

EXPLANATORY NOTES TO UNAUDITED TRANSITIONAL FINANCIAL STATEMENTS FOR THE YEAR 2007

I. AIM

The aim of this Explanatory Notes is to present additional information in order to better explain AB PRAMPROJEKTAS Financial Statements for the year 2007.

II. GENERAL

2.1 Date of Registration

PRAMPROJEKTAS, a public company, was established in Kaunas City in 1940 for the purpose of designing Lithuanian industry, energy and utility facilities. In 1993 it was privatised. On 6 December 1993 the enterprise was registered. On 22 December 2004 it was re-registered with Kaunas Branch of the State Enterprise Centre of Registers. Company's identification number – 133873358, VAT payer's number – LT 338733515. Head-office –K. Donelaičio 60, Kaunas. Website: www.pramprojektas.lt

2.2 Fiscal Year

The company's fiscal year starts on 1 January and ends on 31 December.

When drawing up annual and interim financial statements, data for a respective period of the previous year are given in the balance sheet and income statement.

2.3 Information about the Company's Branches and Representative Offices

The Company does not hold any branches or representative offices.

2.4 Information about Subsidiaries

The Company does not hold any subsidiaries.

2.5 Information about Associates

The Company holds shares in the associated company:

UAB ATTENTUS (former name UAB Ortopedijos Paslaugos), registered with the State Enterprise Centre of Registers on 24 August 2000. Registered address: K.Donelaičio 60, Kaunas. The shares of this company were sold on 18 December 2007.

2.6 Company's Activities

The main Company's activity is design works. Other activities – income received from Aisetas holiday home as well as maintenance income and expenses of the building located on K. Donelaičio Str. 60, Kaunas. Financial activities – occasional transactions with shares held in other companies.

The main design works carried out within the fiscal year 2007 are:

Technical and Detailed Designs of Extension of Kaunas Wastewater Treatment Plant with Biological Treatment; Technical Design of Ignalina Nuclear Power Plant Spent Fuel Storage Facility B1; Technical Design of Ignalina Nuclear Power Plant's Solid Radioactive Waste Management Facility; Detailed Design of Reconstruction of AB Jonavos Grūdai Grain Storage Facility in Ukmergė.

Contracts signed but still not started to be implemented:

-Design Contract No. 126-03 of 22 12 2003. Customer – Transport Investment Directorate. According to agreement No. 3.1-11 of 21 12 2005 the customer's functions were transferred to the Directorate of Border Crossing Infrastructure.

-Design Contract No. 3.3-9-096-04 of 20 09 2004. Customer – Directorate of Border Crossing Infrastructure.

2.7 Authorized Capital

The Company's authorized capital amounts to LTL5,970,972.

The Company's authorized capital is divided into 2985486 ordinary registered shares. All the shares are fully paid up.

2.8 Number of Employees.

The average number of Company's staff within the reporting period was 143. The average monthly salary amounted to LTL 3329.00. Temporary regulations of payment for work for the year 2006 were approved by Decree No. 131 of 29 December 2006.

III. ACCOUNTING POLICY

3.1 Statutory acts on the basis of which Financial Statements were prepared:

The Company works out Financial Statements based on Lithuanian Republic Law on Accounting and Lithuanian Republic Law on Financial Statements of Enterprises, International Accounting Standards (IAS) and International Financial Statements Standards (IFSS), accounting policy of AB "Pramprojektas" and other legislation regulating accounting and financial statements.

3.2 Influence of Change in the Accounting Policy on the Company's Operation Results

Since 2005 AB Pramprojektas has draw up Financial Statements according to the International Accounting Standards. Accounting policy was not changed during the reporting year.

3.3 Methods Applied for Assets Valuation:

- intangible assets–the cost of acquisition less accumulated amortization;
- non-current tangible assets – the cost of acquisition less accumulated depreciation;

Following IAS 39, financial assets and financial obligations are classified to the following classes:

Financial asset:

- financial asset at the fair value in the Profit (Loss) Statement;
- investments held up to the end of maturity (was not during the reporting period)
- non-current financial assets– equity method and market price;
- loans and amounts receivable;
- financial asset possible for selling.

