 1,723 thousand, respectively as of 31 December 2006).

Prepayment for intangible assets in the Company's and the Group's balance sheets amounting to LTL 1,042 thousand (31 December 2006: LTL 716 thousand) is related to installation works of accounting system software.

6. Intangible assets (continued)

Goodwill

On 26 July 2004 the subsidiary AB Šatrija, controlled by the Company, purchased 100% of the shares of UAB Justima and took control over this company which was later merged into AB Šatrija. According to the terms of the share purchase agreement, AB Šatrija paid LTL 1,565 thousand for those shares. The fair value of the net asset acquired amounted to LTL 43 thousand at the time of acquisition; therefore, the amount of LTL 1,522 thousand was accounted for in the financial statements as goodwill.

This goodwill was allocated to AB Šatrija as a cash-generating unit for impairment testing purposes. The recoverable amount of the cash-generating unit was determined based on the value in use calculation using cash flow projections based on financial budgets approved by senior management for a three-year period. The pre-tax discount rate applied to cash flow projections is 11.4 % and cash flows beyond 3-year period are extrapolated using a 0% growth rate that reflects the best estimate of the management based on current industry situation. Increase of estimated pre-tax discount rate applied to the discounted cash-flows by 1% (i.e. from 11.4% to 12.4%) would not have any impact on the assessment of impairment for this goodwill as of 31 December 2007.

On 30 July 2005 the Company purchased 67% of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,998 thousand for 8,740,734 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 1,229 thousand on this transaction. Subsequent to this acquisition, the Company acquired additional 24.85% of shares of its subsidiary OAO MTF Mrija from minority shareholders as a result of issue of new shares. The total price paid for the newly issued shares was LTL 2,569 thousand, LTL 736 thousand whereof was paid for minority interest on acquisition of net assets of LTL 1,159 thousand (fair value). The excess of the acquirer's share in net assets amounting to LTL 423 thousand, which occurred on acquisition of minority interest, was accounted within other income in the Group's income statement for the year ended 31 December 2005.

On 7 August 2007, the Company acquired 7.096% of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,011 thousand for 36,406,770 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 2,012 thousand on this transaction

This goodwill was allocated to the Ukrainian operations as a cash generating unit for impairment testing purposes. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period. The discount rate applied to cash flow projections is 12% and cash flows beyond 3-year period are extrapolated using a 0% growth rate that reflects the best estimate of the management based on current industry situation. Increase of estimated pre-tax discount rate applied to the discounted cash-flows by 1% (i.e. from 12% to 13%) would not have any impact on the assessment of impairment for this goodwill as of 31 December 2007.

7. Property, plant and equipment

Group

	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2006	22,237	1,263	87,317	1,359	112,176
Additions	1,007	118	15,348	3,068	19,541
Disposal of subsidiary	(538)	-	(4,056)	-	(4,594)
Disposals and write-offs	(1,496)	(96)	(8,170)	-	(9,762)
Reclassifications (Note 8)	(5,427)	(72)	155	(1,55)	(5,499)
Foreign currency translation differences	(380)	(53)	(994)	-	(1,427)
Balance as of 31 December 2006	15,403	1,160	89,600	4,272	110,435
Additions	1	170	3,651	504	4,326
Disposals and write-offs	-	-	(1,254)	-	(1,254)
Transfers from/to	882	-	3,379	(4,137)	124
Reclassifications (Note 8)	49	-	-	-	49
Foreign currency translation differences	(489)	(72)	(1,626)	(75)	(2,262)
Balance as of 31 December 2007	15,846	1,258	93,750	564	111,418
Accumulated depreciation:					
Balance as of 1 January 2006	7,880	765	51,914	-	60,559
Charge for the year	252	53	8,375	-	8,680
Disposal of subsidiary	-	-	(2,698)	-	(2,698)
Disposals and write-offs	(1,069)	(52)	(6,930)	-	(8,051)
Foreign currency translation differences	(138)	(47)	(189)	-	(374)
Reclassifications (Note 8)	(605)	(35)	-	-	(640)
Balance as of 31 December 2006	6,320	684	50,472	-	57,476
Charge for the year	221	51	8,576	-	8,848
Disposals and write-offs	-	-	(1,159)	-	(1,159)
Transfers from/to	-	-	124		124
Reclassifications (Note 8)	24	-	-	-	24
Foreign currency translation differences	(139)	(49)	(453)	-	(641)
Balance as of 31 December 2007	6,426	686	57,560	-	64,672
Impairment:					
Balance as of 1 January 2006	752	-	-	-	752
Reclassifications (Note 8)	(692)	-	-	-	(692)
Balance as of 31 December 2006	60	-	-	-	60
Reversal of impairment	(30)	-	-	-	(30)
Balance as of 31 December 2007	30	-	-	-	30
Net book value as of 31 December 2005	**13,605**	**498**	**35,403**	**1,359**	**50,865**
Net book value as of 31 December 2006	**9,023**	**476**	**39,128**	**4,272**	**52,899**
Net book value as of 31 December 2007	**9,390**	**572**	**36,190**	**564**	**46,716**

7. Property, plant and equipment (continued)

Company	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2006	7,435	571	63,631	155	71,792
Additions	-	-	4,894	2,474	7,368
Disposals and write-offs	-	-	(4,680)	-	(4,680)
Reclassifications	-	-	155	(155)	-
Balance as of 31 December 2006	7,435	571	64,000	2,474	74,480
Additions	1	-	2,137	414	2,552
Disposals and write-offs	-	-	(1,822)	-	(1,822)
Transfers from/to	100	-	2,374	(2,474)	-
Reclassifications (Note 8)	49	-	-	-	49
Balance as of 31 December 2007	7,585	571	66,689	414	75,259
Accumulated depreciation:					
Balance as of 1 January 2006	2,668	237	36,580	-	39,485
Charge for the year	90	31	5,644	-	5,765
Disposals and write-offs		-	(3,724)	-	(3,724)
Balance as of 31 December 2006	2,758	268	38,500	-	41,526
Charge for the year	92	31	5,984	-	6,107
Disposals and write-offs	-	-	(1,611)	-	(1,611)
Reclassifications (Note 8)	24	-	-	-	24
Balance as of 31 December 2007	2,874	299	42,873	-	46,046
Impairment:					
Balance as of 1 January 2006	61	-	-	-	61
Reversal of impairment	(1)	-	-	-	(1)
Balance as of 31 December 2006	60	-	-	-	60
Reversal of impairment	(30)	-	-	-	(30)
Balance as of 31 December 2007	30	-	-	-	30
Net book value as of 31 December 2005	**4,706**	**334**	**27,051**	**155**	**32,246**
Net book value as of 31 December 2006	**4,617**	**303**	**25,500**	**2,474**	**32,894**
Net book value as of 31 December 2007	**4,681**	**272**	**23,816**	**414**	**29,183**

7. Property, plant and equipment (continued)

Total depreciation charges of the Group's and the Company's property, plant and equipment amounted to LTL 8,848 thousand and LTL 6,107 thousand, respectively (LTL 8,680 thousand and LTL 5,765 thousand, respectively in 2006). The respective amounts of LTL 8,136 thousand and LTL 5,665 thousand in 2007 (LTL 8,065 thousand and LTL 5,535 thousand in 2006) were included in cost of sales in the Group's and the Company's income statement. The remaining amounts were included in general and administrative expenses in the income statement and inventories in the balance sheet.

Property, plant and equipment of the Group and the Company with the net book values of LTL 36,524 thousand and LTL 20,937 thousand, respectively as of 31 December 2007 (LTL 34,359 thousand and LTL 18,802 thousand, respectively as of 31 December 2006) were pledged to the bank as a collateral for the borrowings (Note 15).

Property, plant and equipment of the Group and the Company with the acquisition costs of LTL 22,193 thousand and LTL 19,929 thousand, respectively were fully depreciated as of 31 December 2007 (LTL 28,045 thousand and LTL 18,680 thousand, respectively as of 31 December 2006), but were still in use.

Additions of the Group and the Company amounting to LTL 7,883 thousand and LTL 2,274 thousand, respectively in 2007 (2006: LTL 6,177 thousand and LTL 6,112 thousand, respectively) included assets acquired under finance lease.

