UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
ANNUAL AND INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2008

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus g. 122, Utena, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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

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Translation note

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Independent auditor's report

To the Shareholders of Utenos trikotažas AB

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Utenos trikotažas AB and its subsidiaries ('the Group') and the financial statements of Utenos trikotažas AB ('the Company') set out in pages 6 - 60 which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion - departure from accounting policies

As discussed in Note 16 to the accompanying financial statements, as at 31 December 2008 the Group and the Company were not in compliance with certain debt covenants which permitted the lender to demand immediate repayment of borrowings, including finance lease liabilities, totalling LTL 29,426 thousand and LTL 23,802 thousand respectively (borrowings as at 31 December 2007: LTL 47,378 thousand and LTL 37,230 thousand respectively). In our opinion, the classification of part of the borrowings as non-current is not in line with IAS 1 'Presentation of Financial Statements' which requires the liability to be classified as current at the balance sheet date unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Consequently, non-current borrowings should be reduced and current borrowings should be increased by LTL 24,067 thousand and LTL 20,480 thousand for the Group and the Company respectively as at 31 December 2008 (borrowing as at 31 December 2007: LTL 32,164 thousand and LTL 26,743 thousand respectively).

Basis for Qualified Opinion - scope limitation

Trade and other accounts receivable of the Group as of 31 December 2008 include amounts receivable of LTL 1,229 thousand whereas Trade and other accounts receivable of the Company as of 31 December 2008 include amounts receivable of LTL 12,379 thousand (including Receivables from subsidiaries of LTL 11,865 thousand) for which indications of impairment exists. Management has not evaluated the present value of estimated future cash flows, discounted at the original effective interest rate, to determine an amount of provision which may be required for impairment of these accounts receivable in accordance with IAS 39 'Financial instruments: Recognition and Measurement'. In the absence of information about recoverability of these trade and other accounts receivable, we were unable to satisfy ourselves as to their carrying amounts by other audit procedures.

Property plant and equipment balance of the Group as of 31 December 2008 includes buildings and equipment not used in the Group's activity carried at depreciated cost of LTL 1,585 thousand. Management has not performed a review of these fixed assets in accordance with IAS 36 'Impairment of Assets' to determine their recoverable amount, and hence to assess whether any impairment write down should be applied to the amounts recorded in the balance sheet as at 31 December 2008. In the absence of information to assess the recoverable amounts of these fixed assets, we were unable to satisfy ourselves as to their carrying amounts by other audit procedures.

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion - departure from accounting policie*s paragraph, and except for the possible effects of the matters described in the *Basis for Qualified Opinion - scope limitation* paragraphs, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

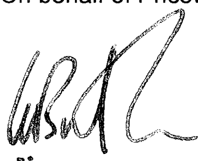
Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 4b in the financial statements which indicates that the Group and the Company incurred a net loss of LTL 17,075 thousand and LTL 6,235 thousand, respectively, during the year ended 31 December 2008 and, as of that date, the Group's current liabilities exceeded its current assets by LTL 4,117 thousand whereas the Company's current assets exceeded its current liabilities by LTL 6,392 thousand before the provision for impairment of trade and other accounts receivable of LTL 12,379 thousand which may be required as discussed in *Basis for Qualified Opinion - scope limitation paragraph*. These conditions, along with other matters as set forth in Note 4b and matters described in the *Basis for Qualified Opinion - departure from accounting policies* paragraph, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2008 set out on pages 61 – 91 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2008.

On behalf of PricewaterhouseCoopers UAB



Christopher C. Butler
Partner
Vilnius, Republic of Lithuania
15 April 2009

Jurgita Kirvaitienė
Auditor's Certificate No.000447

Balance sheets

	Notes	Group		Company	
		As of 31 December		As of 31 December	
		2008	2007	2008	2007
ASSETS					
Non-current assets					
Intangible assets	6				
Goodwill		3,387	4,286	-	-
Other intangible assets		1,160	312	1,102	139
Prepayments for intangible assets		-	1,042	-	1,042
Total intangible assets		4,547	5,640	1,102	1,181
Property, plant and equipment	7				
Land and buildings		8,072	9,390	4,470	4,681
Structures		449	572	241	272
Vehicles and other property, plant and equipment		22,611	36,190	18,812	23,816
Construction in progress and prepayments		12	564	1	414
Total property, plant and equipment		31,144	46,716	23,524	29,183
Investment property	8	3,446	5,580	3,446	5,580
Non-current financial assets					
Investments into subsidiaries	9	-	-	12,753	12,753
Trade and other receivables		26	40	-	-
Total non-current financial assets		26	40	12,753	12,753
Deferred income tax asset	24	-	185	-	248
Total non-current assets		**39,163**	**58,161**	**40,825**	**48,945**
Current assets					
Inventories and prepayments					
Inventories	10	10,305	19,350	8,913	15,828
Prepayments		187	336	177	243
Total inventories and prepayments		10,492	19,686	9,090	16,071
Trade and other accounts receivable					
Trade receivables	11	9,187	15,367	7,330	11,756
Receivables from subsidiaries	29	-	-	11,882	10,787
Receivables from other related parties	29	75	3,320	-	2,220
Prepaid income tax		1,087	2,123	1,086	2,092
Other taxes receivable		1,230	2,905	287	747
Other receivables		7	10	-	-
Total accounts receivable	5	11,586	23,725	20,585	27,602
Non-current assets held for resale	12	3,431	-	-	-
Other current assets		111	156	31	77
Cash and cash equivalents	13	1,799	645	117	101
Total current assets		**27,419**	**44,212**	**29,823**	**43,851**
Total assets		**66,582**	**102,373**	**70,648**	**92,796**

