VST

KAD GYVENTI BŪTŲ ŠVIESIAU

Joint Stock Company "VST"

Financial statements for the year 2008 prepared according to International Financial Reporting Standards presented together with independent auditor's report

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Independent auditors' report to the shareholders of Joint Stock Company VST

Report on the Financial Statements

We have audited the accompanying 2008 financial statements of Joint Stock Company VST, a company registered in the Republic of Lithuania (hereinafter the Company), which comprise the balance sheet as at 31 December 2008, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements
The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. 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.

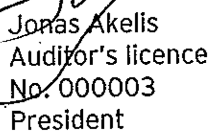
Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Joint Stock Company VST as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

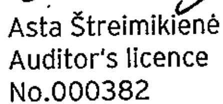
ERNST & YOUNG

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Management Annual Report for the year ended 31 December 2008 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2008.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335





Jonas Akelis
Auditor's licence
No. 000003
President

Asta Štreimikienė
Auditor's licence
No.000382

The audit was completed on 2 March 2009.

(all amounts are in LTL '000 unless otherwise stated)

Income statement

	Notes	2008	2007
Sales	3	1 159 752	1 053 757
Other operating income	4	4 397	5 574
		1 164 149	1 059 331
Purchases of electricity	5	(676 956)	(581 436)
Depreciation and amortisation	11, 12, 19	(274 197)	(284 476)
Wages, salaries and social security		(71 188)	(56 034)
Repair and maintenance expenses	6	(24 442)	(23 941)
Spare parts and other inventories	13	(13 715)	(15 452)
Utilities and communications expenses		(6 735)	(5 697)
Other operating expenses	7	(51 679)	(7 039)
		(1 118 912)	(974 075)
Operating profit		**45 237**	**85 256**
Financial income	8	16 183	8 159
Financial (expenses)	8	(32 946)	(18 559)
Profit before tax		**28 474**	**74 856**
Current and prior year income tax (expenses)	22	(39 083)	(41 023)
Deferred income tax benefit	22	22 284	33 411
Net profit		**11 675**	**67 244**
Basic and diluted earnings per share, in LTL	10	3.14	18.09

The financial statements presented on pages 5 to 29 were approved by the General Director and Director of Financial Department on 2 March 2009.

Aidas Ignatavičius
General Director

(signature)

Lina Minderienė
Director of Financial Department

(signature)

(all amounts are in LTL '000 unless otherwise stated)

Balance sheet

	Notes	As of 31 December 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	11	2 849 527	2 734 971
Intangible assets	12	98	798
		2 849 625	2 735 769
Current assets			
Inventories	13	11 193	7 753
Trade and other receivables	14	95 070	89 846
Prepayments, deferred charges and unbilled revenue	15	11 311	11 284
Cash and cash equivalents	16	6 232	206 440
		123 806	315 323
Total assets		**2 973 431**	**3 051 092**
EQUITY			
Share capital	17	111 540	111 540
Revaluation reserve	2	1 319 030	1 345 069
Legal reserve	2	11 154	11 154
Retained earnings		179 925	620 612
Total equity		**1 621 649**	**2 088 375**
LIABILITIES			
Non-current liabilities			
Borrowings	18	488 937	298 929
Grants and subsidies	19	26 698	25 243
Employee benefit liability	20	1 185	-
Deferred income	21	180 744	131 863
Deferred income tax liability	22	399 938	293 214
		1 097 502	749 249
Current liabilities			
Borrowings	18	105 869	80 389
Trade, other financial liabilities and other payables	23	84 950	67 643
Other payables	23	5 447	7 429
Advances received, accrued charges and deferred income	24	56 934	55 334
Income tax payable		1 080	2 673
		254 280	213 468
Total liabilities		**1 351 782**	**962 717**
Total equity and liabilities		**2 973 431**	**3 051 092**

Aidas Ignatavičius
General Director

(signature)

Lina Minderienė
Director of Financial Department

(signature)

(all amounts are in LTL '000 unless otherwise stated)

Cash flow statement

	Notes	2008	2007
Cash flows from operating activities			
Net profit		11 675	67 244
Adjustments for non-cash items:			
- Income tax	22	16 799	7 612
- Depreciation and amortisation	11, 12	275 734	285 234
- Depreciation of property, plant and equipment received at no consideration	19	(1 537)	(758)
- Recognition of income from the connection of new customers	3, 21	(6 624)	(4 751)
- Unbilled revenue from electricity sales	15	(594)	(2 252)
- Loss on sale of property, plant and equipment	7	442	373
- Write-offs and impairment (reversal of impairment) of property, plant and equipment, revaluation effect	7	24 914	(14 439)
- Impairment (reversal) of impairment of receivables and prepayments	7	2 578	(7 967)
- Inventories surplus and (reversal) of inventories impairment		(1 990)	(3 010)
- Accrued wages, salaries and social security expenses and other accruals	24	2 421	1 168
- Net loss from transactions in foreign currencies	8	-	4
- Interest (income)	8	(16 183)	(8 159)
- Interest expenses	8	32 835	18 479
- Other (income)		-	(16)
		340 470	338 762
Changes in working capital:			
- (Increase) decrease in inventories		(1 386)	1 782
- (Increase) decrease in receivables, prepayments and deferred charges		(15 325)	4 792
- Increase in deferred income	21	61 112	56 518
- Increase (decrease) in payables, other financial liabilities, advances received and accrued charges		11 344	(23 383)
Cash flow from operations		396 215	378 471
Income tax (paid)	22	(32 580)	(54 270)
Net cash flows from operating activities		**363 635**	**324 201**
Cash flows (to) investing activities			
(Purchase) of property, plant and equipment	11	(144 784)	(138 520)
(Purchase) of intangible assets	12	-	(126)
Proceeds from sale of property, plant and equipment		945	605
Interest received		16 183	7 273
Loan repayments received		43	22
Net cash flows (to) investing activities		**(127 613)**	**(130 746)**
Cash flows (to) financing activities			
Proceeds from loans		846 489	423 231
Loans (repaid)		(630 882)	(435 301)
Financial lease payments	18	(119)	(95)
Interest (paid)		(32 377)	(18 355)
Dividends (paid)	9	(619 341)	(59 426)
Net cash flows (to) financing activities		**(436 230)**	**(89 946)**
Effects of exchange rate changes on cash balance	8	**-**	**(4)**
Net (decrease) increase in cash and cash equivalents		**(200 208)**	**103 505**
Cash and cash equivalents at beginning of year		206 440	102 935
Cash and cash equivalents at end of year	16	**6 232**	**206 440**