Leased assets, where the Company and the Group is a lessee under finance lease contracts comprised as follows as at 31 December:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Cost – capitalised finance lease				
Vehicles and other property, plant and equipment	7,183	3,563	7,085	3,359
Construction in progress	-	1,452	-	1,452
	7,183	5,015	7,085	4,811
Accumulated depreciation				
Vehicles and other property, plant and equipment	(1,218)	(230)	(1,199)	(168)
Net book value	5 965	4,785	5,886	4,643

8. Investment property

	Group	Company
Cost:		
Balance as of 1 January 2006	1,361	6,860
Transfer from property, plant and equipment (Note 7)	5,499	-
Balance as of 31 December 2006	6,860	6,860
Transfer to property, plant and equipment (Note 7)	(49)	(49)
Balance as of 31 December 2007	6,811	6,811
Accumulated depreciation:		
Balance as of 1 January 2006	326	966
Charge for the year	145	145
Transfer from property, plant and equipment (Note 7)	640	-
Balance as of 31 December 2006	1,111	1,111
Charge for the year	144	144
Transfer to property, plant and equipment (Note 7)	(24)	(24)
Balance as of 31 December 2007	1,231	1,231
Impairment:		
Balance as of 1 January 2006	104	796
Transfer from property, plant and equipment (Note 7)	692	-
Reversal of impairment	(698)	(698)
Balance as of 31 December 2006	98	98
Reversal of impairment	(98)	(98)
Balance as of 31 December 2007	-	-
Net book value as of 31 December 2005	**931**	**5,098**
Net book value as of 31 December 2006	**5,651**	**5,651**
Net book value as of 31 December 2007	**5,580**	**5,580**

Rental income and associated costs have been disclosed in Note 20.

The accumulated impairment of investment property amounting to LTL 98 thousand as of 31 December 2006 reflects write-down of the value of rented premises to their fair value less costs to sell. Fair value is defined as an amount, for which these assets could be exchanged between knowledgeable, willing parties in an arm's length transaction.

As a result of significant increase in real estate prices in certain locations during the year ended 31 December 2007, the Group and the Company reversed accumulated impairment losses on investment property in amount of LTL 98 thousand (31 December 2006: LTL 698 thousand).

Investment property was valuated by independent valuators in 2003, and subsequently no independent valuation was performed. In the opinion of management, the fair value of investment property approximates to its net book value.

8. Investment property (continued)

Investment property of the Company and the Group comprises buildings rented to related party Effigy UAB and third parties under certain contracts.

Investment property of the Group and the Company with the net book value of LTL 5,534 thousand as of 31 December 2007 (LTL 5,613 thousand and LTL 5,051 thousand, respectively as of 31 December 2006) was pledged to the bank as a collateral for the borrowings (Note 15).

No material contractual commitments to purchase, construct, develop, repair or increase the investment property existed at the year-end.

9. Investments in subsidiaries

The Company's investments in subsidiaries were as follows as of 31 December:

	2007	2006
Cost of investments:		
Balance as at 1 January	10,742	26,007
Acquisition of subsidiary OAO MTF Mrija (Note 26)	2,011	
Disposal of investment in Effigy UAB group (Note 26)		(15,265)
Balance as at 31 December	12,753	10,742
Impairment:		
Balance as at 1 January	-	15,257
Reversal of accumulated impairment relating to investment in Effigy UAB group	-	(15,257)
Balance as at 31 December	-	-
Carrying amount of investments in subsidiaries as at 31 December	**12,753**	**10,742**

10. Inventories

	Group		Company	
	2007	2006	2007	2006
Raw materials	7,157	11,343	4,683	5,011
Work in progress	6,141	7,055	5,092	4,567
Finished goods	7,333	3,385	6,827	3,102
Goods for resale	105	190	-	-
	20,737	21,973	16,602	12,680
Write-down to net realisable value:				
Opening balance	(295)	(1,249)	(229)	(295)
Change	(1,092)	954	(545)	66
Closing balance	(1,387)	(295)	(774)	(229)
	19,350	21,678	15,828	12,451

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as of 31 December 2007 amounted to LTL 1,580 thousand and LTL 1,026 thousand respectively (LTL 230 thousand and LTL 167 thousand, respectively as of 31 December 2006). Changes in impairment allowance for inventories during 2007 and 2006 were recorded within general and administrative expenses in the Group's and the Company's income statement.

Inventories of the Company and the Group with the acquisition cost of LTL 10,000 thousand and LTL 12,830 thousand, respectively as of 31 December 2007 (LTL 10,000 thousand and LTL 13,850 thousand, respectively as of 31 December 2006) were pledged to the bank as a collateral for the bank borrowings (Note 15).

11. Trade receivables

	Group		Company	
	2007	2006	2007	2006
Trade receivables, gross	15,377	17,200	11,756	12,215
Impairment allowance for trade receivables:				
Opening balance	(22)	(217)	-	-
Change	12	195	-	-
Closing balance	(10)	(22)	-	-
	15,367	17,178	11,756	12,215

Changes in impairment allowance for doubtful trade receivables during 2007 and 2006 were recorded within general and administrative expenses in the Group's and the Company's income statements.

11. Trade receivables (continued)

Trade receivables that are past due are not treated as impaired since they are due from customers who usually dully fulfil their obligations. As at 31 December 2007, the Group's and the Company's trade receivables that were past due but not impaired amounted to LTL 5,962 thousand and LTL 11,624 thousand, respectively (2006: LTL 9,953 thousand and LTL 11,787 thousand, respectively). The ageing analysis of these trade receivables is given in the table below:

	Group		Company	
	2007	2006	2007	2006
Past due up to 30 days	3,099	4,171	2,805	4,837
Past due 31-60 days	842	1,810	1,008	2,132
Past due 61-180 days	1,283	1,278	2,233	2,498
Past due 181 days	738	2,694	5,578	2,320
Total	**5,962**	**9,953**	**11,624**	**11,787**

Trade and other amounts receivable are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
LTL	7,807	7,421	6,104	5,551
EUR	14,344	18,825	21,498	21,554
UAH	1,574	1,703	-	-
Total	23,725	27,949	27,602	27,,105

Maximum exposure to credit risk at the end of the reporting period represents the fair value of each item of amounts receivable.

12. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
Cash on hand	73	83	54	32
Cash at bank	572	700	47	199
Deposits with maturity term of 3 months or less	-	743	-	642
	645	1,526	101	873

On 16 January 2003 the Company signed an agreement for overnight deposits with AB Bankas Hansabankas for the period until 16 January 2023. The annual interest rate on overnight deposits is 0.6%. The balance of overnight deposits amounted to LTL 642 thousand as of 31 December 2006.

The balance of the Group's deposits as at 31 December 2006 included a deposit of UAH 193 thousand (equivalent of LTL 101 thousand), which was placed with the bank as a guaranty for payable VAT. Annual Interest rate on this deposit was 5 %, and its contractual maturity date was 25 January 2007.
All cash inflows into the Company's accounts opened with AB Bankas Hansabankas were pledged to the bank as collateral for the loan (Note 15). As of 31 December 2007 and 2006, the Group and the Company had no other restrictions on the use of cash and cash equivalents.

13. Share capital

As at 31 December 2007 and 2006, the share capital comprised 19,834,442 ordinary registered shares with par value of LTL 1 each. As of 31 December 2007 and 2006, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as of 31 December 2007 and 2006. The Company did not hold its own shares as of 31 December 2007 and 2006.

14. Reserves

Other reserves

The balance of the Company's reserves as of 31 December 2007 and 2006 comprised a legal reserve.

Profit distribution

On 26 April 2007, the Company's Shareholders Meeting resolved to pay out LTL 7,934 thousand dividends.

On 20 April 2006, the Company's Shareholders Meeting resolved to pay out LTL 3,967 thousand dividends.

15. Borrowings

	Group		Company	
	2007	**2006**	**2007**	**2006**
Current				
Short-term bank borrowings	3,608	3,720	770	870
Current portion of long-term bank borrowings	14,945	13,694	10,487	8,908
Finance lease liabilities	1,504	893	1,481	871
	20,057	18,307	12,738	10,649
Non–current				
Long-term bank borrowings	32,164	26,370	26,743	19,039
Finance lease liabilities	6,379	5,284	6,359	5,241
	38,543	31,654	33,102	24,280
Total borrowings	58,600	49,961	45,840	34,929

The bank borrowings are secured by property plant and equipment (Note 7), investment property (Note 8), inventories (Note 10) and future cash inflows into certain bank accounts (Note 12).