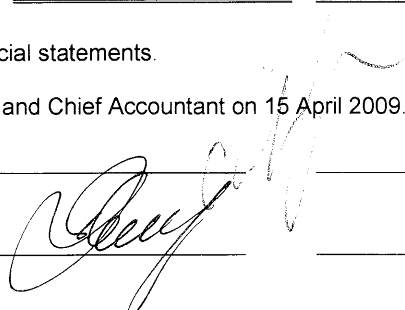
Balance sheets (cont'd)

	Notes	Group As of 31 December		Company As of 31 December	
		2008	2007	2008	2007
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	14	19,834	19,834	19,834	19,834
Reserves					
Foreign currency translation reserve		1,965	(54)	-	-
Other reserves	15	1,983	1,983	1,983	1,983
Total reserves		3,948	1,929	1,983	1,983
Retained earnings (deficit)		(20,656)	(3,766)	(2,266)	3,969
		3,126	**17,997**	**19,551**	**25,786**
Minority interest		**667**	**852**	**-**	**-**
Total equity		**3,793**	**18,849**	**19,551**	**25,786**
LIABILITIES					
Non-current liabilities					
Borrowings	16	31,253	38,543	27,666	33,102
Total non-current liabilities		**31,253**	**38,543**	**27,666**	**33,102**
Current liabilities					
Borrowings	16	9,561	20,057	4,641	12,738
Trade and other payables					
Trade payables		13,441	15,093	11,218	12,950
Payables to subsidiaries	29	-	-	1,327	547
Payables to other related parties	29	2,150	569	1,943	486
Income tax payable		160	8	-	-
Other taxes payable		426	388	219	213
Accrued charges and other current liabilities	17	5,798	8,866	4,083	6,974
Total trade and other payables		21,975	24,924	18,790	21,170
Total current liabilities		**31,536**	**44,981**	**23,431**	**33,908**
Total liabilities		**62,789**	**83,524**	**51,097**	**67,010**
Total equity and liabilities		**66,582**	**102,373**	**70,648**	**92,796**

The notes on pages 13 to 60 form an integral part of these financial statements.

These financial statements were approved by General Manager and Chief Accountant on 15 April 2009.

General Manager	Nerijus Vilunas		
Chief Accountant	Reda Kučinskienė		



Income statements

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2008	2007	2008	2007
Revenue	5,18	110,745	137,541	94,040	114,751
Cost of sales	19	(102,326)	(121,488)	(86,798)	(102,102)
Gross profit		**8,419**	**16,053**	**7,242**	**12,649**
Selling expenses	20	(3,401)	(3,695)	(2,712)	(2,833)
General and administrative expenses	20	(13,099)	(15,013)	(8,571)	(9,844)
Other income (expenses), net	21	3,084	595	1,249	585
Operating profit (loss)		**(4,997)**	**(2,060)**	**(2,792)**	**557**
Finance cost, net	22	(11,726)	(5,715)	(3,195)	(2,289)
Loss before income tax		**(16,723)**	**(7,775)**	**(5,987)**	**(1,732)**
Income tax expense	24	(352)	(248)	(248)	49
Loss for the year		**(17,075)**	**(8,023)**	**(6,235)**	**(1,683)**
Attributable to:					
Equity holders of the Company	25	(16,890)	(7,791)		
Minority interest		(185)	(232)		
		(17,075)	**(8,023)**		
Basic and diluted loss per share for loss attributable to the equity holders of the Company (in LTL)	25	(0.85)	(0.39)		

The notes on pages 13 to 60 form an integral part of these financial statements.

Statements of changes in equity

		Equity attributable to the equity holders of the Company						
Group	Notes	Share capital	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance as of 1 January 2007		**19,834**	**(203)**	**1,983**	**11,959**	**33,573**	**1,084**	**34,657**
Currency translation differences – recognised directly in equity		-	149	-	-	149	-	149
Net loss for the year		-	-	-	(7,791)	(7,791)	(232)	(8,023)
Total recognised income and expenses for 2007		-	149	-	(7,791)	(7,642)	(232)	(7,874)
Dividends paid	15, 26	-	-	-	(7,934)	(7,934)	-	(7,934)
Balance as of 31 December 2007/ 1 January 2008		**19,834**	**(54)**	**1,983**	**(3,766)**	**17,997**	**852**	**18,849**
Currency translation differences – recognised directly in equity		-	2,019	-	-	2,019	-	2,019
Net loss for the year		-	-	-	(16,890)	(16,890)	(185)	(17,075)
Total recognised income and expenses for 2008		-	2,019	-	(16,890)	(14,871)	(185)	(15,056)
Balance as of 31 December 2008		**19,834**	**1,965**	**1,983**	**(20,656)**	**3,126**	**667**	**3,793**

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Other reserves	Retained earnings	Total
Balance as of 1 January 2007		**19,834**	**1,983**	**13,586**	**35,403**
Dividends paid	15, 26	-	-	(7,934)	(7,934)
Net loss for the year – **total recognised income and expenses for 2007**		-	-	(1,683)	(1,683)
Balance as of 31 December 2007/ 1 January 2008		**19,834**	**1,983**	**3,969**	**25,786**
Net loss for the year – **total recognised income and expenses for 2008**		-	-	(6,235)	(6,235)
Balance as of 31 December 2008		**19,834**	**1,983**	**(2,266)**	**19,551**

The notes on pages 13 to 60 form an integral part of these financial statements.