Aidas Ignatavičius
General Director

(signature)

Lina Minderienė
Director of Financial Department

(signature)

(all amounts are in LTL '000 unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total
Balance as at 31 December 2006		**111 540**	**830 011**	**11 154**	**453 999**	**1 406 704**
Revaluation of non-current assets	11	-	673 234	-	-	673 234
Change in estimation of deferred tax due to the change in tax rate	22	-	681	-	-	681
Transfer from revaluation reserve to retained earnings		-	(158 857)	-	158 857	-
Total income and expense for the year recognised directly in equity		-	515 058	-	158 857	673 915
Net profit for the year		-	-	-	67 244	67 244
Total income and expense for the year		**-**	**515 058**	**-**	**226 101**	**741 159**
Dividends declared for 2006	9	-	-	-	(59 488)	(59 488)
Balance as at 31 December 2007		**111 540**	**1 345 069**	**11 154**	**620 612**	**2 088 375**
Revaluation of non-current assets	11	-	231 113	-	-	231 113
Change in estimation of deferred tax due to the change in tax rate	22	-	(88 903)	-	-	(88 903)
Transfer from revaluation reserve to retained earnings		-	(168 249)	-	168 249	-
Total income and expense for the year recognised directly in equity		-	(26 039)	-	168 249	142 210
Net profit for the year		-	-	-	11 675	11 675
Total income and expense for the year		**-**	**(26 039)**	**-**	**179 924**	**153 885**
Dividends declared for 2007	9	-	-	-	(620 611)	(620 611)
Balance as at 31 December 2008		**111 540**	**1 319 030**	**11 154**	**179 925**	**1 621 649**

Aidas Ignatavičius
General Director

(signature)

Lina Minderienė
Director of Financial Department

(signature)

Notes to the financial statements

1 General information

Joint Stock Company VST (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania and was established following the reorganisation of JSC Lietuvos Energija and registered on 31 December 2001. The Company has changed the name to JSC VST on 26 April 2005 from JSC Vakarų Skirstomieji Tinklai.

The financial statements cover the separate Company's financial statements as of 31 December 2008.

The shares of the Company are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius.

As of 27 May 2008 and 31 December 2007 the shareholders of the Company were as follows:

Shareholder	Number of shares	(%)
UAB NDX Energija	3 610 159	97.10
Other shareholders	107 839	2.90
	3 717 998	100.00

On 27 May 2008 UAB NDX Energija transferred 3 610 159 shares of the Company to LEO LT, AB as a non-monetary contribution.

After 27 May 2008 the shareholders of the Company were as follows:

Shareholder	Number of shares	(%)
LEO LT, AB	3 610 159	97.10
Other shareholders	107 839	2.90
	3 717 998	100.00

As of 31 December 2008, the shareholders of the Company were as follows:

Shareholder	Number of shares	(%)
LEO LT, AB	3 651 524	98.21
Other shareholders	66 474	1.79
	3 717 998	100.00

The Company's main activity is distribution and supply of electricity in Western Lithuania.

The average number of the Company's employees was 1 855 in 2008 (1 885 in 2007).

The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and require a new set of financial statements to be prepared.

2 Summary of accounting policies

2.1 Basis of preparation

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment that have been measured at revalued amounts.

The financial statements are presented in Litas and all values are rounded to the nearest thousand (LTL 000), except when otherwise indicated.

Statement of compliance

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

Adoption of new and/or changed IFRSs and International Financial Report Interpretation Committee (IFRIC) interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* – Reclassification of Financial Assets;
- IFRIC 11 *IFRS 2 – Company and Treasury Share Transactions.*

The principal effects of these changes are as follows:

Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets

Through these amendments the International Accounting Standards Board (IASB) implemented additional options for reclassification of certain financial instruments categorised as held-for-trading or available-for-sale under specified circumstances. Related disclosures were added to IFRS 7. The company did not have financial instruments caught by these amendments.

IFRIC 11 *IFRS 2 – Company and Treasury Share Transactions*

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. The Company has not issued instruments caught by this interpretation.

2 Summary of accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards issued but not yet effective

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 January 2009).

The amendment to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements are not applicable to the Company.

Besides, a new version of IFRS 1 was issued in November 2008. It retains the substance of the previous version, but within a changed structure and replaces the previous version of IFRS 1 (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Amendment to IFRS 2 *Share-based Payment* (effective for financial years beginning on or after 1 January 2009).

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment will have no impact on the financial position or performance of the Company as the Company does not have share-based payments.

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. The new requirements are not applicable to the Company.

IFRS 8 Operating Segments (effective for financial years beginning on or after 1 January 2009).

The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 *Segment Reporting*. The Company is still evaluating what operating segments will be determined in accordance with IFRS 8.

Amendment to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2009).

This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Company is still evaluating whether it will present all items of recognised income and expense in one single statement or in two linked statements.

Amendment to IAS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009).

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for financial years beginning on or after 1 January 2009).

The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Company, as the Company has not issued such instruments.

Amendment to *IAS 39 Financial Instruments: Recognition and Measurement* – Eligible Hedged Items (effective for financial years beginning on or after 1 July 2009).

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

Improvements to IFRSs:

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Company anticipates that these amendments to standards will have no material effect on the financial statements:

- *IFRS 7 Financial Instruments: Disclosures.* Removal of the reference to 'total interest income' as a component of finance costs.
- *IAS 1 Presentation of Financial Statements*. Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors.* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *IAS 10 Events after the Reporting Period*. Clarification that dividends declared after the end of the reporting period are not obligations.
- *IAS 16 Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell".
- *IAS 18 Revenue.* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- *IAS 19 Employee Benefits.* Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.

2 Summary of accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance.* Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- *IAS 23 Borrowing Costs.* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- *IAS 27 Consolidated and Separate Financial Statements.* When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- *IAS 28 Investment in Associates.* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- *IAS 29 Financial Reporting in Hyperinflationary Economies.* Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- *IAS 31 Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- *IAS 34 Interim Financial Reporting.* Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.
- *IAS 36 Impairment of Assets.* When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- *IAS 38 Intangible Assets*. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- *IAS 39 Financial Instruments: Recognition and Measurement.* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- *IAS 40 Investment Property.* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- *IAS 41 Agriculture.* Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'.

IFRIC 12 *Service Concession Arrangements* (effective once adopted by the EU).

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company is not an operator and, therefore, this interpretation has no impact on the Company.

IFRIC 13 *Customer Loyalty Programmes* (effective for financial years beginning on or after 1 July 2008).