The fulfilment of finance lease liabilities is substantially secured since the title to assets acquired under finance lease automatically reverts to the lessor in the event of default.

15. Borrowings (continued)

The carrying amounts of borrowings as at 31 December were denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
UAH	16	36	-	-
EUR	57,814	49,055	45,070	34,059
LTL	770	870	770	870
	58,600	49,961	45,840	34,929

The weighted average interest rates (%) were as follows as at 31 December:

	Group		Company	
	2007	2006	2007	2006
Long-term bank borrowings	5.87	5.11	5.41	4.36
Short-term bank borrowings	7.97	6.91	6.95	3.45
Finance lease liabilities	5.76	4.81	5.76	4.81

The interest rate for the major portion of borrowings is based on market interest rate, therefore, in the opinion of management, the carrying amount of borrowings approximates to their fair value.

The exposure of the borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	Group		Company	
	2007	2006	2007	2006
Every 6 months or more frequently	58,600	49,961	45,840	34,929

Contractual maturity terms of long-term borrowings (excluding finance lease liabilities):

	Group		Company	
	2007	2006	2007	2006
Between 1 and 2 years	8,106	9,903	6,241	8,018
Between 2 and 5 years	24,058	16,467	20,502	11,021
	32,164	26,370	26,743	19,039

15. Borrowings (continued)

As at 31 December 2007, the Group did not comply with certain requirements relating to (1) capital ratio in the subsidiary OAO MTF Mrija; (2) gross profitability ratio in certain inter-company transactions within the Group; (3) financial debt to EBITDA ratio in the subsidiary OAO MTF Mrija; (4) cash ratio in the subsidiary OAO MTF Mrija (2006: (1) capital ratio in the subsidiary OAO MTF Mrija; (2) gross profitability ratio in certain inter-company transactions within the Group), which were set forth as restrictive covenants in loan agreements signed with the bank. Moreover, as at 31 December 2007, the Company did not comply with certain requirements relating to (1) financial debt to EBITDA ratio; (2) capital plus reserves to equity plus liabilities ratio; and (3) long-term plus short-term debts to capital plus reserves ratio, which were set forth as restrictive covenants in loan agreements signed with the bank.
The management of the Group do not expect that the banks will take any restrictive actions, therefore, the bank borrowings received under the loan agreements with contractual maturity over 1 year totalling LTL 32,164 thousand (2006: LTL 7,331 thousand) were not reclassified to current borrowings in these financial statements.

Finance lease liabilities – minimum lease payments:

	Group		Company	
	2007	**2006**	**2007**	**2006**
Not later than 1 year	1,854	1,023	1,829	1,000
After 1 year but not later than 5 years	6,688	5,106	6,668	5,063
After 5 years	370	934	370	934
	8,912	7,063	8,867	6,997
Future finance lease charges	(1,029)	(886)	(1,027)	(885)
Present value of finance lease liabilities	7,883	6,177	7,840	6,112

Present value of finance lease liabilities:

	Group 2007	Group 2006	Company 2007	Company 2006
Not later than 1 year	1,504	893	1,481	871
After 1 year but not later than 5 years	6,018	4,405	5,998	4,362
After 5 years	361	879	361	879
	7,883	6,177	7,840	6,112

16. Accrued charges and other current liabilities

	Group		Company	
	2007	2006	2007	2006
Amounts payable for services and other non-current assets	4,152	3,361	3,863	3,289
Wages, salaries and social security	2,085	2,204	1,260	1,534
Accrual for vacation reserve	2,107	2,449	1,556	1,846
Bonuses for employees	119	528	119	528
Other liabilities	403	641	176	209
	8,866	9,183	6,974	7,406

17. Revenue

	Group		Company	
	2007	2006	2007	2006
Revenue from sale of goods	131,241	157,595	112,425	121,919
Revenue from sewing services	4,918	5,022	-	-
Revenue from sale of materials	1,382	657	2,326	2,891
	137,541	163,274	114,751	124,810

18. Cost of sales

	Group		Company	
	2007	2006	2007	2006
Materials	53,296	63,237	39,330	42,919
Wages and salaries	35,750	35,170	24,779	24,796
Other overhead expenses	31,118	39,522	35,862	32,326
Cost of materials sold	1,324	413	2,131	2,747
	121,488	138,342	102,102	102,788

19. Selling, general and administrative expenses

	Group		Company	
	2007	2006	2007	2006
Selling expenses				
Maintenance costs of retail outlets	41	40	-	-
Wages, salaries and social security	1,759	1,989	1,330	1,425
Other selling expenses	1,895	2,137	1,503	1,592
Total selling expenses	3,695	4,166	2,833	3,017
General and administrative expenses				
Wages, salaries and social security	5,099	5,668	2,902	3,556
Communications and consulting services	2,207	2,813	1,612	2,200
Taxes, other than income tax	1,945	1,321	1,852	1,206
Reversal of impairment of property, plant and equipment and investment property	(128)	(698)	(128)	(698)
Depreciation and amortisation	341	503	181	219
Bonuses	6	300	-	300
Business trips	181	210	104	77
Charity and sponsorship	139	213	126	195
Other	5,223	4,222	3,195	2,430
Total general and administrative expenses	15,013	14,552	9,844	9,485
	18,708	18,718	12,677	12,502

20. Other income (expenses), net

	Group		Company	
	2007	2006	2007	2006
Gain on disposal of interest in subsidiary (Note 26)	-	436	-	-
Gain on disposal of property, plant and equipment	61	705	85	220
Lease income	691	719	683	646
Lease expenses	(227)	(281)	(242)	(235)
Other income (expenses), net	70	39	59	37
	595	1 618	585	668

21. Finance costs, net

	Group		Company	
	2007	2006	2007	2006
Net foreign exchange gain (loss)	(2,269)	(1,144)	2	(37)
Interest expenses	(3,308)	(2,150)	(2,260)	(1,416)
Discounts granted on earlier payment	(271)	(330)	(271)	(322)
Interest income	79	176	216	121
Discounts received on earlier payment	11	-	11	-
Interest on late payment received	43	45	13	6
	(5,715)	(3,403)	(2,289)	(1,648)

22. Employee benefits

	Group		Company	
	2007	2006	2007	2006
Wages and salaries	32,328	33,476	22,143	22,761
Social security	10,280	10,467	6,868	7,016
	42,608	43,943	29,011	29,777

23. Income tax

Income tax expense comprised as follows:

	Group		Company	
	2007	2006	2007	2006
Current tax	(12)	(1,958)		(1,833)
Change in deferred tax	(243)	(383)	42	(261)
Income tax refunded on dividends	7	6	7	6
Income tax expense	(248)	(2,335)	49	(2,088)

There are no material tax consequences for the Company associated with the payment of dividends to its shareholders.

Reconciliation of the reported amount of income tax expense for the year to the amount of income tax that would be calculated applying the statutory income tax rate to profit before tax:

23. Income tax (continued)

	Group		Company	
	2007	2006	2007	2006
Income tax at a rate of 18% in 2007 (19% in 2006)	1,400	(841)	312	(1,623)
Effect of different tax rates applicable to Ukrainian subsidiaries	288	316	-	-
Income tax refunded on dividends	7	6	7	6
Unrecognised deferred tax assets	(1,054)	(1,316)	-	-
Change in income tax rate	(69)	(117)	(69)	(112)
Expenses not deductible for tax purposes	(820)	(383)	(201)	(359)
Income tax expense	(248)	(2,335)	49	(2,088)

The movement on deferred income tax account was as follows:

	Group		Company	
	2007	2006	2007	2006
At beginning of year	428	811	206	467
Change during the year	(243)	(383)	42	(261)
At end of year	185	428	248	206

In 2007, deferred income tax asset and liability relating to the entities operating in Lithuania were recognised using the tax rate of 15% (15–18% tax rates in 2006), depending on the estimated timing of realization of temporary differences. Deferred income tax asset and liability relating to entities operating in Ukraine were recognised using the tax rate of 25%.