Cash flow statements

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2008	2007	2008	2007
Cash flows from operating activities					
Net loss for the year		(17,075)	(8,023)	(6,235)	(1,683)
Adjustments for non-cash items:					
Depreciation and amortisation	6,7,8	8,662	9,172	6,123	6,316
Reversal of impairment of property, plant and equipment and investment property	20	-	(128)	-	(128)
Gain on disposal of property, plant and equipment and investment property	21	(2,174)	(61)	(717)	(85)
Write-off of property, plant and equipment		-	82	-	-
Impairment and write-off of inventories	20	864	1,258	98	557
Impairment and write-off of accounts receivable	20	915	48	601	20
Interest income	22	(18)	(79)	(208)	(216)
Interest expenses	22	3,407	3,308	2,537	2,260
Foreign currency differences		6,886	2,038	-	-
Income tax expense	24	352	248	248	(49)
Changes in working capital:					
Decrease (increase) in inventories		8,181	1,069	6,817	(3,935)
Decrease in trade receivables		5,265	1,763	3,825	439
Increase in receivables from subsidiaries		-	-	(1,095)	(1,000)
Decrease in other receivables and other current assets		5,215	4,491	3,948	3,372
(Decrease) increase in trade and other accounts payable		(71)	(5,281)	(245)	342
Decrease in taxes payable and other current liabilities		(3,202)	(640)	(3,058)	(568)
Cash generated from operations		17,207	9,265	12,639	5,642
Income tax paid		(165)	(973)	(150)	(858)
Net cash flows from operating activities		**17,042**	**8,292**	**12,489**	**4,784**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(474)	(4,326)	(192)	(2,552)
Acquisition of intangible assets		(4)	(387)	-	(375)
Proceeds from sale of non-current assets		4,675	74	2,831	297
Acquisition of subsidiaries, net of cash acquired (in the Group)		-	(2,011)	-	(2,011)
Loans granted		-	-	-	(2,348)
Interest received		18	80	208	216
Net cash flows generated from (used in) investing activities		**4,215**	**(6,570)**	**2,847**	**(6,773)**

Cash flow statements (cont'd)

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2008	2007	2008	2007
Cash flows from financing activities					
Cash flows related to the Company's shareholders					
Dividends paid		-	(7,934)	-	(7,934)
		-	(7,934)	-	(7,934)
Cash flows related to other sources of financing					
Proceeds from borrowings		4,160	20,691	1,479	21,116
Repayment of borrowings		(20,846)	(12,052)	(14,262)	(9,705)
Interest paid		(3,407)	(3,308)	(2,537)	(2,260)
		(20,093)	5,331	(15,320)	9,151
Net cash flows (used in) generated from financing activities		**(20,093)**	**(2,603)**	**(15,320)**	**1,217**
Net increase (decrease) in cash and cash equivalents		**1,164**	**(881)**	**16**	**(772)**
Cash and cash equivalents at the beginning of the year	13	**645**	**1,526**	**101**	**873**
Foreign exchange effect on the balance of cash and cash equivalents		**(10)**	**-**	**-**	**-**
Cash and cash equivalents at the end of the year	13	**1,799**	**645**	**117**	**101**

The notes on pages 13 to 60 form an integral part of these financial statements.

Notes to the financial statements

1. General information

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

Basanavičiaus g. 122,
Utena,
Lithuania

The Company is engaged in production of knitted articles.

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

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

	2008		2007	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	10,140	51.12	9,445	47.62
Investment Fund *Amber Trust*	2,700	13.61	2,700	13.61
East Capital Asset	2,109	10.63	2,109	10.63
Employees of the Company	325	1.64	325	1.64
Other shareholders	4,560	23.00	5,255	26.50
	19,834	100.00	19,834	100.00

In 2008, the average number of employees of the Company was 826 (2007: 944).

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

	Registered address	Group's share (%) as of 31 December 2008	2007	Profile of activities
Šatrija AB	Vilniaus g. 5, Raseiniai	89.78	89.78	Sewing of clothes
Gotija UAB	Laisvės pr. 33, Kaunas	90.50	90.50	Retail trade
OAO MTF Mrija	Motroso g. 13, Mukačiov, Ukraine	98.95	98.95	Production of knitted articles

In 2008, the average number of employees of the Group was 1,605 (2007: 1,916).

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

(a) Amendments to existing standards and interpretations effective in 2008 but not relevant

The following amendments to existing standards and interpretations to published standards as adopted by EU are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's and the Group's operations:

- Amendment to IAS 39, "Financial instruments: Recognition and measurement", and IFRS 7 "Financial instruments: Disclosures on Reclassification of financial assets". This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. This amendment does not have an impact on the Company's and the Group's financial statements.