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Company does not maintain customer loyalty programmes, therefore, this interpretation will have no impact on the financial position or performance of the Company.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2009).

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. The Company does not have defined benefit plans, therefore, the interpretation will have no impact on the financial position or performance of the Company.

IFRIC 15 *Agreement for the Construction of Real Estate* (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The Company does not conduct such activity, therefore, this interpretation will not have an impact on the financial statements.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for financial years beginning on or after 1 October 2008 once adopted by the EU).

The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 will not have an impact on the financial statements because the Company does not have hedges of net investments.

IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the financial statements because the Company does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers* (effective for transfers of assets received on or after 1 July 2009 once adopted by the EU).

The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the financial statements.

The Company expects that the adoption of the pronouncements listed above will have no significant impact on the Company's financial statements in the period of initial application, except for IAS 23 Borrowing costs and IAS 1 Presentation of Financial Statements – Revised.

2 Summary of accounting policies (cont'd)

2.2 Foreign currency translation

Functional currency

The amounts shown in these financial statements are measured and presented in local currency, Litas (LTL). The Litas is the functional currency of the Company.

Since 2 February 2002, the Litas is pegged to the Euro at a rate of LTL 3.4528 = EUR 1.

Transactions and balances

Foreign currency transactions are translated into the measurement 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 of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement under finance income or costs.

2.3 Segment information

The Company is vertical integration entity, providing supply and distribution services, therefore it operates in one geographical and business segment. Due to this reason no segment information is presented in these financial statements.

2.4 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to the estimation of accrued revenue recognition (Notes 2.5 and 21), over declared income calculation (Note 24), depreciation (Notes 2.8 and 11) and impairment evaluation (Notes 2.10, 2.19 and 2.20). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Overdeclaration of income

The Company increased electricity prices from the beginning of the year 2009. Due to this reason some of the residents declared more electricity than actually consumed in order to pay at lower prices. The Company calculated the over declared amount based on the historical electricity consumption pattern and booked the amount as deferred income.

For more details on other estimates please refer to the respective notes mentioned above.

2.5 Revenue recognition

All revenue are recognised net of value added tax and discounts directly related to sales.

Electricity sales revenue

Revenue on electricity sales to residential sector customers is recognised when electricity is provided. An estimate of unbilled revenue is made to record amounts earned, but not yet received at the end of each accounting period.

Revenue on electricity sales to business customers is recognised when services are rendered based on the actual usage of the electricity.

Customers' connection fees

Contributions received from the new customers and producers for connection and reconstruction or transfer of the network items or equipment, according to the request of the customers, producers and others, initially are recognised as deferred revenue and subsequently recognised as income over the same period during which the related costs of installation are charged. The related costs of installation, which include cost of property, plant and equipment and other costs are capitalised and depreciated over the estimated useful lives of the capitalised assets.

Interest income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in the finance revenue in the income statement.

Other income

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from the rendering of services is recognised on accrual basis, the period when the services are actually provided which is usually completed by the work acceptance act. The Company does not operate under long term service rendering contracts.

2 Summary of accounting policies (cont'd)

2.6 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Income tax related to items recognised directly in equity is recognised in equity.

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

The standard income tax rate in Lithuania is 15%. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with 15% corporate income tax, for one financial year beginning on 1 January 2006 companies have to pay an additional 4% tax calculated based on the income tax principles, and one financial year beginning on 1 January 2007 – 3% tax. After the year 2007 the income tax rate applied to the companies in the Republic of Lithuania will be 15%. Starting 1 January 2009 new income tax rate of 20 % will be applied.

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

2.7 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares issued. Provided that the number of shareholders changes without causing a change in the economical resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period presented. Since there are no instruments reducing earnings per share, there is no difference between the basic and diluted earnings per share.

2.8 Property, plant and equipment

Tangible assets are attributed to property, plant and equipment if their useful life exceeds one year.

Construction in progress is stated at historical cost less accumulated impairment losses.

All other property, plant and equipment are shown at revalued amounts, based on periodic (at least every 5 years) valuations by external independent appraisers or by the Company's management (the management estimated values for assets that will be 100 % reconstructed in the nearest future), less subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes property, plant and equipment part replacement expenses, as incurred, if these expenses correspond the recognition criterion. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is adjusted to the revalued amount of the assets. All other repair and maintenance costs are recognised in profit or loss as incurred.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited directly to equity under the heading of revaluation reserve and decreases are recognised in the income statement. Decreases arising on subsequent revaluations that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement. Revaluation increases in property plant and equipment value that offset previous decreases are taken to income statement. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to the retained earnings taking into account the effect of deferred tax.

Depreciation of property, plant and equipment is calculated using the straight-line method of the carrying value of each asset over its estimated useful lives as follows:

- Buildings	10 - 80 years
Including:	
35 - 110 kV transformer substation buildings	35 years
10 kV distribution point buildings	35 years
10/0.4 kV transformer buildings	50 years
Connection and control system buildings	25 years
- Structures and machinery	5 - 50 years
Including:	
35 - 110 kV transformer substations (except buildings)	25 - 40 years
10 kV distribution points (except buildings)	35 years
10/0.4 kV power transformers	35 years
35 kV power lines	40 years
0.4 - 10 kV electricity network	30 - 40 years
10/0.4 kV transformers (except buildings)	30 years
Connection and control systems (except buildings)	10 - 40 years
- Vehicles	4 - 15 years
- Other tangible assets	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The review of useful lives is performed after revaluation of assets as well.

The useful lives of assets that are planned to be 100 % reconstructed in the future are shortened until the start of the reconstruction date.

2 Summary of accounting policies (cont'd)

2.8 Property, plant and equipment (cont'd)

Property, plant and equipment obtained at no consideration is accounted for at fair value in corresponding captions of property, plant and equipment and deferred income. Property, plant and equipment obtained at no consideration is depreciated by using straight-line method over the estimated useful life of these assets. The amounts accounted for in the deferred income caption are recognised as revenue in the income statement over the period of useful life of this property, plant and equipment and the depreciation expenses of the related property, plant and equipment in the income statement are reduced by this amount.

Interest costs on borrowings to finance the construction of property, plant and equipment are not capitalised and are recognised in the income statement when incurred.

When property is retired or otherwise disposed of, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the income statement. Gains and losses on disposal of property, plant and equipment are determined as a difference between proceeds and the carrying amount of the assets disposed. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

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

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

2.10 Impairment of non-current assets

Each year, property, plant and equipment and other non-current assets, including intangible assets, 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 level for which there are separately identifiable cash flows (cash-generating units).