The movement in the Group's and the Company's deferred tax assets and deferred tax liabilities accounts (prior to and after offsetting the balances) during the period was as follows:

Group	2005	Recognised in the income statement	2006	Recognised in the income statement	2007
Deferred tax assets					
Tax loss carry forwards	-	-	-	74	74
Inventories	92	(39)	53	63	116
Receivables	122	(116)	6	(6)	-
Property, plant and equipment and investment property	566	(247)	319	(319)	-
Accrued charges	359	(158)	201	(120)	81
Advance amounts received	290	(290)	-	-	-
	1,429	(850)	579	(308)	271
Deferred tax liabilities					
Goodwill	(65)	(21)	(86)	86	-
Property, plant and equipment	(553)	488	(65)	(21)	(86)
	(618)	467	(151)	65	(86)
Deferred tax assets, net	811	(383)	428	(243)	185

23. Income tax (continued)

Company	2005	Recognised in the income statement	2006	Recognised in the income statement	2007
Deferred tax assets/liabilities					
Inventories	34	7	41	75	116
Property, plant and equipment and investment property	224	(187)	37	(60)	(23)
Tax loss	-	-	-	74	74
Accrued charges	209	(81)	128	(47)	81
	467	(261)	206	42	248

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 relate to the same fiscal authority.

	Group		Company	
	2007	2006	2007	2006
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	-	319	-	37
Deferred tax asset to be recovered within 12 months	271	260	271	169
	271	579	271	206
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	(86)	(151)	(23)	-
Deferred tax liability to be recovered within 12 months	-	-	-	-
	(86)	(151)	(23)	-
	185	428	248	206

The Group's tax losses to be carried forward against future taxable income amounting to LTL 5,020 thousand as of 31 December 2007 arose in subsidiaries Šatrija UAB and OAO MTF Mrija. No deferred tax asset was recognised in respect of these losses due to uncertainties relating to recoverability of asset. Tax losses amounting to LTL 1,266 thousand and LTL 3,754 thousand can be utilised until 2012 and 2010, respectively. Deferred tax asset not recognised by the Group in its financial statements as of 31 December 2007 due to uncertainties relating to the Group's ability to earn sufficient taxable income necessary for realisation of this asset totalled LTL 1,053 thousand.

24. Earnings (loss) per share

Basic earnings (loss) per share reflect the Group's net profit, divided by the outstanding number of shares. Calculation of the basic earnings (loss) per share is presented below:

	Group	
	2007	**2006**
Net profit (loss) attributable to the equity holders of the Company	(7,791)	2,374
Weighted average number of shares in issue (thousand)	19,834	19,834
Basic and diluted earnings (loss) per share (in LTL)	(0.39)	0.12

The Company has no dilutive potential ordinary shares, therefore, the diluted earnings (loss) per share are the same as basic earnings (loss) per share.

25. Dividends per share

	2007*	**2006***
Dividends declared	7,934	3,967
Weighted average number of shares (thousand)	19,834	19,834
Declared dividends per share (LTL)	0.40	0.20

* The year when dividends were declared.

26. Business combinations and disposals

(i) Acquisitions

On 7 August 2007, the Company acquired 7.096 per cent of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,011 thousand for 36,406,770 shares of OAO MTF Mrija with par value of UAH 0.01 each, and recognised goodwill of LTL 2,012 thousand on this transaction.

26. Business combinations and disposals (continued)

(ii) Disposals

In January 2006 the subsidiary Effigy UAB was sold to the shareholder of the Company UAB Koncernas SBA for LTL 9 thousand. The carrying amount of this investment as of 31 December 2005 reported in the Company's balance sheet was LTL 9 thousand. Accounts of Effigy UAB included in the consolidated financial statements for the year ended 31 December 2005 were as follows:

	31 December 2005
Current assets	4,408
Non-current assets	1,371
Current liabilities	(6,206)
Liabilities, net	**(427)**

	Year ended 31 December 2005
Sales revenue	21,272
Net loss	(923)

Gain on disposal was calculated as follows:

Liabilities, net	427
Consideration received	9
Gain on disposal (Note 20)	**436**

Cash inflow on disposal was as follows:

Cash in subsidiary disposed	(516)
Consideration received in cash	9
Cash inflow on disposal, net	**(507)**

27. Additional information on cash flows

The principal non-cash transactions were as follows:

	Group		Company	
	2007	2006	2007	2006
Non-cash investing activity:				
Acquisition of property, plant and equipment under finance lease (Note 7)	7,883	6,177	7,840	6,112

28. 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 are as follows:

Related party	*Description of relation*
A. Martinkevičius	Ultimate controlling individual
UAB Koncernas SBA	Ultimate parent company, exercising control through majority of Board members
SBA group companies	UAB Koncernas SBA subsidiaries
Company's management	Directors, Board members and their family members

Besides related parties of the Group, subsidiaries of the Company are treated as related parties of the Company.

Related-party transactions are priced on a 'cost plus' basis.

The Group's and the Company's related-party transactions in 2007 and 2006 were as follows:

	Group		Company	
	2007	2006	2007	2006
Sales of goods and services:				
To subsidiaries of the Company:				
UAB Gotija	-	-	539	372
AB Šatrija	-	-	8	14
OAO MTF Mrija	-	-	2,329	2,610
To SBA group companies:				
UAB Effigy	8,533	11,529	8,136	10,395
UAB Visagino Linija	59	-	7	-
UAB SBA Baldų Kompanija	10	-	6	-
AB Šilutės Baldai	46	-	-	-
AB Kauno Baldai	22	-	-	-
AB Akmena	1	-	-	-
UAB SBA Nafta	29	-	-	-
AB Klaipėdos Baldai	66	60	9	-
AB Karigė	2	2	1	-
To ultimate parent company:				
UAB Koncernas SBA	302	7	-	-
	9,070	11,598	11,035	13,391

28. Related-party transactions (continued)

	Group		Company	
	2007	2006	2007	2006
Sales of property, plant and equipment				
To subsidiaries of the Company:				
OAO MTF Mrija	-	-	320	1,144
	-	-	320	1,144

Disposals of investments

Disposal of investment in subsidiary Effigy UAB to related parties is described in Notes 9 and 26.

	Group		Company	
	2007	2006	2007	2006
Interest received				
From subsidiaries of the Company:				
OAO MTF Mrija	-	-	189	2
From SBA group companies:				
Koncernas SBA	44	-	-	-
UAB Effigy	21	140	21	107
	65	140	210	109

	Group		Company	
	2007	2006	2007	2006
Purchases of goods and services				
From subsidiaries of the Company:				
AB Šatrija	-	-	34	21
OAO MTF Mrija	-	-	14,694	8,129
From SBA group companies:				
UAB Effigy	141	343	141	37
AB Klaipėdos Baldai	17	17	-	-
UAB Pastatų Idėjų Įgyvendinimas	47	120	47	120
From other related parties:				
Industry and Marketing Business Centre	232	251	232	251
From ultimate parent company:				
UAB Koncernas SBA	1,500	2,317	1,199	1,973
	1,937	3,048	16,347	10,531

28. Related-party transactions (continued)

	Group		Company	
	2007	2006	2007	2006
Purchases of property, plant and equipment				
From subsidiaries of the Company:				
AB Šatrija	-		-	3
From ultimate parent company:				
UAB Koncernas SBA	-	4		4
		4	-	7

	Group		Company	
	2007	2006	2007	2006
Amounts receivable within one year (including prepayments and loans)				
From subsidiaries of the Company:				
OAO MTF Mrija	-	-	10,658	7,302
AB Šatrija	-	-	-	8
UAB Gotija	-	-	129	129
From SBA group companies:				
UAB Effigy	2,220	6,542	2,220	5,354
UAB Karigė	-	4	-	-
From ultimate parent company:				
UAB Koncernas SBA	1,100	-	-	-
	3,320	6,546	13,007	12,792

Loan granted by AB Šatrija to UAB Koncernas SBA has to be repaid in full in 2008. Annual interest rate on the loan is equal to 4 per cent. The repayment of the loan is guaranteed by UAB Klaipėdos Baldų Prekyba.

The Company granted a loan to subsidiary OAO MTF Mrija amounting to LTL 1,043 thousand as at 31 December 2007, which had to be repaid by 15 December 2007 (2006: a loan of LTL 3,452 thousand to be repaid by 12 December 2008). Interest rate on the loan is equal to 6 per cent.

	Group		Company	
	2007	2006	2006	2005
Amounts receivable after one year				
From ultimate parent company:				
Loan granted to UAB Koncernas SBA	-	1,100	-	-
Less: current portion of the loan	-	(50)	-	-
	-	1,050	-	-

Interest rate established for loans granted to related parties is based on the interest rate set for similar borrowings, therefore, the carrying amount of loans granted to related parties is equal to their fair value.