- IFRIC 11, "IFRS 2 – Group and treasury share transactions". Interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's and the Group's financial statements.

- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's and the Group's financial statements, as the Company and the Group do not hold any defined benefit plans.

- IFRIC 12, 'Service Concession Arrangements', contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 did not have any impact on the Group's and the Company's financial statements because they are not subject to any service concession arrangements.

2.1 Basis of preparation (continued)

(b) Standards and amendments to existing standards that are not yet effective, endorsed by EU and have not been early adopted by the Company and the Group

The following standards and amendments to existing standards have been published and are mandatory for the Company's and the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company and the Group will apply IFRS 8 (Amendment) from 1 January 2009.

- IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company and the Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IAS 23 (Revised), Borrowing Costs, including amendment published by IASB in May 2008 as part of annual improvement project (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company and the Group will apply IAS 23 from 1 January 2009, however, currently this standard is not applicable to the Company and the Group as there are no qualifying assets.

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Company and the Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is not expected to have any impact on the Company's and the Group's financial statements.

2.1 Basis of preparation (continued)

- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any impact on the Company's and the Group's financial statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company and the Group will apply IFRS 2 (Amendment) from 1 January 2009, but is not expected to have any impact on the Company's and the Group's financial statements.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's and the Group's operations, because they do not operate any loyalty programmes.

- On the 23 January 2009, the EU endorsed the Improvements to IFRSs standard published in May 2008 which amends 20 existing standards, basis of conclusions and guidance. These improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. Most of these changes are effective for periods beginning or after 1 January 2009. These amendments are not expected to have significant impact on the Company's and the Group's financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2.2 Consolidation (continued)

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

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

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

(b) Transactions and minority interests

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

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

2.4 Foreign currency translation (continued)

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

2.5 Intangible assets

(a) Goodwill

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

(b) Computer software

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

2.5 Intangible assets (continued)

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

Borrowing costs are expensed when incurred.

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

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

2.7 Investment property

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

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

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

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

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

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

2.8 Impairment of non-financial assets

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

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

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

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

2.9 Financial assets

(a) Loans and receivables

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

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

(b) Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment.

2.10 Inventories

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

2.11 Trade and other amounts receivable

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

2.12 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

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

2.13 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

2.14 Reserves

(a) Foreign currency translation reserve

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

(b) Other reserves

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

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

(c) Reserve for acquisition of treasury shares

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

2.15 Trade and other payables

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

2.16 Borrowings

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

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

2.17 Income tax

(a) Current income tax

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

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

Profit for 2008 is taxable at a rate of 15 per cent (2007: 15 per cent) set in accordance with Lithuanian regulatory legislation on taxation. According to the adopted Lithuanian Provisional Law on Social Tax, social tax at the rate of 3 per cent for 2007 was additionally paid on taxable income earned during 2007.According to the newly adopted amendments to the Lithuanian Law on Corporate Income Tax, corporate income tax at the rate of 20 per cent is in force as of 1 January 2009. Corporate income tax rate in Ukraine is 25 per cent.

Starting from 1 January 2008 taxable losses, except for losses related to transfer of securities and/ or financial instruments may be brought forward for an unlimited period. The losses from disposal of securities and / or derivative financial instruments can be only used to reduce the taxable income earned from the transactions of the same nature.

(b) Deferred income tax

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

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

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

2.18 Leases

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

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

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

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

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

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

2.19 Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

2.19 Employee benefits (continued)

(c) Bonus plans

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

2.20 Provisions

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

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

2.21 Revenue recognition

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

(a) Sales of goods

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

(b) Sewing services

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

(c) Interest income

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

(d) Dividend income

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

2.21 Revenue recognition (continued)

(e) Rental income

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

2.22 Dividend distribution

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

2.23 Earnings (losses) per share

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

2.24 Non-current assets held for sale

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

3. Financial risk management

3.1 Financial risk factors

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

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

3.1 Financial risk factors (continued)

Financial instruments by category

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

	Group				Company			
	31 December 2008		31 December 2007		31 December 2008		31 December 2007	
	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total
On-balance sheet items of assets								
Non-current trade and other receivables	26	26	40	40	-	-	-	-
Trade receivables	9,187	9,187	15,367	15,367	7,330	7,330	11,756	11,756
Amounts receivable from subsidiaries					11,882	11,882	10,787	10,787
Amounts receivable from other related parties	75	75	3,320	3,320	-	-	2,220	2,220
Other receivables	7	7	10	10	-	-	-	-
Cash and cash equivalents	1,799	1,799	645	645	117	117	101	101
	11,094	11,094	19,382	19,382	19,329	19,329	24,864	24,864

	Group				Company			
	31 December 2008		31 December 2007		31 December 2008		31 December 2007	
	Other financial liabilities	Total	Other financial liabilities	Total	Other financial liabilities	Total	Other financial liabilities	Total
On-balance sheet items of liabilities								
Borrowings	40,814	40,814	58,600	58,600	32,307	32,307	45,840	45,840
Trade payables	13,441	13,441	15,093	15,093	11,218	11,218	12,950	12,950
Amounts payable to subsidiaries	-	-	-	-	1,327	1,327	547	547
Amounts payable to other related parties	2,150	2,150	569	569	1,943	1,943	486	486
Accrued charges and other current liabilities	5,798	5,798	8,866	8,866	4,082	4,082	6,974	6,974
	62,203	62,203	83,128	83,128	50,877	50,877	66,797	66,797

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group and the Company operates internationally and carries out a significant part of it's transactions in euros. Foreign exchange risk for the Group's and the Company's activity is reduced by matching sales transactions and accounts receivable dominated in euros to purchase transactions, accounts payable and borrowings denominated in euro.