2.11 Financial lease and operating lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

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

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

Operating lease payments are recognised as an expenses in profit or loss on a straight line bases over the lease term.

Company as lessor

Lease where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.12 Grants

Government grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised as income in the financial statements over the period of depreciation of the assets associated with this grant. In the income statement, depreciation expense account is decreased by the amount of grant amortisation.

Government grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, transport, and other costs directly attributable to the cost of inventories. Net realisable value is the estimate of the selling price, less the costs of completion, marketing and distribution.

2 Summary of accounting policies (cont'd)

2.14 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at hand, demand deposits, and other short-term highly liquid investments.

2.15 Share capital

Ordinary shares are stated at their par value.

2.16 Reserves

Legal reserve

A legal reserve is a compulsory reserve under the Law on Joint Stock Companies of the Republic of Lithuania. Annual transfers of 5 % of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, are required until the reserve reaches 10 % of the share capital. The Company has already fully formed the reserve. The legal reserve cannot be distributed as dividends, but can be used to cover any future losses.

Revaluation reserve

Revaluation reserve represents an increase in the carrying amount of property plant and equipment due to the revaluation. The reserve is decreased by the amount of relating deferred income tax upon its recognition. The revaluation reserve included in equity is transferred to retained earnings when it is realised. The revaluation reserve is realised on retirement or disposal of the asset or as the asset is used by the Company, i.e. the amount of reserve realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

2.17 Dividends

Dividends are recorded in the financial statements at the moment they are declared by the Annual General Shareholders' Meeting.

2.18 Borrowings

Borrowing costs are expensed as incurred.

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

2.19 Deferred income tax

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

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

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxation authority and the same taxable entity.

2.20 Investments and other financial assets

According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Related profit or loss on revaluation is charged directly to the income statement. Interest income and expense and dividends on such investments are recognised as interest income and dividend income or interest expenses, respectively.

2 Summary of accounting policies (cont'd)

2.20 Investments and other financial assets (cont'd)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Receivables are carried at original invoice amount less allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The change of the allowance is recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair value

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

The Company does not have financial instruments at fair value as of 31 December 2008 and 2007.

2.21 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Company has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

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

2.22 Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set-off, except the cases when certain accounting standards specifically require such set-off.

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

2.23 Employee benefits

Social security contributions

The Company 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 Company 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 related to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

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 recognises termination benefits when it is firmly 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. Non-current benefits recognised are recognised at present value discounted using market rate.

Employee benefit liability

Pension liability represents calculated amounts to be paid according to Lithuanian legislation. Each employee is entitled to 2 months salary payment when leaves the job at or after the start of pension period. The defined benefit obligation as of balance sheet date as well as the costs of providing such benefits are based on actuarial calculations applying the projected credit unit method. The discount rate applied reflects the rates set for governmental bonds with a duration similar to the expected benefit payments.

2 Summary of accounting policies (cont'd)

2.24 Contingencies

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

A contingent asset is not recognised in the financial statements, however is disclosed.

2.25 Subsequent events

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

(all amounts are in LTL '000 unless otherwise stated)

3 Sales

	2008	2007
Sales of electricity	1 137 555	1 033 199
Sales of reactive energy	15 573	15 807
Customers' connection fees (Note 21)	6 624	4 751
	1 159 752	**1 053 757**

4 020 million kWh of electricity were sold in 2008, i. e. by 1.85 % more than in 2007 (3 947 million kWh – in 2007).

4 Other operating income

	2008	2007
Income from installation works	1 002	1 845
Fines received	949	686
Profit on sales of materials	792	1 157
Services related to electricity	690	587
Rent and teleinformation income	612	633
Other income	352	666
	4 397	**5 574**

5 Purchase of electricity

Purchase of electricity expenses present purchases of electricity from Ignalina Nuclear Power Plant, AB Lietuvos Energija and other electricity producers. The increase in expenses is in line with increase in sales. Moreover, the increase in purchase of electricity expenses was caused by the temporary closing of Ignalina Nuclear Power Plant, as the Company has to purchase more expensive electricity from other suppliers.

6 Repair and maintenance expenses

Repair and maintenance expenses mainly present maintenance works purchased from services providers.

7 Other operating expenses

	2008	2007
Impairment (reversal of impairment) and write-off of property, plant and equipment and (increase) in value that covers decrease in value during previous revaluation	24 914	(14 438)
Fuel	4 691	4 015
Cash collection expenses	2 839	4 969
Impairment (reversal of impairment) and write-off of receivables and prepayments	2 578	(8 113)
Taxes other than income tax	2 295	1 396
IT expenses	1 171	1 073
Loss on disposal of property, plant and equipment	442	373
(Reversal) of net realisable value adjustment	(1 494)	(2 226)
Other expenses	14 243	19 990
	51 679	**7 039**

8 Financial income / (expenses), net

	2008	2007
Interest income	16 183	8 159
Total finance income	16 183	8 159
Interest (expenses)	(32 835)	(18 479)
Loan administration (expenses)	(80)	(75)
Net foreign exchange (losses)	(20)	(4)
Penalties and fines (paid)	(11)	(1)
Total finance (expenses)	(32 946)	(18 559)
	(16 763)	**(10 400)**

(all amounts are in LTL '000 unless otherwise stated)

9 Dividends

	2008*	2007*
Dividends declared	620 611	59 488
Weighted average number of shares (thousands)	3 718	3 718
Approved dividends per share (expressed in LTL per share)	166.92	16.00

* The year when dividends are declared

The shareholders of the Company declared dividends in the amount of LTL 620 611 thousand for the year 2008 (LTL 59 488 thousand for 2007). The major part of the amount was paid out in year 2008. The remaining liability to the shareholders of the Company as of 31 December 2008 amounts to LTL 7 888 thousand (LTL 6 617 thousand as of 31 December 2007) and is accounted for in trade, other financial liabilities and other payables in the balance sheet (Note 23).

10 Earnings per share, basic and diluted

	2008	2007
Net profit attributable to shareholders	11 675	67 244
Weighted average number of ordinary shares in issue (thousands) (Note 17)	3 718	3 718
Basic earnings per share (expressed in LTL per share)	3.14	18.09

The Company has no dilutive potential ordinary shares and therefore the diluted earnings per share equal to basic earnings per share.