Financial liabilities:

- financial liabilities at the fair value in the Profit (Loss) Statement;
- others.

3.4 Intangible Assets

AB PRAMPROJEKTAS' intangible asset is recognized when it meets the definition of intangible assets and the criteria of recognition thereof as intangible assets, i.e.: there exists a reasonable probability to receive economic benefit from the asset in the future; the cost of acquisition (production) of the asset can be reliably evaluated and separated from the value of other assets; the company can dispose of the asset, control it or restrict the right of use thereof to the others.

Amortization is calculating by directly proportional (linear) method.

Operating expenses of intangible assets are attributed to the expenditures of that reporting period when they are sustained.

Expenses of intangible asset renewal or improvement, sustained after acquisition thereof, are recognized as expenses of that reporting period when they are incurred.

In AB PRAMPROJEKTAS balance-sheet intangible assets are shown at the residual value (the cost of acquisition less accumulated amortisation).

Intangible assets include software whose amortization rate is 3 years.

3.5 Non-current Tangible Assets

AB PRAMPROJEKTAS' non-current tangible asset is recognised and recorded in the accounting if it meets all the recognition criteria of such assets. The asset, which is disposed of and controlled by the Company, from which it expects to receive economic benefit in the coming periods, which is used for a longer period than one year, and whose acquisition (production) cost can be reliably set and whose value is larger than the established minimum asset value is deemed as non-current tangible asset.

From 1 January 2004 the asset whose minimum acquisition cost amounts to LTL 1,000 is classified as non-current tangible asset.

Non-current tangible asset is accounted for at the cost of acquisition.

Depreciation is not calculated on library stocks.

Recording of non-current tangible asset reconstruction or repair works depends on the result produced by such works, which is established by the Commission on Acceptance of Works.

The result of transfer of non-current tangible assets is classified as other activities.

The depreciation rates of non-current tangible and intangible assets set forth in Appendix No. 1 of the Lithuanian Republic Law on Profit Tax (No.IX-675 of 20 12 2001) are applied for non-current tangible and intangible assets, respectively, from 1 January 2002.

Other tangible asset includes technical-information literature contained in library stocks. In the balance-sheet it is shown in the line of other equipment.

In AB PRAMPROJEKTAS' balance-sheet non-current tangible asset is shown at the residual value (the cost of acquisition less accumulated depreciation).

Following IAS 16, asset depreciation rates and liquidation values are reviewed every year. Over 2007 these rates did not change.

3.6 Non-current Financial Assets

AB PRAMPROJEKTAS has no subsidiaries.

Investments in other companies' shares, which do not exceed 20% of voting rights at the shareholders' meeting of other company and do not grant the right to make significant influence, are recorded in the accounting at the moment of acquisition and reflected at the cost of acquisition in the balance-sheet. Investments in other company shares, which exceed 20% of votes at shareholders' meeting of other company and grant the right to make significant influence, are recorded by acquisition cost method in the accounting at the moment of acquisition and are reflected in the balance-sheet by the equity method. Such investments are accounted for in the manner prescribed by IAS 28 "Accounting of Investments in Associates".

AB PramprojeKTas has not made any investments in other company shares, which exceed 51% of the votes at shareholders' meeting of other company and grant the right of control.

The securities owned, whose market price is declared in the active market, are evaluated at the closing day price of the stock exchange applicable at the end of the reporting period. The Company had 512 pieces of AB "Ūkio bankas" shares in the fiscal year 2007.

The securities owned are assigned to financial asset at the fair value in the Profit (Loss) Statement category.

The securities owned whose real value cannot be set (the market price is not announced in the active market) are evaluated at the cost of acquisition taking into account value impairment, which would be calculated if the balance-sheet value exceeded the amount probable to receive for that asset.

3.7 Accounting Methods of Borrowing and Similar Expenses

Interest on loans received, asset acquired by lease (financial lease) and other expenditures related to borrowing are recognised as expenses during these periods when they are generated. Interest is classified as financial and investment activity expenses.

3.8 Assets revaluation Methods

Assets revaluation methods were not applied in the fiscal year 2007.