The Group analyses foreign exchange rate exposure regularly. The Group calculates its possible the impact on profit and loss by revaluating balances of accounts receivable, accounts payable, borrowings using foreign exchange rate changed by reasonable possible shift.

The official Ukrainian gryvnia (UAH) to EUR exchange rate of the National Bank of Ukraine was devalued by more than 50 per cent from September to December 2008 and Ukrainian subsidiary suffered a foreign exchange loss amounting to LTL 6,808 thousand during the year ended 31 December 2008. Due to increased volatility in currency markets in Ukraine reasonable possible shift in foreign exchange rate was increased to 45 per cent as at 31 December 2008 (2007: 5 per cent). UAH strengthening/weakening by 45 per cent against EUR (with all other variables remaining stable) as at 31 December 2008 would increase/reduce the Group's net loss by LTL 8,929 thousand (2007: LTL 1,038 thousand) due to borrowings and accounts payable of its Ukrainian operations denominated in euros.

(ii) Price risk

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

3.1 Financial risk factors (continued)

(iii) Cash flow and fair value interest rate risk

The Group and the Company are exposed to interest rate risk primarily in connection with interest-bearing loans granted to subsidiaries and related parties and long-term borrowings.

Loans granted with fixed interest rates expose the Company and the Group to fair value interest rate risk. Loans granted by the Company and by the Group in 2008 with fixed interest rates were denominated in LTL and EUR (2007: LTL and EUR).

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. Borrowings with variable interest rates of the Company and the Group in 2008 were denominated in EUR (2007: LTL, EUR and UAH).

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

Based on the simulations performed, the impact on the Company's and the Group's loss of a 0.5 per cent increase/decrease in interest rates would be a maximum increase/decrease of LTL 39 thousand (2007: LTL 31 thousand) and LTL 43 thousand (2007: LTL 37 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

(b) Credit risk

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

i) Concentration risk

The Company's and the Group's exposure to credit risk is concentrated to loans granted and trade receivables, including receivables from subsidiaries and other related parties.

The table below shows the credit risk concentration.

	Group		Company	
	2008	**2007**	**2008**	**2007**
Trade receivables from related parties (Note 29)	75	2,220	8,429	9,554
Loans granted to related parties (Note 29)	-	1,100	3,453	3,453
Trade receivables from other parties (Note 11)	9,187	15,367	7,330	11,756
Total loans and trade receivables	9,262	18,687	19,212	24,763

3.1 Financial risk factors (continued)

ii) Maximum exposure to credit risk

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
Cash and cash equivalents at bank	1,760	572	86	47
Loans and trade receivables	9,262	18,687	19,212	24,763
Other amounts receivable and taxes receivable	1,237	2,915	287	747
Non-current amounts receivable	26	40	-	-
Total	12,285	22,214	19,585	25,557

iii) Credit quality of financial assets

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

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

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

Group (excluding Company's customers)		31 December 2008		31 December 2007
	Credit limit	**Amount receivable**	**Credit limit**	**Amount receivable**
Customer A1	1,000	505	900	1,057
Customer A2	100	-	1,000	481
Customer A3	400	153	2,000	262
Customer A4	400	30	600	395
Customer A5	150	13	150	403
Customer A6	150	178	200	144
Customer A7	50	-	250	100

Company		31 December 2008		31 December 2007
	Credit limit	**Amount receivable**	**Credit limit**	**Amount receivable**
Customer B1	4,005	685	4,005	1,546
Customer B2	5,524	974	5,524	555
Customer B3	2,003	218	2,003	1,526
Customer B4	1,036	314	1,036	265
Customer B5	1,036	248	2,417	219
Customer B6	690	730	1,036	-
Customer B7	345	1,670	501	1,556

3.1 Financial risk factors (continued)

As at 31 December 2008 and 2007, the credit limits established for certain customers of the Group and the Company were exceeded, however, in the opinion of the Group's and the Company's management, this fact did not result in significant credit exposure for the Group or the Company because the credit limits were exceeded for those customers who dully fulfilled their obligations in the past.

Moreover, most of the Group's and the Company's amounts receivable are covered with insurance. The Company's trade receivables amounting to LTL 6,390 thousand as at 31 December 2008 (31 December 2007: LTL 10,071 thousand) are insured against insolvency of debtors with insurance companies for the recoverable amount of LTL 11,132 thousand (31 December 2007: LTL 12,132 thousand). The Group's trade receivables amounting to LTL 8,304 thousand as at 31 December 2008 (31 December 2007: LTL 13,687 thousand) are insured against insolvency of debtors with insurance companies for the recoverable amount of LTL 26,623 thousand (31 December 2007: LTL 47,132 thousand).