11 Property, plant and equipment

	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
At 31 December 2006						
Cost or revalued cost	227 612	2 401 231	32 386	31 443	88 929	2 781 601
Accumulated depreciation	(42 538)	(645 084)	(1 941)	(12 474)	-	(702 037)
Accumulated impairment	-	-	-	-	(473)	(473)
Net book value	185 074	1 756 147	30 445	18 969	88 456	2 079 091
Year ended 31 December 2007						
Opening net book value	185 074	1 756 147	30 445	18 969	88 456	2 079 091
Additions	302	825	6 112	578	130 703	138 520
Disposals	(626)	(80)	(167)	(108)	(5 095)	(6 076)
Write-offs	(137)	(6 262)	(25)	(115)	-	(6 539)
Revaluation	140 116	669 111	(2 208)	7 604	-	814 623
Changes in impairment charge per year	-	-	-	-	(183)	(183)
Reclassifications between groups	8 589	134 837	1	11 993	(155 420)	-
Depreciation charge	(12 982)	(251 483)	(8 838)	(11 162)	-	(284 465)
Closing net book value	320 336	2 303 095	25 320	27 759	58 461	2 734 971
At 31 December 2007						
Cost or revalued cost	333 318	2 554 578	34 158	38 921	59 117	3 020 092
Accumulated depreciation	(12 982)	(251 483)	(8 838)	(11 162)	-	(284 465)
Accumulated impairment	-	-	-	-	(656)	(656)
Net book value	320 336	2 303 095	25 320	27 759	58 461	2 734 971
Year ended 31 December 2008						
Opening net book value	320 336	2 303 095	25 320	27 759	58 461	2 734 971
Additions	140	509	7 472	242	136 421	144 784
Disposals	(428)	(8)	(852)	(99)	-	(1 387)
Write-offs	(181)	(3 397)	(113)	(70)	-	(3 761)
Revaluation	71 000	163 723	5 202	9 694	-	249 619
Changes in impairment charge per year	-	-	-	-	335	335
Reclassifications between groups	9 150	133 949	(17)	13 649	(156 731)	-
Depreciation charge	(15 274)	(245 471)	(6 327)	(7 962)	-	(275 034)
Closing net book value	384 743	2 352 400	30 685	43 213	38 486	2 849 527
At 31 December 2008						
Cost or revalued cost	384 743	2 493 610	34 383	48 679	38 807	3 008 541
Accumulated depreciation	-	(141 210)	(3 698)	(5 466)	-	(158 693)
Accumulated impairment	-	-	-	-	(321)	(321)
Net book value	384 743	2 352 400	30 685	43 213	38 486	2 849 527

11 Property, plant and equipment (cont'd)

The Company accounted for increase in prepayments between 2008 and 2007 in the additions of construction in progress in amounting to LTL 345 thousand (LTL 1 389 thousand decrease between 2007 and 2006).

Revaluation of property, plant and equipment

On 31 May 2008 the Company's property, plant and equipment (except for construction in progress) was revalued by external independent appraiser, UAB Ober-Haus Nekilnojamasis Turtas, qualification certificate No. 000011 issued on 24 January 2000. Valuations were made on the basis of replacement cost, except for other assets (with no business specific features) that were revalued using comparable prices method. The increases and decreases in carrying amounts arising from the revaluation of property, plant and equipment are as follows:

	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
Increase in carrying amount	165 170	374 931	5 621	12 481	558 203
Decrease in carrying amount	(75 805)	(211 192)	(419)	(2 563)	(289 979)
	89 365	163 739	5 202	9 918	268 224

Revaluation surplus, amounting to LTL 558 203 thousand, emerged due to LTL 516 141 thousand increase in revaluation reserve and coverage of impairment for previous assets revaluation in the amount of LTL 42 062 thousand. The decrease of LTL 289 979 thousand comprises LTL 233 339 thousand decrease of revaluation reserve of previous revaluation and LTL 56 640 thousand decrease in assets' value, which was accounted for in the income statement. The revaluation surplus, net of applicable deferred income tax effect is accounted for in the revaluation reserve in equity and amounts to LTL 240 382 thousand, while impairment is accounted for in the income statement.

In addition, the Company's property, plant and equipment was revalued by external independent appraiser, UAB Ober-Haus Nekilnojamasis Turtas, using comparable prices method as of 31 December 2008. The increases and decreases in carrying amounts arising from the revaluation of property, plant and equipment are as follows:

	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
Increase in carrying amount	2	13	-	-	15
Decrease in carrying amount	(18 367)	(29)	-	(224)	(18 620)
	(18 365)	(16)	-	(224)	(18 605)

According to the Company's management and as confirmed by the independent appraisers, the fair value (replacement costs) of other asset groups' did not change significantly for the period from 31 May 2008 to 31 December 2008. The carrying amount of Company's property plant and equipment does not differ materially from that which would be determined using fair value at the balance sheet date.

Revaluation surplus, amounting to LTL 15 thousand, emerged due to LTL 15 thousand increase in revaluation reserve. Decrease by LTL 18 620 thousand emerged due to LTL 11 601 thousand decrease of revaluation reserve and LTL 7 019 thousand of impairment expenses accounted for in the income statement. The decrease in revaluation effect, net of applicable deferred income tax effect is accounted for in the revaluation reserve in equity and amounts to LTL 9 269 thousand, while impairment is accounted for in the income statement.

If property, plant and equipment would not be revaluated, carrying values of property, plant and equipment as of 31 December 2008 and 2007 would be as follow:

	Land and buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Total
As of 31 December 2008	241 728	1 041 124	30 718	33 839	1 347 409
As of 31 December 2007	242 687	995 014	29 179	25 380	1 292 260

Property, plant and equipment acquired under financial lease

The Company did not have property, plant and equipment acquired under financial lease as of 31 December 2008. The net book value of this property in 2007 amounted to LTL 166 thousand.

Fully depreciated assets still used by the Company

As of 31 December 2008 the acquisition (revalued) cost of fully depreciated property, plant and equipment, but still in active use of the Company was LTL 2 521 thousand (LTL 8 253 thousand as of 31 December 2007).

(all amounts are in LTL '000 unless otherwise stated)

12 Intangible assets

	Computer software
Year ended 31 December 2007	
Opening net book amount	656
Additions	126
Reversal of allowance	785
Amortisation charge	(769)
Closing net book value	798
At 31 December 2007	
Cost	8 065
Accumulated amortisation	(7 267)
Net book value	798
Year ended 31 December 2008	
Opening net book amount	798
Amortisation charge	(700)
Closing net book value	98
At 31 December 2008	
Cost	8 065
Accumulated amortisation	(7 967)
Net book value	98

13 Inventories

		Year ended 31 December	
		2008	**2007**
Spare parts and supplies (at cost)		11 891	11 261
Electricity meters (at cost)		2 367	2 445
		14 258	13 706
Impairment allowance	(a)	(3 065)	(5 953)
		11 193	**7 753**

(a) The Company reviewed slow moving inventories in 2008 and updated the impairment allowance for inventories, accordingly. The decrease in impairment allowance occurred as some of inventories, in amount of LTL 1 394 thousand, were written off or used.