3.9 Recognition Principles of Income and Expenses

Sales income is recognized by accumulation principle. Only the increase of the Company's economic benefit is deemed income. The Value Added Tax is not recognized as income.

The result of transfer of used non-current tangible and intangible assets, Company's income from the lease of premises, income received from the holiday home Aisetas are attributed to other operations except for financing and investing activities.

The following items are attributed to financial and investing activities: dividends, interest, penalties and fines for delayed payments, profit or loss from investment accounted for by equity method, result of transfer of financial assets, and result of changes in currency exchange rates.

Forfeit, penalties, fines, interest payments for loss compensation, amounts for improper and overdue performance of contractual obligations are recorded as increase or decrease of operating expenses.

Upon failure to pay taxes to the budget in a timely manner this is classified as financial activity expenses, and payment to the budget for other violations of legislation having accumulated due to delayed payments are classified as activity expenses.

Income and expenses related to design works are recognized according to IAS 11. Expenses and income related to design contracts are recognized as income and expenses of the reporting period when works are actually carried out disregarding the fact that the deed of acceptance and transfer is not signed and the invoice is not issued. However, if the expenses of some project contract exceed the total contract income such excess is immediately recognized as expenses according to paragraph 36, IAS 11.

Expenses are calculated by each project.

Expenses are recognised according to the principles of accumulation and comparison during that reporting period when related income is earned disregarding the time of cash spending. Only that part of expenditures of the previous or reporting period that falls on the income earned over the reporting period is recognised as expenses.

General and administrative expenses of the reporting period relating to typical activities of the Company are attributed to operating expenses. Reporting period expenditures that cannot be directly related to the earning of particular income of the reporting period are classified as operating expenses

AB Pramprojektas operating expenses of the reporting period also include aid granted and various bonuses and allowances paid over the reporting fiscal period.

3.10 Inventories Accounting

Inventories means materials of the Company consumed to earn income during one year. The inventories are accounted for by constant accounting method. In the accounting the inventories are evaluated at the acquisition cost, while for the purpose of Financial Statements they are disclosed at the lower of the acquisition cost or net realisable value. The amount of inventories write-down to net realizable value is recognized as operating expenses of that period when the write-downs were performed. No inventory write-downs were performed during 2007. The biggest part of inventories includes paper, toners for copying machines and printers.

3.11 Amounts Receivable

Amounts receivable are disclosed in the balance-sheet at fair value, i.e. less estimated bad debts. The amounts of bad debts are recognized as operating expenses of the reporting period.

Accounts payable and accounts receivable by each buyer or supplier is recognised as bad debt by the decision of Commission on Annual Stock-taking.

3.12 Accounting of Research and Development Expenses -

In the fiscal year 2007 the Company did not incur research and development expenses.

3.13. Investments in Associates

The value of AB Pramprojektas' investment in associates was set in the manner prescribed by the International Accounting Standard 28 "Accounting of Investment in Associates". Investment in associate is accounted for by equity method, except for the case when the investment is acquired and held exclusively with a view to its resale in twelve months from the date of acquisition, and the management are searching for the buyer.

3.14. Cash and Description of Cash Equivalent

Cash and Cash Equivalents item shows cash at bank and in hand. AB Pramprojekta has no current realizable debt securities.

3.15. Cases when Financial Statements Disclose only Net Result of Economic Operation

Financial Statements disclose only net result of economic operation when transferring non-current assets, receiving compensation for loss sustained and exchanging currency.

3.16. Accounting of Operations in Foreign Currency

At the time of initial recognition, transaction in foreign currency is evaluated in the currency of Financial Statements based on the exchange rate applicable on the date of transaction.

Business trip expenses in foreign currency are evaluated in the currency of Financial Statements by using the exchange rate applicable on the date of going on the business trip.

Currency items in the balance-sheet are evaluated in the currency of Financial Statements by using the exchange rate applicable on the balance-sheet date.

Differences, which occur after paying for the amounts recorded in currency items according to the exchange rate other than that applied during initial recognition, or on the date of the last Financial Statements (if currency items were recognised in the previous fiscal year), are recognised as income or expenses of the reporting period.