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

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
New trade customers (up to 12 months)	186	6,097	143	5,578
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	8,447	12,590	6,576	14,913
Current trade customers (more than 12 months) who do not duly fulfilled their obligations in the past	629	-	8,210	-
Total accounts receivable:	9,262	18,687	14,929	20,491

Total accounts receivable include trade receivables, receivable from other related parties and receivables from subsidiaries excluding loan granted and prepayment to the subsidiary amounting to LTL 3,453 thousand and LTL 830 thousand, respectively, as at 31 December 2008 (2007: LTL 3,453 thousand and LTL 819 thousand, respectively).

(ii) Cash and cash equivalents, excluding cash on hand

	Group		Company	
	2008	**2007**	**2008**	**2007**
A and above *	1,519	538	67	24
No rating	241	34	19	23
Total:	1,760	572	86	47

* Independent ratings established by Fitch agency.

3.1 Financial risk factors (continued)

Trade receivables that are past due are not treated as impaired since the Group's and the Company's management expects to recover these receivables.

The ageing analysis of these accounts receivable is given in the table below:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Not past due	6,983	12,725	5,492	8,867
Past due not impaired				
Past due up to 30 days	1,380	3,099	1,107	2,805
Past due 31-60 days	171	843	281	1,008
Past due 61-180 days	119	1,283	609	2,233
Past due 181 days	609	737	7,440	5,578
Total past due not impaired	2,279	5,962	9,437	11,624
Impaired and provided for				
Past due up to 30 days	20	-	20	-
Past due 31-60 days	47	-	47	-
Past due 61-180 days	37	-	31	-
Past due 181 days	284	-	277	-
Impairment allowance for trade receivables	(388)	-	(375)	-
Total accounts receivable	9,262	18,687	14,929	20,491

Total accounts receivable include trade receivables, receivable from other related parties and receivables from subsidiaries excluding loan granted and prepayment to the subsidiary amounting to LTL 3,453 thousand and LTL 830 thousand respectively as at 31 December 2008 (2007: LTL 3,453 thousand and LTL 819 thousand respectively).

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
LTL	2,344	7,807	2,163	6,104
EUR	8,329	14,344	18,422	21,498
GBP	22	-	-	-
UAH	891	1,574	-	-
	11,586	23,725	20,585	27,602

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

Group

31 December 2008	Up to 3 months	3-12 months	1-5 years	Over 5 years
Borrowings from banks	3,439	1,662	3,996	-
Finance lease liabilities	710	5,513	28,503	-
Trade payables and other financial liabilities	21,389	-	-	-
	25,538	7,175	32,499	-

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

Company

31 December 2008	Up to 3 months	3-12 months	1-5 years	Over 5 years
Finance lease liabilities	704	5,499	28,503	-
Trade payables and other financial liabilities	18,571	-	-	-
	19,275	5,499	28,503	-

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

Finance lease liabilities are repayable in full by 28 February 2010.

3.2 Capital risk management

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

The Group and the Company defines its capital as cash and cash equivalents, equity and debt. As at 31 December the Group's and the Company's capital structure was as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Total borrowings	40,814	58,600	32,307	45,840
Less: cash and cash equivalents	(1,799)	(645)	(117)	(101)
Net debt	39,015	57,955	32,190	45,739
Total Equity	3,793	18,849	19,551	25,786
Total capital	42,808	76,804	51,741	71,525

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100 thousand (LTL 10 thousand for a private company) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2008 and 31 December 2007, the Company and its subsidiaries registered in Lithuania complied with these requirements.

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2008 and 31 December 2007. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies on the moment of the company's registration. As at 31 December 2008 and 31 December 2007, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital.

3.3 Fair value estimation

Trade payables and receivables accounted for in the Group's and the Company's balance sheet should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals their carrying amount.

Interest rate on the loans received by the Group and the Company, as well as on finance lease payables, is subject to repricing at least every six months, therefore, it is deemed that their fair value equals their carrying amount.

4. Critical accounting estimates and judgments

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

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

(a) Recent volatility in global and Lithuanian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Group's and the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability of the Group's and the Company's business in the current circumstances.

Debtors of the Group and the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

4. Critical accounting estimates and judgments (continued)

(b) Going concern assumptions

During the reporting year, the Group and the Company incurred a loss of LTL 17,075 thousand and LTL 6,235 thousand, respectively. In addition, at the end of the reporting financial year, the Group's current liabilities exceeded current assets by LTL 4,117 thousand.

The Company and its subsidiary OAO MTF Mrija did not comply with certain covenants stipulated in loan and lease agreements signed with the bank and the lease company (Note 16), and OAO MTF Mrija shareholders' equity did not meet the minimal statutory equity level defined in the Ukrainian laws (Note 3.2).

Nevertheless, the Group's and the Company's financial statements have been prepared on a going concern principle, based on assumption that the Group and the Company will continue their operation in the near future. The reasonableness of this assumption depends on whether sufficient financial resources will be available to the Group or the Company to cover their current liabilities.

In the opinion of the Group's management, the Group and the Company will maintain sufficient cash flows due to actions taken during the reporting year and actions planned for the next financial year:

- positive operating cash flows and EBITDA due to implemented rigorous cost controls and effective management of working capital,
- expansion of sales of ecological products and products under own brand,
- negotiations for the revision of the borrowings and finance lease agreements to postpone their contractual maturity to 2010 and later periods,
- active marketing of property not used in the main activity.