The acquisition cost of the Company's inventories accounted for at net realisable value as of 31 December 2008 amounted to LTL 3 065 thousand (LTL 5 953 thousand as of 31 December 2007). Changes in the impairment allowance for inventories for the year 2008 and 2007 have been included into operating expenses.

The amount of write-down of inventories recognised as expenses is LTL 13 715 thousand for the year 2008 (LTL 15 452 thousand for the year 2007).

14 Trade and other receivables

		Year ended 31 December	
		2008	**2007**
Trade receivables		115 344	119 390
Other receivables		2 828	1 615
Trade and other receivables, gross		118 172	121 005
Impairment allowance for trade receivables	(a)	(22 410)	(30 463)
Impairment allowance for other receivables		(692)	(696)
		(23 102)	(31 159)
		95 070	**89 846**

(a) The decrease in trade receivables impairment allowance in 2008 is due to write off of LTL 10 588 bad debts.

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

As of 31 December 2008 trade receivables with the nominal value of LTL 17 058 thousand (as of 31 December 2007 – LTL 25 085 thousand) were impaired and fully provided for.

(all amounts are in LTL '000 unless otherwise stated)

14 Trade and other receivables (cont'd)

Movements in the allowance for impairment of receivables were as follows:

Balance as of 31 December 2006	39 272
Charge for the year	9
Written off	(146)
Amounts reversed	(7 976)
Balance as of 31 December 2007	31 159
Charge for the year	2 531
Written off	(10 588)
Balance as of 31 December 2008	23 102

Trade and other receivables that are individually impaired amount to LTL 16 768 thousand as of 31 December 2008 (LTL 24 824 thousand as of 31 December 2007).

Trade and other accounts receivables are written off when the management is of opinion that the amount will not be recovered.

The ageing analysis of trade and other receivables as of 31 December 2008 and 2007 is as follows:

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	Less than 30 days	30 - 60 days	60 - 90 days	90 - 120 days	More than 120 days	Total
2008	89 110	4 015	555	188	116	1 086	95 070
2007	82 536	5 096	493	513	589	619	89 846

Credit quality of financial assets neither past due nor impaired

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

15 Prepayments, deferred charges and accrued income

	Year ended 31 December	
	2008	2007
Unbilled revenue from electricity supply	10 255	9 661
Accrued interest income	-	1 022
Prepayments for services	658	284
Other prepayments and deferred charges	485	357
	11 398	11 324
Allowance for prepayments	(87)	(40)
	11 311	**11 284**

16 Cash and cash equivalents

	Year ended 31 December	
	2008	2007
Cash at bank and on hand	4 111	3 422
Short-term bank deposits	2 121	34 519
Bonds	-	168 499
	6 232	**206 440**

As of 31 December 2008 and 2007, cash and cash equivalents include LTL 12 674 thousand allowance for cash in banks under liquidation.

In 2008 the effective interest rate for the short-term deposit is 2.28 %. In 2007 the effective interest rate for the short-term deposit was 4.068 %, and maturity was up to 3 days.

As of 31 December 2007 the Company had bonds issued by Danske Bank A/S Lithuania Branch with the maturity of 62 and 20 days and the effective interest rate of 6.3 % and 5.7 %.

The fair value of cash, short term deposits and bonds as of 31 December 2008 amounts to LTL 6 232 thousand (LTL 206 440 thousand as of 31 December 2007).

17 Share capital

As of 31 December 2008 and 2007, the Company's share capital amounted to LTL 111 540 thousand. As of 31 December 2008 and 2007, the share capital is divided into 3 717 998 ordinary registered shares of LTL 30 par value each. All shares are fully paid. The Company did not hold any of its shares.

18 Borrowings

	Year ended 31 December	
	2008	2007
Non-current borrowings		
Bank loans	488 937	297 696
Financial lease liabilities	-	-
Other long term payables	-	1 233
	488 937	298 929
Current borrowings		
Current portion of non-current bank loans	105 869	80 003
Financial lease liabilities	-	119
Current portion of other long term payables	-	267
	105 869	80 389
Total borrowings	**594 806**	**379 318**

In 2008 the Company refinanced the LTL 343 171 thousand outstanding balance of the syndicated loan signed on 19 January 2007. The Company signed these new loan agreements:
with AB Bankas Hansabankas for the amount of LTL 116 678 thousand, maturity of the loan - 30 November 2011;
with Nordea Bank Finland Plc for the amount of LTL 109 816 thousand, maturity of the loan - 30 November 2011;
with AB SEB Bankas for the amount of LTL 116 677 thousand, maturity of the loan - 30 November 2011;
with AB Bankas Hansabankas for the amount of LTL 103 584 thousand, maturity of the loan - 27 March 2011 (the loan was repaid in 2008);
with Nordea Bank Finland Plc for the amount of LTL 207 168 thousand, maturity of the loan - 31 March 2013;
with Danske Bank A/S for the amount of LTL 120 000 thousand, maturity of the loan - 1 April 2013;

These loans are denominated in EUR.

The Company also accounts for overdraft from AB Bankas Hansabankas and AB SEB Bankas. The overdraft from AB SEB Bankas amounts to LTL 2 942 thousand as of 31 December 2008, and has to be repaid until 1 June 2009. The interest rate of the overdraft varies depending on VILIBOR interest rate fluctuation plus 0.55 % margin. The overdraft from AB Bankas Hansabankas amounts to LTL 58 thousand as of 31 December 2008, and has to be repaid until 1 June 2009. The interest rate of the overdraft varies depending on O/N VILIBOR interest rate fluctuation plus 0.55 % margin.

In 2008 the Company did not fulfil its obligations concerning cash flows through bank accounts, but it received confirmations from banks that they will not require loan repayment in advance. Therefore the loans were not reclassified to current.

Actual interest rates are close to effective interest rates. As of 31 December 2008 the weighted average interest rate on long term borrowings (except for financial lease) was 5.66 % (as of 31 December 2007 – 5.066 %). All financial liabilities are subject to variable interest rates. As of 31 December 2008 and 2007 the interest rate refixing periods on financial liabilities varied from 3 to 6 months.