Financial and investing activities item of the Income Statement discloses only the result of change in currency exchange rates (profit or loss from change in currency exchange rate).

3.17 Principles of Provisions Formation

No provisions were formed in the Financial Statements for the year 2007. The reserve for holiday pays that should be paid to the Company's staff is attributed to current liabilities of the Company.

3.18 Policy of Correcting Accounting Errors

The errors, which have big influence on the Financial Statements of the last or several previous periods, when the Financial Statements of such period does not correctly reflect the financial condition and performance results of the Company, are considered material.

The significance of error in AB Pramprojekta Financial Statements is determined by calculating the ratio of error amount to the total amount of the account wherein it occurred. According to this indicator:

- the lower limit of error significance – 5 percent from the total item amount;
- the upper one – 10 percent.

Errors exceeding the lower limit of significance, 5 percent from the total item amount, are deemed material.

AB Pramprojekta applies the following methods of correcting accounting errors of previous periods:

Material errors are corrected by a retrospective method by adjusting the data of the previous fiscal year (periods) whose data were distorted by the error. Where it is impossible to exactly evaluate the influence of material error on the Financial Statements of the previous fiscal year, the error is corrected by a perspective method by corrected only the data of the reporting period.

Immaterial errors are corrected by a perspective method, i.e. they are corrected in the Financial Statements of the reporting period.

IV. COMMENTS PRESENTED IN THE EXPLANATORY NOTES

The comments of the Explanatory Notes about significant items of Financial Statements are given in explanatory tables. The numbers of comments of the Explanatory Notes are given in Financial Statements near statement items.

4.1 Non-current intangible assets

Information is given in Appendix No.4.1 “Intangible Assets” to the Explanatory Notes”

4.2 Non-current tangible assets

The condition of non-current tangible assets – 3 storeys of the lower 5-storeyed part of the building. The total useful space of the premises amounts to 3054.35sq.m. (Certificate from the Register of Real Estate, dated 11 10 2003). The cost of acquisition – LTL 766,302; Aisetas recreation facility in Paaiseté Village, Molėtai District. Useful space – 787.36 sq.m. The cost of acquisition amounts to LTL70, 832.

The taxing (basic) value of the real estate – premises located on Donelaičio Str. 60, Kaunas, owned by the public limited company Pramprojektas, established by the State Enterprise Centre of Registers by the method of mass valuation amounts to LTL 8,028,048 on 01 01 2006.

By the Letter No. 1.31./1133s-2061 of 31 March 2006, the Centre of Registers decided to approve the adjusted taxing value established after individual valuation, i.e. LTL 4,376,000.

The taxing (basic) value of the recreation facility Aisetas, established by the method of mass valuation, amounts to LTL 87,885.

Facility name	Balance-sheet (residual) value, LTL 31 12 2007	Construction year
Industrial building	529,308	1965
Recreation facilities	26,683	1984
Total	555,991	

Information given in appendices to the Explanatory Notes:

No.4.2 “Non-current Tangible Assets Groups, their Appraisal, and Methods of Depreciation Calculation”

No.4.3 “Non-current Tangible Assets”

No.4.4 “Movement Table of Non-current Tangible Assets”

No.4.5 “Depreciated Non-current Assets Still in Use “

4.3 Non-current financial assets

Investments in other companies

No.	Name	Amount of shares held	Portion in the Company's authorized capital, %
1	UAB "Aloja"	583	2.68
2	UAB "Bankinés konsultacijos"	12,984	18.55

Information given in appendices to the Explanatory Notes:

No 4.5 "Movement of financial tangible asset"

To ensure the fulfilment of liabilities related to the financial loan received in 2004, a part of UAB Attentus shares was pledged. The pledge was removed in 2006.

Information is given in the following Appendices to the Explanatory Notes:

No.4.6 "Movement of Non-current Financial Assets"

No.4.7 "Pledge of Non-current Financial Assets"

No.4.12 "Associates"

A 5-year recommended period is set for the amortization of goodwill.

4.4 Inventories. Prepayments. Other Current Assets.

The major part of prepayments consists of advance payments of the income tax and prepayments made to subcontractors for design works.

No inventories were written down in 2007.