(c) Estimates of recoverable amounts of goodwill and investments in subsidiaries

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

4. Critical accounting estimates and judgments (continued)

Investment in the subsidiary Satrija AB and related goodwill

Based on current industry situation and past experience the Group's management expects a decrease in revenue of Satrija AB by 30 per cent in 2009 and increase by 10 - 15 per cent starting from 2010, maintaining a gross profit not less than 7 per cent and reduction of selling, general and administrative expenses by 50 per cent in 2009. The pre-tax discount rate applied to cash flow projections is 15 per cent and cash flows beyond 3-year period are extrapolated using a 5 per cent growth rate that reflects the best estimate of the management based on current industry situation.

Increase of estimated pre-tax discount rate applied to the discounted cash-flows by 1 per cent (i.e. from 15 per cent to 16 per cent) would not have any impact on the assessment of impairment of goodwill allocated to Satrija AB as of 31 December 2008, however, it would result in an impairment loss of investment in subsidiary amounting to LTL 491 thousand as of 31 December 2008.

Decrease in growth rate used for extrapolation of cash flows beyond 3-year period by 5 per cent (i.e. from 5 per cent to nil, with all other assumptions remaining stable) would result in an impairment losses of goodwill allocated to Satrija AB and investment in subsidiary of LTL 204 thousand and LTL 1,379 thousand, respectively, as of 31 December 2008.

Investment in the subsidiary OAO MTF Mrija and related goodwill

Based on current industry situation and past experience the Group's management expects a decrease in revenue of *OAO MTF Mrija* by 33 per cent in 2009 and increase by 10 – 20 per cent starting from 2010, maintaining a gross profit not less than 13 per cent and reduction of selling, general and administrative expenses by 50 per cent in 2009. The discount rate applied to cash flow projections is 20 per cent and cash flows beyond 3-year period are extrapolated using a 5 per cent growth rate that reflects the best estimate of the management based on current industry situation.

Increase of estimated pre-tax discount rate applied to the discounted cash-flows by 1 per cent (i.e. from 20 per cent to 21 per cent) would not have any impact on the assessments of impairment of goodwill and investment in this subsidiary as of 31 December 2008.

Decrease in growth rate used for extrapolation of cash flows beyond 3-year period by 5 per cent (i.e. from 5 per cent to nil, with all other assumptions remaining stable) would not have any impact on the assessments of impairment of goodwill and investment in subsidiary as of 31 December 2008.

(d) Related-party transactions

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

4. Critical accounting estimates and judgments (continued)

(e) Fair value of non-current assets held for sale less cost to sell

Due to a limited number of transactions related to disposals of used machinery and equipment in the market, determination of fair value less cost to sell of machinery and equipment held for sale requires judgement. The basis for this judgement was expected optional selling prices established in the agreement with an agent engaged in marketing of this machinery and equipment on behalf of the Group and related service fees.

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

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

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

(g) Income taxes

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

5. Segment information

Primary reporting format – business segments

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

The Group also produces other clothes, provides sewing services and is engaged in retail and wholesale trade in its own production. However, considering a reduced volume of sewing services provided to external customers of the Group, as well as significantly reduced revenue from retail and wholesale trade, management consider that the only reportable segment of the Group is the production of knitted articles and other clothes.

Secondary reporting format – geographical segments

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

2008	**Western Europe**	**Lithuania and the Baltic States**	**Other regions**	**Elimination**	**Total**
Revenue					
External sales of the Group	95,396	14,984	365	-	110,745
Internal sales of the Group	-	11,252	899	(12,151)	-
	95,396	26,236	1,264	(12,151)	110,745
Assets (trade and other accounts receivable)	11,893	2,344	9,231	(11,882)	11,586

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

5. Segment information (continued)

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

The Group's assets (except for the assets of subsidiary OAO MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was LTL 5 million as of 31 December 2008 (LTL 13.6 million as of 31 December 2007) and non-current assets held for resale amounted to LTL 3,431 thousand as of 31 December 2008 (nil as of 31 December 2007). Capital expenditure relating to property, plant and equipment in Ukraine amounted to LTL 257 thousand in 2008 (2007: LTL 2,011 thousand, including LTL 320 thousand intercompany purchases of property, plant and equipment within the Group).

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

The Group's and the Company's revenue per customer exceeding 10 per cent of total sales in 2008 and 2007 was as follows:

Customer	Geographical segment	Group Percentage of total sales (%)		Company Percentage of total sales (%)	
		2008	2007	2008	2007
Customer B1	Western Europe	14.4	11.4	17.0	13.7
Customer B7	Western Europe	11.3	7.4	13.3	8.9
Customer B3	Western Europe	9.4	9.3	11.1	11.2
Customer B2	Western Europe	9.3	8.6	10.9	10.3