28. Related-party transactions (continued)

Interest rates on loans granted to related parties are as follows:

	2007	2006
Loans granted to related parties	4 - 6%	4 - 6%

	Group		Company	
	2007	2006	2007	2006
Amounts payable within one year				
To subsidiaries of the Company:				
AB Šatrija	-	-	547	9
To SBA group companies:				
UAB Pastatų Idėjų Įgyvendinimas	-	10	-	10
To other related parties:				
Industry and Marketing Business Centre	254	251	254	251
To ultimate parent company:				
UAB Koncernas SBA	315	197	232	82
	569	458	1,033	352

In August 2007, the subsidiary AB Šatrija granted a short-term credit line to the Company for the amount of LTL 500,000 and annual interest of 5.75 per cent.

	Group		Company	
	2007	2006	2007	2006
Key management compensation including social security costs				
Remuneration of management	2,661	2,911	1,520	1,687
Bonuses for the Board members	-	300	-	300
	2,661	3,211	1,520	1,987

In 2007 and 2006 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued. No short-term interest-free loans were granted to the management of the Group as at 31 December 2007 (2006: UAH 250 thousand or LTL 128 thousand). The management of the Group did not received any guarantees; no other payments or property transfers were made or accrued in 2007 and 2006.

Guarantees issued

Guarantees issued on behalf of related parties are disclosed in Note 29.

29. Contingent liabilities and commitments

Guarantees issued

The Group has not issued any guarantees to secure the fulfilment of obligations of other parties.

The Company has an agreement with OAO SEB Bank, based on which the Company issued a guarantee for the amount of EUR 3.5 million (LTL 12,085 thousand as at 31 December 2007) on behalf of its subsidiary OAO MTF Mrija to secure the repayment of a loan granted by the above-mentioned bank.

The Company's management believe that OAO MTF Mrija will meet its obligations to the bank.

Commitments

As of 31 December 2007 and 2006 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

30. Post-balance sheet events

The repayment term of LTL 2,838 thousand loan received by subsidiary OAO MTF Mrija from the bank (with repayment term 19 February 2008) was extended until 19 February 2009.

Utenos trikotažas

UTENOS TRIKOTAŽAS AB
ANNUAL REPORT
FOR 2007

1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2007 to 31 December 2007. All amounts in the Annual Report present situation as at 31 December 2007, unless otherwise stated. Further in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

2. Issuer and its contact data

Company name	**Utenos Trikotažas AB**
Authorised share capital	LTL 19,834,442
Address	J. Basanavičiaus g. 122, Utena
Telephone	(389) 51 445
Fax	(389) 69 358
E-mail	utenos.trikotazas@ut.lt
Website	www.utenostrikotazas.lt
Legal and organisation form	Legal entity, public company
Date and place of incorporation	Registered with the Register of Legal Entities of Utena District on 6 December 1994; reregistered with the Ministry of Economy of the Republic of Lithuania on 18 September 1998.
Registration code	BĮ 98-257
Code of the Register of Legal Entities	183709468

3. Nature of the Issuer's operations

Utenos Trikotažas AB operates in the field of light industry. The Company's principal activity is production of knit-wear and textile articles.
The Company's profile of activities:

- production of knit-wear and textile articles;
- production of mass-consumption goods which is closely related to principal activities;
- retail and wholesale trade in own production and production of other companies in local and foreign markets;
- purchase-sale transactions of foreign trade;
- rendering of services to natural and legal persons.

4. Agreements with intermediaries of securities' public turnover

On 25 September 2005, the Issuer concluded a service agreement with the Department of Safe Custody Services of SEB Vilniaus Bankas AB (address Gedimino pr. 12, LT-01103 Vilnius). Under this agreement the accounting of the Issuer's securities is handled.
On 25 April 2007, the Issuer concluded an agreement with OMX Exchanges Ltd. on the system of service provision, disclosure and communication of information.

5. Information about trade in the Issuer's securities in regulated markets

The Company's shares are listed on the Official List of the National Stock Exchange, as well on the Baltic List of the Lithuanian, Latvian and Estonian stock market.
19,834,442 of ordinary registered shares have been registered for public turnover of securities. A nominal value of one share is LTL 1.

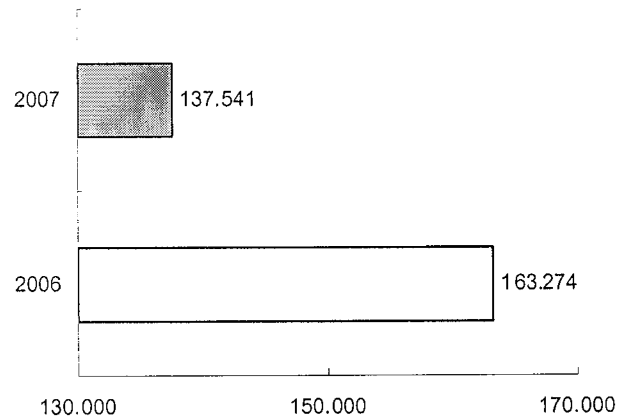
6. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and contingencies

Trade

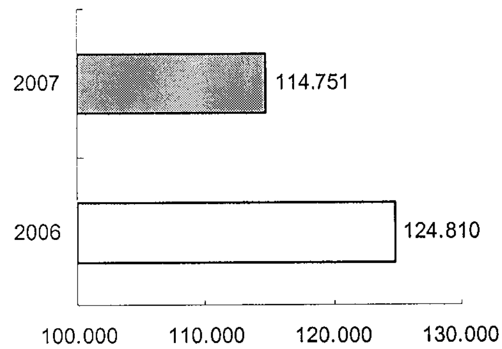
In 2007, total sales of goods and services of the Company amounted to LTL 114.8 million. Trade volume decreased by LTL 10.1 million or by 8.1 per cent as compared to 2006. The Company's exports to Western Europe and other countries accounted for 87 per cent, whereas sales in Lithuania accounted for 13 per cent of total production.

In 2007, total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to LTL 137.5 million. The Group's exports accounted for 86 per cent, whereas sales in Lithuania accounted for 14 per cent of total production.

Group



Company

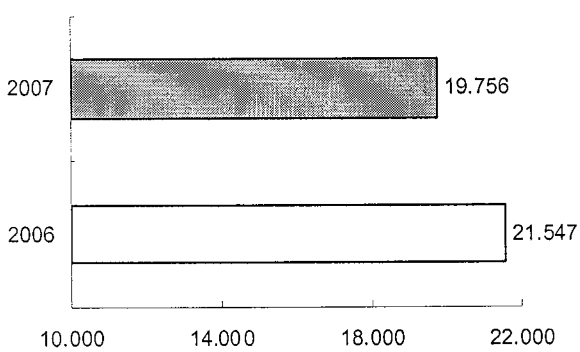


Lithuania

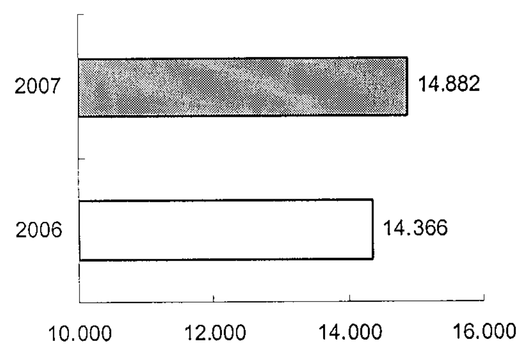
In 2007, the Company sold 1.5 million knit-wear items in Lithuania totalling to LTL 14.9 million. The sales in Lithuania increased by LTL 0.5 million or 3.6 per cent.

In 2007, the Group's sales in Lithuania and other Baltic countries amounted to LTL 19.8 million, which is less by LTL 1.8 million as compared to 2006.