Other current assets include shares in other companies.

List of shares held in other companies:

No.	Name	Amount of shares held	Portion in the Company's authorized capital, %
1.	UAB Asocijuoto turto valdymas	5,899,584	7.8661
2.	UAB "Energolinija"	158,790	13.81
3.	AB "Ūkio bankas"	512	0.008

Information is given in Appendix No. 4.8 "Inventories" to the Explanatory Notes

4.5 Operating Income, Cost, Results

Information is given in the Appendix

No.4.11 "Information on Geographical Segments" to the Explanatory Notes"

4.6 Liabilities

Information is given in the Appendix

No.4.9 "Condition of Company's Liabilities" to the Explanatory Notes"

No.4.7 Result of Other Activities

Information is given in Appendix No.4.7 “Result of Other Activities” to the Explanatory Notes”

No.4.8 Result of Financial and Investing Activities

Loan agreement for borrowing 623 550.00 litas was made with UAB “Asocijuotas turto valdymas” on 20-12-2007. 8.5% annual interest is provided. The loan must be returned till 20-12-2008.

Information is given in Appendix

No.4.8 “Result of Financial and Investing Activities” to the Explanatory Notes

No.4.9 Amounts Receivable

The annual stock-taking of Company’s debts for the year 2007 was performed on 31 December 2007.

4.10 Cash and Cash Equivalents

Balances of cash in hand and current accounts meet the balances received from the ledger and bank statements.

4.11 Capital

Company's shareholders:

No.	Shareholder’s surname and name, company’s name	Company identity number	% of shares held in the authorized capital
1.	Attentus UAB	135,654,594	14.22
2.	Finbaltus UAB FMĶ	122,020,469	5.37
3.	Gončaruk Olga		5.81
4.	York Well Business Corp.	1,012,383	24.21
5.	Romanov Roman		6.01
6.	Romanov Vladimir		6.01
7.	UniLine LLC	260,802	9.48
8.	Natural persons		28.89
	TOTAL		100.00

The Company did not acquire own shares either in the previous year or in the year 2007.

Structure of the authorised capital is presented in the Appendix to the Explanatory Notes

No.4.10 “Structure of Authorised Capital”

No.4.13 “Profit appropriation project”

Changes in equity capital are reflected in the Statement on Changes in Equity.

The Company's profit is appropriated in the manner prescribed by the Company law and the Company's Articles of Association. A draft of appropriation of profit (loss) for the fiscal year is presented along with Financial Statements. The Company's shareholders' meeting has to approve Company's Financial Statements and distribute the profit.

4.12 Cash Flow Statement

Cash Flow Statement is prepared by indirect method.

Non-cash items in the Cash Flow Statement: non-current assets depreciation (amortization), doubtful debts written-off, assets not fully depreciated and written-off, decrease in liabilities related to labour relations, difference in the fair and market prices of shares.

Information is given in the Cash Flow Statement.

4.13 Financial Relationships with Company's Managers and Other Connected Persons

Information is given in Appendix

No.4.12 "Financial Relationships with Company's Managers and Other Connected Persons" to the Explanatory Notes

4.14 Guarantees issued

No guarantees were issued

4.15 Annual Inventorying

Financial Statements data are based on the inventorying of the assets disposed of by the Company at the end of the reporting period. Annual inventorying of the main means and current assets was performed on 19 November 2007 by Director's Order No. 98; the inventorying of the recreational facilities 08 October 2007 by Director's Decree No. 85, and in the inventorying of warehouse-31 December 2007, Decree No. 114.

4.16 Brief Description of Significant After Balance-sheet Events

Financial Statements of AB PRAMROJEKTAS are adjusted if after balance-sheet events have direct influence on the data of Financial Statements still not approved.

A share sales contract was concluded with DP International.

4.17 Audit of Annual Financial Statements

On 17 December 2007, an Independent Audit Contract No. 71217-74 was concluded with UAB Auditorių Biuras for the auditing of the Company's accounting and financial statements for the period from 1 January 2007 to 31 December 2007.

28 February 2008

L.R.Butkus,
Managing Director

N.Čyžienė,
Chief Financier