The maturity of non-current borrowings (except for financial lease liabilities) was as follows:

	Year ended 31 December	
	2008	2007
Within one year	105 869	80 270
Within 2 to 5 years	488 937	298 762
After 5 years	-	167
	594 806	**379 199**

Financial lease liabilities – minimum lease payments:

	Year ended 31 December	
	2008	2007
Within one year	-	121
Within 2 to 5 years	-	-
	-	121
Future interest expenses of financial lease	-	(2)
Current value of financial lease liabilities	-	119

There were no assets pledged as a collateral for financial liabilities.

(all amounts are in LTL '000 unless otherwise stated)

19 Grants and subsidies

Grants and subsidies relate to financing received from the EU structural funds and property, plant and equipment received by the Company for no consideration.

	Year ended 31 December	
	2008	2007
Financing from European Union funds	18 450	16 630
Property, plant and equipment received at no consideration (less accumulated depreciation)	8 248	8 613
	26 698	25 243

Financing from the European Union structural funds represents support received under the contract signed on 8 July 2005 for the implementation of infrastructure modernization of the Company. According to this project the Company received LTL 2 991 thousand during the year 2008 (LTL 15 992 thousand in 2007).

Amortisation of grants and subsidies, related to property, plant and equipment received at no consideration and financing from European Union funds, amounting to LTL 1 537 thousand in 2008 (LTL 758 thousand in 2007) decreased the depreciation expenses of property, plant and equipment in the income statement.

20 Employee benefit liability

The amount presents pension liability according to Lithuanian legislation.

21 Deferred income

Deferred income relates to contributions received from new customers for the assets installed.

Information about the connection income is presented below:

	Year ended 31 December	
	2008	2007
Opening balance	137 405	100 899
New customers fees received during the year	58 120	41 257
Recognised as income in the income statement	(6 624)	(4 751)
Closing balance	188 901	137 405
Current portion of new customer connection income (Note 24)	(8 157)	(5 542)
	180 744	131 863

22 Deferred tax liability, net

The change in the deferred income tax accounts is as follows:

	Year ended 31 December	
	2008	2007
Components of income tax expenses (benefit):		
Current year income tax expenses	39 373	48 068
Adjustments of income tax for the previous years	(290)	(7 045)
Deferred income tax (benefit)	(22 284)	(33 411)
Income tax expenses (income) charged to the income statement	16 799	7 612

	Year ended 31 December	
	2008	2007
Components of deferred income tax asset:		
New customers connection income	12 267	9 528
Accrued expenses	190	162
Deferred income	806	-
Impairment of assets (inventories and trade accounts receivable)	5 087	5 456
Deferred income tax asset before valuation allowance	18 350	15 146
Less: valuation allowance	(244)	(558)
Deferred income tax asset, net	18 106	14 588
Components of deferred income tax liability:		
Property, plant and equipment revaluation and changes in depreciation periods	(400 402)	(292 926)
Investment incentive	(17 642)	(14 876)
Deferred income tax liability	(418 044)	(307 802)
Deferred income tax, net	(399 938)	(293 214)

22 Deferred tax liability, net (cont'd)

Valuation allowance was made for part of the deferred tax asset that, in the opinion of the management, is not likely to be realised in the foreseeable future. In 2008 valuation allowance was made for the part of the deferred tax asset components – trade receivable impairment, which according to the management will not be tax deductable in the future. Deferred income tax asset and deferred income tax liability are set off in the balance sheet of the Company, as they both are related to the same tax authority.

While assessing deferred income tax asset and liability components for the year ended 31 December 2008 the Company has used the income tax rate of 20 % for those items, which will be realised in 2009 and later. Increase of deferred tax asset liability due to increase in income tax rate amounted to LTL 88 903 thousand and was accounted for in the equity.

Deferred income tax related to items charged or credited directly to equity

	Year ended 31 December	
	2008	2007
Change in estimation of deferred tax due to the change in tax rate	(88 903)	681
Deferred tax on assets revaluation	(40 103)	(121 013)
	(129 006)	(120 332)

The reported amount of income tax expenses attributable to operations for the year can be reconciled to the amount of income tax expenses that would result from applying the statutory income tax rate of 15 % for 2008 and 18 % for 2007 to pretax income from continuing operations as follows:

	Year ended 31 December	
	2008	2007
Income tax calculated at 15 % (2007 – 18 %)	4 271	13 474
Permanent differences	1 534	6 856
Prior year income tax corrections	(290)	(7 045)
Changes in valuation allowance	(314)	(3 727)
Effects of changes in income tax rate	11 598	(1 946)
Income tax (benefit) expenses charged to the income statement	16 799	7 612

23 Trade, other financial liabilities and other payables

	Year ended 31 December	
	2008	2007
Trade payables	77 032	60 996
Dividends payable	7 888	6 617
Other	30	30
Trade and other financial liabilities	84 950	67 643
Wages, salaries and social security payable	478	1 266
Taxes other than income tax	4 969	6 163
Other payables	5 447	7 429
	90 397	75 072

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 15 - 60 day terms. The same terms apply for sales to related parties.
- Other payables are non-interest bearing and have an average term of 1 - 2 months.

24 Advances received, accrued charges and deferred income

		Year ended 31 December	
		2008	2007
Accrued charges	(a)	21 121	22 940
Advances for new connections		19 637	24 746
Current portion of new customer connection income (Note 21)		8 157	5 542
Deferred income – advances received for the electricity	(b)	5 230	875
Other advances		2 789	1 231
		56 934	55 334

(a) An accrued charges caption mainly contains accrued payroll-related liabilities to employees (vacation and bonus accruals) and related social security taxes that amounted to LTL 7 281 thousand and LTL 4 859 thousand as of 31 December 2008 and 2007, respectively. Moreover accrued payment to Ignalina Nuclear Power Plant amounting to LTL 8 737 thousand is accounted for in 2008 (LTL 12 232 thousand in 2007) for the electricity purchased in the respective year.

(b) The Company has deferred the estimated overdeclaration of electricity that took place in 2008 due to the fact that the electricity prices were increased from 1 January 2009. The overdeclared amount was accounted for as advances for electricity received.

25 Financial risk management

Credit risk

The Company does not face a significant credit concentration risk. Credit risk or the risk that the transaction party will not be able to recover amount receivable, is controlled by the application of credit terms and monitoring procedures.

The Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Company considers that its maximum exposure is reflected by the amount of bonds and trade receivables, net of allowance for doubtful accounts recognized at the balance sheet date.