Group



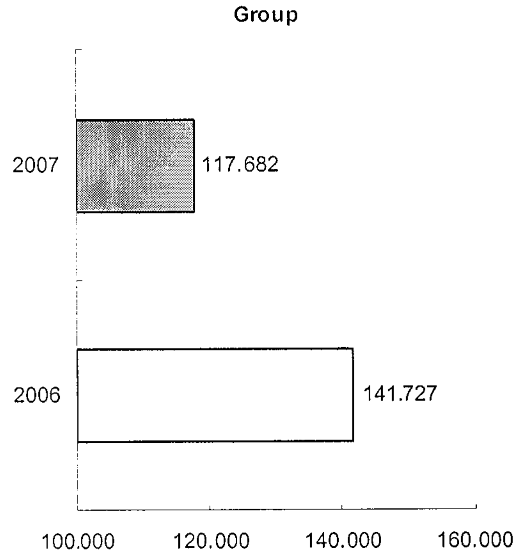
Company

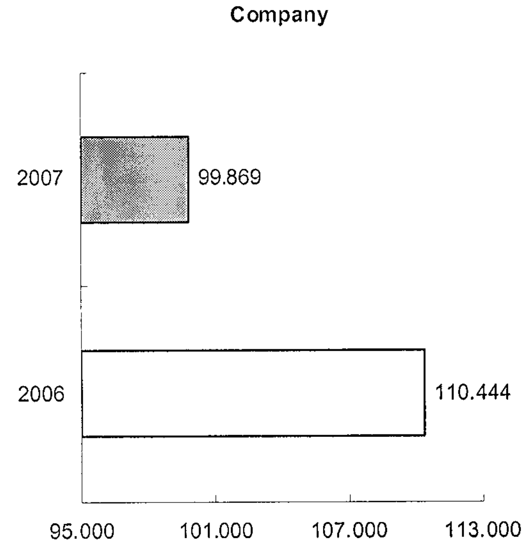


Export

In 2007, the Company exported 9.8 million knit-wear items totalling to LTL 99.9 million. The Company's exports decreased by LTL 10.6 million or 9.6 per cent. Large retail chains from Western Europe remained as the major customers of the Company.

In 2007, the Group's exports to Western Europe and other regions amounted to LTL 117.7 million, which is less by LTL 24 million as compared to 2006.



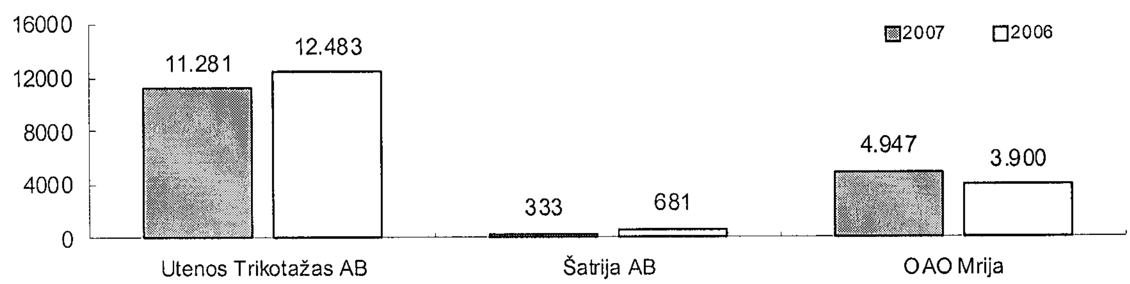


Production

In 2007, the Company produced 11.3 million knit-wear items. The Company's subcontractors (including the company in Ukraine) produced 8.1 million knit-wear items or 72 per cent of total production volume.

In 2007, Šatrija AB produced 0.333 million sewn items. Šatrija AB subcontractors produced 0.213 million sewn items or 63.9 per cent of total production volume.

In 2007, OAO MTF Mrija produced 4.9 million items, 2.206 thousand items whereof represent the items produced during full manufacturing cycle. OAO MTF Mrija subcontractors in Ukraine produced 1.6 million items.



Investments

In 2007, the Group's investments in new equipment and technologies amounted to LTL 4.526 million including inter-company transfers.

In 2007, the Company's investments in equipment and information technology amounted to LTL 2.552 million.
In the knitting section, two new flat and crosscut weaving machines, a collar knitting machine were purchased, and the knitting equipment underwent modernisation for the total value of LTL 0.7 million.
In the decoration section, a rubber strip decoration machine, a compactor and other special equipment valued at LTL 0.7 million were purchased.
In the sewing section, sewing and special equipment valued at LTL 0.3 million were put into operation.
Acquisitions of software and hardware amounted to LTL 0.1 million.
Investments in other manufacturing assets amounted to LTL 0.8 million.

In 2007, Šatrija AB invested LTL 0.018 million, LTL 0.014 million whereof represent investments in special manufacturing equipment, LTL 0.004 million in computer software and hardware.

In 2007, OAO MTF Mrija invested LTL 1.95 million, LTL 1.3 million whereof represent investments in special manufacturing equipment, LTL 0.04 million in computer hardware and software, and LTL 0.5 million in buildings and constructions and LTL 0.11 million in other investments.

In 2007, Gotija UAB had made no investments.

Development

The Company's research activities and decisions made are focused on potential development opportunities through the implementation of the Company's strategic goals. This involves improvement of production technologies, development of new materials attractive to the customers, development of own-design collections, certification of production processes, etc.

Risk factors related to the Issuer's operations

Key risk factors related to operations of Utenos Trikotažas AB include:

- Overall economic situation of Lithuania;
- Foreign currency fluctuations;
- Amendments to laws and legal acts of the Republic of Lithuania;
- Changes in accounting and tax regulations.

Economic factors. The Company's operations are dependent on state politics, political and economic developments in Lithuania or developments affecting Lithuania, i.e. political and economic developments in Ukraine.
The Company and the Group use instruments ensuring that production is sold to reliable customers and sales are not exceeding a set credit risk limit. In addition, credit insurance procedures are applied. A standard credit term for amounts receivable and payable varies from 30 to 60 days.
The Company's and the Group's policy focuses on maintaining adequate amount of cash and cash equivalents or maintaining funding by keeping adequate credit lines available with the purpose of implementing commitments provided for in their strategic plans. As at 31 December 2007, the Company's ratios of general liquidity and urgent settlement were 1.29 and 0.82, respectively.

For several years in turn operations of Utenos Trikotažas AB have been successful. The Company continues to improve the management system according to EN ISO 9001,EN ISO 14001, SA 8000 and other relevant requirements.

Political risk factors. Significant changes in a business environment are related to the national tax reform. For two years profit of local companies was subject to an additional social tax.

Social risk factors. The Company focuses attention on improvement of working conditions, training of personnel, qualification development. The amount of LTL 107 thousand for personnel training is designated in the Company's operation plan for 2008. In 2006, the Company obtained SA 8000 certificate. To date, Utenos Trikotažas AB is the first and only company in Lithuania, which has implemented this standard.

Technical and technological risk factors. The condition of the Company's major facilities is good and does not pose any risk to operations. Utenos Trikotažas AB regularly invests in renovation of facilities and introduction of the latest technologies. In 2008, the Company expects to allocate LTL 2.6 million for investments.

Ecological risk factors. The environment management system meeting the requirements of ISO 14001 has been introduced at the Company. Key environmental strategic objectives include:
- Reduction of environmental pollution through efficient and economical use raw materials and energy resources;
- Reduction in waste volume, improvement of management of waste and chemical materials, reduction of use of dangerous chemical substances in the production process.

Liquidity risk. Due to a limited capital market of Lithuania, the price of shares being sold might fluctuate greatly and upon the occurrence of unfavourable market conditions, investors might face difficulties in selling their shares in the Lithuanian market.
Prices on the Vilnius Stock Exchange might be also affected by external factors such as results of global and new markets, changes in trade taxes and/or capital appreciation taxes.

Risk of share price variability. The price of shares being sold might fluctuate greatly due to the Company's operating results that are also dependent on amendments to legal acts, actions of the Government, political and economic situation of Lithuania, economic situation in the region and in other new markets as well as other developments and factors.
Any of these market conditions might have a negative effect on the price of shares being sold.

7. Analysis of financial and non-financial performance

Key performance indicators of Utenos Trikotažas AB:

	COMPANY	
Indicators	**2007**	**2006**
Ratio of general short-term solvency	1.29	1.29
Return on assets	(1.8)	7.1
Net profitability	(1.5)	5.2
Assets turnover	1.24	1.37
Debt-to-equity ratio	2.60	1.58
Book value per share	1.30	1.78
Critical liquidity ratio	0.83	0.90
Debt ratio	0.72	0.61
Net earnings (deficit) per share	(0.08)	0.33

In 2007, the Company's sales per employee amounted to LTL 121.6 thousand, which is less by LTL 3.3 thousand as compared to 2006.