Due to the specific activity of the Company there is no requirement for collateral.

Maximum exposure to credit risk amounts to LTL 101 302 thousand and LTL 296 286 thousand as of 31 December 2008 and 2007, respectively.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

The major part of the Company's borrowings is with variable rates, related to EURIBOR and LIBOR, which creates an interest rate risk. There are no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2008 and 2007.

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

	Increase/ decrease in percentage points	Effect on profit before tax
2008		
LTL	+ 0,5	(15)
LTL	- 2,0	60
EUR	+ 0,5	(2 959)
EUR	- 2,5	14 794
2007		
LTL	+ 0.5	(7)
LTL	- 2.0	30
EUR	+ 0.5	(1 889)
EUR	-1.0	3 778

Foreign exchange risk

All monetary assets and liabilities of the Company are denominated in litas or euro, and the exchange rate of the latter is fixed in respect to litas; therefore, the Company practically is not exposed to the foreign exchange rate risk.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as of 31 December 2008 were 0.49 and 0.44, respectively (1.48 and 1.44 as of 31 December 2007, respectively).

Current liabilities of the Company exceed its current assets, because the Company started to apply longer period of repayment for transactions with suppliers and contractors. However according to the management of the Company and analysis of future cash flows the Company does not face shortage of cash flow operations. Moreover, the Company has unused overdraft funds as of 31 December 2008 and is able to use them when needed.

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2008 and 2007 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	16 440	82 310	323 010	182	421 942
Trade and other financial liabilities	-	89 887	-	-	-	89 887
Balance as of 31 December 2007	-	106 327	82 310	323 010	182	511 829
Interest bearing loans and borrowings	-	49 021	142 850	466 745	-	658 616
Trade and other financial liabilities	-	84 951	-	-	-	84 951
Balance as of 31 December 2008	-	133 972	142 850	466 745	-	743 567

25 Financial risk management (cont'd)

Fair value of financial instruments

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings.

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

The carrying amount of the financial assets and financial liabilities of the Company as of 31 December 2008 and 2007 approximates their fair value.

The fair value of loans, other financial liabilities and other financial assets have been calculated using market interest rates.

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

a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and short-term borrowings approximates fair value due to their relatively short maturity.

b) The fair value of non-current debt is based on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements. Capital includes equity attributable to equity holders.

The Company manages its capital structure and makes adjustments to it in the light of changes in economics conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2008 and 31 December 2007.

The Company is obliged to keep its equity up to 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania.

Moreover the Company has externally imposed capital requirements from the banks. They require that equity/assets ratio is not less than 30 %. The management monitors that the Company is in line with the requirement. No other capital management tools are used.

26 Commitments and contingencies

Capital commitments

As at 31 December 2008, capital expenditure contracted for at the balance sheet date but not recognised in the financial statements amounts to LTL 32 442 thousand (LTL 18 203 thousand as of 31 December 2007).

Buyout of electricity facilities jointly used by owners and the Company

According to Lithuanian legislation, the Company is entitled to buy out from natural and legal persons electricity distribution installations jointly used by them and the Company. The deadline for final settlement with the owners of these electricity distribution installations is 31 December 2010.

As of 31 December 2008, the Company received 232 applications from installation owners to buy out electricity distribution installations. The amounts to be paid are still being calculated by the Company.

27 Cash generated from operations

When calculating cash flows from operations, the following main non-cash transactions were eliminated:

In 2008

Income tax was set-off with VAT prepayment, reducing the income tax payable by LTL 8 000 thousand.

In 2007

Disposed non-current assets to AB Lietuvos Energija amounted to LTL 5 098 for repayment of the payable liability.

29 Related party transactions

Transactions with Company's management

In 2008 total remuneration of the Company's management (5 managers) amounted to LTL 1 660 thousand (in 2007 – LTL 2 337 thousand to 5 managers). The management of the Company did not receive any loans, guarantees no other payments or property transfers were made or accrued.

Transactions with other related parties

Till 27 May 2008 other related parties were the entities controlled by shareholders of UAB NDX Energija.

Transactions with other related parties as of 27 May 2008 are presented below:

(I) Sales of services (excl. VAT):

	January - May 2008	2007
Maxima LT, UAB	6 830	13 789
Akropolis, UAB	5 140	9 319
UAB Eurovaistinė	61	130
UAB NDX Energija	28	142
UAB Tikras Kelias	118	162
	12 177	23 542

(II) Purchase of goods and services (excl. VAT):

	January - May 2008	2007
UAB NDX energija – consultation services	40	137
Maxima LT, UAB – gift vouchers and food products	2	34
UADBB CITO draudimas – insurance services	-	1
	42	171

After 27 May 2008 other related parties are the entities controlled by shareholders of LEO LT, AB and institutions controlled by the Ministry of Economy of the Republic of Lithuania. Transactions with other related parties after 27 May 2008 are presented below:

(I) Sales of services (excl. VAT):

	June - December 2008
AB Lietuvos Energija	5 199
UAB Kauno Energetikos Remontas	143
State Non-food Products Inspectorate under the Ministry of Economy	15
Kaunas Territorial Statistics Board	4
Klaipėda Territorial Statistics Board	2
AB Kauno Hidroelektrinė	2
	5 365

(II) Purchase of goods and services (excl. VAT):

	June - December 2008
AB Lietuvos Energija - electricity	322 081
Ignalina Nuclear Power Plant - electricity	81 085
LEO LT, AB - consulting services	580
UAB Elektros Tinklo Paslaugos - works	170
Kaunas Territorial Statistics Board - services	220
Klaipėda Territorial Statistics Board - services	191
UAB Kauno Energetikos Remontas - works	46
Public Institution Centre of Training for Energy Specialists - services	12
UAB Elektros Pajėgos - works	1
Šiauliai Territorial Statistics Board - services	1
	404 387

28 Related party transactions (cont'd)

(III) Payables and advances received:

	Year ended 31 December 2008
AB Lietuvos Energija	46 326
LEO LT, AB	684
UAB Elektros Tinklo Paslaugos	29
	47 039

(IV) Receivables:

	Year ended 31 December 2008
Ignalina Nuclear Power Plant	5 474
AB Lietuvos Energija	1 736
UAB Kauno Energetikos Remontas	24
UAB Gotlitas	3
	7 237

All related party transactions are made at arms length terms.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2008 and 2007, the Company has not made any provision for doubtful debts relating to amounts owned by related parties as all the assets are not overdue. This doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

29 Subsequent events

No important subsequent events occurred after the date of the balance sheet.

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