In 2007, the Group's sales per employee amounted to LTL 71.78 thousand, which is less by LTL 11.1 thousand as compared to 2006.

8. References to and additional explanations of data presented in the financial statements

All financial data presented in this Annual Report is calculated in accordance with the International Financial Reporting Standards, endorsed for the application in the EU and approved by the assigned auditor under established procedure.

9. Information about own shares owned and acquired by the Company

During a reporting period the Company did not acquire own shares.

10. Significant events subsequent to the end of the previous financial year

April
On 26 April, a General Meeting of Shareholders of Utenos Trikotažas AB was held and the **following resolutions were adopted:**

1. Approval of the Company's performance report for 2006.
2. Approval of the auditor's findings.
3. Approval of the annual financial statements for 2006.
4. Approval of appropriation of profit for 2006. A decision was made to pay dividends of LTL 0.40 per share with par value of LTL 1. 20 April 2007 was the date of accounting for shareholders entitled to receive dividends.
5. PricewaterhouseCoopers UAB was elected as the auditor of Utenos Trikotažas AB for 2007.

May

An external review of the management system based on ISO 9001 and ISO 14001 was carried out. No cases of non-compliance were noted.

July

Regina Sajienė was dismissed from the position of the General Manager.

September

Gintaras Pileičikas was appointed to the position of the General Manager.
BVQI Organisation carried out an external audit of the Company for compliance with SA 8000:2001. No cases of non-compliance were noted.
The Company participated in a trade fair Baltic Textile and Leather.

November

An external review of the management system based on ISO 9001 and ISO 14001 was carried out. No cases of non-compliance were noted.

11. The Company's operating plans and prospects

In 2008 the Company plans to actively develop production and sales of ecological products and to develop the co-operation with customers demanding higher quality and sophisticated technology. Also, labor intensive production processes are planned to increase in Ukraine and Belarus.

The Company plans to orient strongly to development of direct co-operation with vendors of Asia in 2008, thus ensuring cheaper recourse of main production materials.

The Company expects more favorable import-export procedures with Ukraine and related taxes due to expected join of Ukraine to WTO in 2008.

Note: the Company's operating plan for 2008 was approved at the Board's meeting held on 28 February 2008, Minutes No. 3.

12. Structure of the Issuer's authorised share capital

As at 31 December 2007, the Company's authorised share capital was comprised of 19,834,442 ordinary registered shares with a nominal value of LTL 1 each.

Utenos Trikotažas AB authorised share capital according to types of shares:

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Percentage in the authorised share capital (%)
Ordinary registered shares	19,834,442	1	19,834,442	100.00

All shares of Utenos Trikotažas AB are fully paid.

All shares of the Company are ordinary registered shares of one class granting equal rights to their holders (shareholders).

An ordinary registered share grants the following property rights to its holder (shareholder):

1. to receive a part of the Company's profit (dividend);
2. to receive a part of assets of the Company in liquidation;
3. to receive shares without payment if the authorised capital is increased out of the Company's funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting of Shareholders decides to withdraw the pre-emption right in the manner prescribed by the Lithuanian Law on Companies in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
5. to lend to the Company in the manner prescribed by law; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
6. to transfer all or part of the shares into the ownership of other persons;
7. to force other shareholder to sell their shares to them or to force other shareholders to buy their shares from them in cases and manner prescribed by the Law on the Law on Securities Market;
8. other property rights established by laws.

An ordinary registered share grants the following non-property rights to its holder (shareholder):

1. to attend the General Meetings of Shareholders;
2. to vote at General Meetings of Shareholders according to voting rights carried by their shares; One ordinary registered share carries one vote;
3. to receive information on the Company specified by laws;
4. to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the company manager and Board members of their obligations prescribed by laws or these Articles of Association as well as in other cases laid down by laws;
5. other non-property rights established by laws.

13. Restrictions on disposal of securities

There are no restrictions.

14. Shareholders

As at 29 December 2007, the total number of shareholders of Utenos Trikotažas AB was 1,185.

The table below indicates shareholders owning or holding more than 5 per cent of the Issuer's authorised share capital as at 29 December 2007.

Names of shareholders, types, registered addresses, company codes	Number of ordinary registered shares held	Share in the authorised capital (%)	Share of votes held (%)
Koncernas SBA UAB Laisvės pr.3, Vilnius company code 3220673	9,445	47.62	47.62
Amber Trust S.C.A.(SCA) Commandite par Actions 52route d'Esch 1-2965, Luxembourg	2,700	13.61	13.61
East Capital Asset Management, Kungsgatan 30,Box 1364, Stockholm, Sweden Code 556564-5370	2,109	10.63	10.63
Employees of the Company	325	1.64	1.64
Other shareholders	5,255	26.5	26.5

15. Shareholders holding special control rights and descriptions of these rights

There are no such shareholders.

16. All restrictions regarding voting rights

There are no restrictions.

17. All mutual agreements between shareholders of which the Issuer is aware and due to which restrictions on transfer of securities and/or voting rights may be imposed.

There are no such agreements.

18. Personnel

In 2007, the average number of employees was 944. As a result of a more active use of services rendered by the Lithuanian subcontractors and OAO Mrija, the Company's average number of employees decreased by 55 over the year. In 2007, workers comprised 85.3 per cent, whereas managers and specialists comprised 14.7 per cent of all Company's employees.

In 2007, one employee of the Company earned on average LTL 2,000 or EUR 579 per month, wherein an average worker earned LTL 1,658 or EUR 480, and an average specialist earned LTL 4,052 or EUR 1,174.

In 2007, production output of one employee of the Company as measured by sales decreased by 2.1 per cent, and the average monthly salary increased by 7.6 per cent. Inflation rate in Lithuania was 5.8 per cent in 2007.

	2007	2006
Average number of employees	944	999
Payroll expenses, excluding social security contributions, thousand LTL	22,143	22,761
Average monthly salary of employees, LTL	2,000	1,858
Average monthly salary of specialists, LTL	4,052	4,684
Average monthly salary of workers, LTL	1,658	1,444

Number of employees of Utenos Trikotažas AB by separate groups:

Group of employees	Average recorded number	
	2007	2006
Managers and specialists	138	132
Managers whereof	5	5
Workers	851	896
Total	989	1,028

The groups of employees by education:

Group of employees	Groups of employees by education:					
	Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	5	-	-	-	-	-
Specialists	99	23	2	-	-	9
Workers	12	274	180	294	76	15
Total	**116**	**297**	**182**	**294**	**76**	**24**

19. Amendment procedure of the Issuer's Articles of Association

The Articles of Association of the Company shall be amended by the decision of the General Meeting of Shareholders adopted in the manner prescribed by laws, except in cases specified in the Lithuanian Law on Companies. Following the decision by the General Meeting of Shareholders to amend the Company's Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting of Shareholders. No amendments to the Articles of Association were made in 2007.

20. Issuer's bodies

The Articles of Association of Utenos Trikotažas AB stipulate that the Company shall have the following bodies: the General Meeting of Shareholders, the Board and the General Manager. The Supervisory Board shall not be set up at the Company.
The Company's Board shall be granted all powers stipulated in the Company's Articles of Association including powers assigned to it by laws. The Board shall deal with deliberation of collegial issues and decision making.
The Board shall deliberate and approve the Company's operating strategy, management structure and job descriptions of employees. The Board shall elect and remove from office the Company Manager, fix his salary and set other terms of the employment contract. The Board shall specify information classified as the Company's commercial secret. The Board shall analyse and assess the Company's draft annual and consolidated financial statements and proposed profit (loss) appropriation and shall submit them to the General Meeting of Shareholders. The Board shall pass other decisions assigned within its powers by legal acts, by the Company's Articles of Association and by the decisions of the General Meeting of Shareholders. The Board shall have a responsibility of convening and arranging the General Meetings of Shareholders in due time.
The Board of Utenos Trikotažas AB shall be composed of 4 members elected for the period of 4 years.

The Board of Utenos Trikotažas AB was elected during the Meeting of Shareholders on 30 March 2005 for the period of 4 years (until 30 March 2009). According to the Articles of Association of Utenos Trikotažas AB the Company's Board shall be composed of 4 members. On 30 March 2005, the following members of the Board were elected: Arūnas Martinkevičius, Regina Sajienė, Martynas Česnavičius and Antanas Vainauskas. Following the resignation of Antanas Vainauskas from the position of a member of the Company's Board, Algirdas Šabūnas was elected a member of the Board during the Meeting of Shareholders on 26 April 2007.
On 29 May 2007, members of the Board of Utenos Trikotažas AB Regina Sajienė and Martynas Česnavičius resigned from the position of members of the Board pursuant to paragraph 10 of Article 33 of the Law on

Companies.

Asta Jaloveckienė and Robertas Beržinskas were elected members of the Board during the extraordinary Meeting of Shareholders of Utenos Trikotažas AB held on 13 July 2007.
Upon the death of a member of the Company's Board Asta Jaloveckienė and the decision passed by the Meeting of Shareholders on 29 January 2008 regarding the resignation of Arūnas Martinkevičius from the position of the Chairman of the Board of Utenos Trikotažas AB, the Meeting of Shareholders elected Ingrida Osinaitė and Gintautas Rudis members of the Board for the remaining period of the Board's term of office, i.e. until 30 March 2009.

21. Members of the collegial bodies, the Company Manager, the Chief Financial Officer

As at 31 December 2007:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
Board				
Chairman of the Board	Arūnas Martinkevičius	-	30/03/2005	29/01/2008
Member of the Board	Algirdas Šabūnas	-	26/04/2007	30/03/2009
Member of the Board	Robertas Beržinskas	-	13/07/2007	30/03/2009
Head of Administration and the Chief Financial Officer				
General Manager	Gintaras Pileičikas	-	01/09/2007	-
Chief Financial Officer	Darius Varnas	-	21/11/2005	-

In 2007, no loans, guarantees, suretyships were issued and no assets were disposed to members of the Company's Board and Administration. In 2007, the aggregate remuneration of the Company General Manager and the Chief Financial Officer amounted to LTL 625.9 thousand.

The Company has concluded no agreements with members of bodies or employees that would define their compensation in case of their resignation or dismissal without a sound reason or in case of termination of their employment as a result of the change in the control of the Company.

22. Information about significant agreements

The Company has concluded no significant agreements in which the Company is a party to and which would come into effect, change or terminate as a result of the change in the control of the Company.

23. Information about the compliance with the Governance Code

Utenos Trikotažas AB confirms its substantial compliance with the principles of the Governance Code approved by the Vilnius Stock Exchange for the companies listed on the regulated market.

24. Information about transactions with related parties

Results of transactions with related parties performed in 2007 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2007.

25. Data on publicly announced information

The Company announces information on significant events (as well as other information required by laws) through the system of information disclosure and communication OMX Company News Service. Publicly announced information is also available on the Company's website at www.utenostrikotazas.lt and on the website of the Vilnius Stock Exchange at www.baltic.omxgroup.com.

26. General information on the Group of companies
26.1. Companies that constitute the Group, their contact data and principle activities

26. General information on the Group of companies

26.1. Companies that constitute the Group, their contact data and principle activities

Company name	**Šatrija AB**
Legal form	Public company
Date and place of incorporation	1955m. Vilniaus 5, 4400 Raseiniai
Company code	172285032
Address	Vilniaus 5, 4400 Raseiniai
Telephone	8 (428) 70611
Fax	8 (428) 70611
E-mail	raseiniai@satrija.lt.
Website	www.satrija.lt
Principal activities	Sewing of clothes

Company name	**OAO Mukačevska Trikotažnaja Fabrika Mrija**
Legal form	Open public company
Date and place of incorporation	1971m. Matrosova 13, 89600 Mukačevo, Ukraine
Company code	00307253
Address	Matrosova 13, 89600 Mukačevo, Ukraine
Telephone	+ 380 (3131) 52780
Fax	+380 (3131) 52780
E-mail	mriya@mk.ukrtel.net
Website	none
Principal activities	Production of knit-wear articles

Company name	**Gotija UAB**
Legal form	Private company
Date and place of incorporation	1994m. Laisvės al. 33, Kaunas
Company code	134181619
Address	Laisvės al. 33, Kaunas
Telephone	8 (37) 205879
Fax	8 (37) 205879
E-mail	None
Website	None
Principal activities	Retail trade In clothes

26.2. Agreements concluded between the Issuer and brokerage firms and/or credit institutions providing investing services and/or conducting investing activity

Subsidiaries Šatrija AB, OAO Mukačevska Trikotažnaja Fabrika Mrija, Gotija UAB do not trade in securities in regulated markets.

26.3. Trade in securities of the Group companies in regulated markets

Subsidiaries Šatrija AB, OAO Mukačevska Trikotažnaja Fabrika Mrija, Gotija UAB do not trade in securities in regulated markets.

General Manager Gintaras Pileičikas 17 April 2008

APPENDIX TO THE ANNUAL REPORT

UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2007

Utenos Trikotažas AB (hereinafter "the Company") following paragraph 3 of Article 21 of the Law of the Republic of Lithuania on Public Trading in Securities and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Relevant matters are made public in the Company's prospectus-report deliveries, and they are publicly available on the websites of the Lithuanian Securities Commission and the Stock Exchange.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Every year the Company's board approves the plans of operation containing the description of the Company's development strategy for 2-3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation. The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the board and chief executive officer (the supervisory board has not been set up).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has a collective employment contract in place. Utenos Trikotažas AB supports youth and non-governmental organisations, foster homes, organisations of disabled individuals, multichild families, Utena Region Community Fund.

Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The supervisory board has not been set up, however, the general meeting of shareholders has elected the board. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions described in the recommendation are fulfilled at the Company by a collegial management body – the board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Only one collegial body has been set up.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	No comments.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Company's board is composed of 3 members. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	There are no non-executive directors and the supervisory board.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company is in compliance with this recommendation. The Company has not set up the supervisory board, and the chairman of the board has never been in the past and currently is not the Company's chief executive officer.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	A collegial management body is set up in accordance with the requirements of the Lithuanian Law on Companies, and the shareholders are notified of candidates to become members of the Company's collegial management body.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	This information on candidates to the board was disclosed to the shareholders together with the notification on convening the general meeting of shareholders, which involved the election of members to the board, and the agenda of the general meeting of shareholders.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	No	Such kind of information is not disclosed by a collegial body – the board members – in the annual report.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.

3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	No comments.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1);	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The board members receive bonuses.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	No comments.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	No comments.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	No comments.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company's Articles of Association define the procedure of co-operation between a collegial body and the shareholders in accordance with the Lithuanian Law on Companies.

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	These matters are stipulated in the Board's Work Regulations of the Company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Company's director general is not a members of the board.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	These matters are addressed by the board.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Not applicable	See item 4.7.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Not applicable	See item 4.7.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Not applicable	See item 4.7.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Not applicable	See item 4.7.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Not applicable	See item 4.7.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and	Not applicable	See item 4.7.

structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;	Not applicable	See item 4.7.

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	A collegial body – the board – does not carry out any assessment of its activities. The board assesses the Company's annual performance.

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	No comments.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	No	The board meetings are held at least once in a quarter or at shorter intervals, if necessary.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	No comments.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	Not applicable, since only the board has been set up.

Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company is in compliance with the Law on Companies and its Articles of Association.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	No comments.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company is in compliance with the Law on Companies and its Articles of Association.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	No comments.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company has no technical possibilities to use modern technologies in voting process during the general meetings of shareholders, and the shareholders have never requested so far to use modern technologies in voting process during the general meetings of shareholders.

Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	No comments.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	No comments.

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company's remuneration policy is contained in a business plan approved by the board.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Company has not set up any remuneration committees.

8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not applicable	

Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company has a collective employment contract in place. The chairman of the trade union is invited to join monthly production meetings and other major management discussions of the Company.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	All information, except for certain items (see the note below), is disclosed in the Company's annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange. Note: The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, chief executive officer of the Company. Information mentioned in recommendation items 10.2 to 10.4 is not disclosed.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	Information is posted on the website of the Vilnius Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Information is posted on the website of the Vilnius Stock Exchange.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	No	This information is available on the websites of the Stock Exchange and the Lithuanian Securities Commission.

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	No	The Company is compliance with the legal requirements in terms of the audit of its annual financial statements and the annual report by an independent firm of auditors. Interim financial statements are not audited.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company is in compliance with this recommendation, where the Company's board proposes a candidate firm of auditors to the general meeting of shareholders.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The firm of auditors hired to audit the Company's financial statements for 2007 has rendered non-audit services to the Company for a certain fee. This information will be disclosed to the general meeting of shareholders.