6. Intangible assets

	Group				Company
	Goodwill, related to OAO MTF Mrija	Goodwill, related to UAB Justima	Other intangible assets	Total	Other Intangible assets
Cost:					
Balance as of 1 January 2007	1,130	1,522	2,517	5,169	1,928
Additions	2,012	-	61	2,073	49
Disposals and write-offs	-	-	(55)	(55)	(55)
Foreign currency translation differences	(249)	-	(27)	(276)	-
Balance as of 31 December 2007	2,893	1,522	2,496	6,911	1,922
Additions	-	-	177	177	172
Reclassifications from prepayments for intangible assets	-	-	1,042	1,042	1,042
Foreign currency translation differences	(899)	-	(73)	(972)	-
Balance as of 31 December 2008	1,994	1,522	3,642	7,158	3,136
Amortisation and impairment:					
Balance as of 1 January 2007	-	129	2,066	2,195	1,773
Charge for the year	-	-	180	180	65
Disposals and write-offs	-	-	(55)	(55)	(55)
Foreign currency translation differences	-	-	(7)	(7)	-
Balance as of 31 December 2007	-	129	2,184	2,313	1,783
Charge for the year	-	-	348	348	251
Foreign currency translation differences	-	-	(50)	(50)	-
Balance as of 31 December 2008	-	129	2,482	2,611	2,034
Net book value as of 31 December 2006	**1,130**	**1,393**	**451**	**2,974**	**155**
Net book value as of 31 December 2007	**2,893**	**1,393**	**312**	**4,598**	**139**
Net book value as of 31 December 2008	**1,994**	**1,393**	**1,160**	**4,547**	**1,102**

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

As of 31 December 2008, the acquisition cost of intangible assets of the Group and the Company that were fully amortised but still in use amounted to LTL 1,839 thousand and LTL 1,710 thousand, respectively (LTL 1,791 thousand and LTL 1,710 thousand, respectively as of 31 December 2007).

6. Intangible assets (continued)

Goodwill

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

This goodwill was allocated to AB Šatrija as a cash-generating unit for impairment testing purposes. The recoverable amount of the cash-generating unit was determined based on the value in use calculation using cash flow projections based on financial budgets approved by senior management for a three-year period.

On 30 July 2005 the Company purchased 67 per cent of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,998 thousand for 8,740,734 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 1,229 thousand on this transaction. Subsequent to this acquisition, the Company acquired additional 24.85 per cent of shares of its subsidiary OAO MTF Mrija from minority shareholders as a result of issue of new shares. The total price paid for the newly issued shares was LTL 2,569 thousand, LTL 736 thousand whereof was paid for minority interest on acquisition of net assets of LTL 1,159 thousand (fair value). The excess of the acquirer's share in net assets amounting to LTL 423 thousand, which occurred on acquisition of minority interest, was accounted within other income in the Group's income statement for the year ended 31 December 2005. On 7 August 2007, the Company acquired further 7.096 per cent of shares of OAO MTF Mrija. The Company paid LTL 2,011 thousand for 36,406,770 OAO MTF Mrija shares with par value of UAH 0.01 each, and recognised goodwill of LTL 2,012 thousand on this transaction.

This goodwill was allocated to the Ukrainian operations as a cash generating unit for impairment testing purposes. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period.

7. Property, plant and equipment

Group

	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2007	15,403	1,160	89,600	4,272	110,435
Additions	1	170	3,651	504	4,326
Disposals and write-offs	-	-	(1,254)	-	(1,254)
Transfers from/to	882	-	3,255	(4,137)	-
Reclassifications from investment property (Note 8)	49	-	-	-	49
Foreign currency translation differences	(489)	(72)	(1,502)	(75)	(2,138)
Balance as of 31 December 2007	15,846	1,258	93,750	564	111,418
Additions	102	-	356	20	478
Disposals and write-offs	(355)	-	(3,612)	-	(3,967)
Transfers from/to	45	-	432	(477)	-
Reclassifications to non current assets held for sale (Note 12)	-	-	(4,524)	-	(4,524)
Reclassifications to investment property (Note 8)	(215)	-	-	-	(215)
Foreign currency translation differences	(1,405)	(207)	(4,508)	(95)	(6,215)
Balance as of 31 December 2008	14,018	1,051	81,894	12	96,975
Accumulated depreciation:					
Balance as of 1 January 2007	6,320	684	50,472	-	57,476
Charge for the year	221	51	8,576	-	8,848
Disposals and write-offs	-	-	(1,159)	-	(1,159)
Reclassifications from investment property (Note 8)	24	-	-	-	24
Foreign currency translation differences	(139)	(49)	(329)	-	(517)
Balance as of 31 December 2007	6,426	686	57,560	-	64,672
Charge for the year	204	52	7,914	-	8,170
Disposals and write-offs	(229)	-	(3,349)	-	(3,578)
Reclassifications to non current assets held for sale (Note 12)	-	-	(1,093)	-	(1,093)
Reclassifications to investment property (Note 8)	(94)	-	-	-	(94)
Foreign currency translation differences	(391)	(136)	(1,749)	-	(2,276)
Balance as of 31 December 2008	5,916	602	59,283	-	65,801
Impairment:					
Balance as of 1 January 2007	60	-	-	-	60
Reversal of impairment	(30)	-	-	-	(30)
Balance as of 31 December 2007	30	-	-	-	30
Balance as of 31 December 2008	30	-	-	-	30
Net book value as of 31 December 2006	**9,023**	**476**	**39,128**	**4,272**	**52,899**
Net book value as of 31 December 2007	**9,390**	**572**	**36,190**	**564**	**46,716**
Net book value as of 31 December 2008	**8,072**	**449**	**22,611**	**12**	**31,144**

7. Property, plant and equipment (continued)

Company	Land and buildings	Structures	Vehicles and other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2007	7,435	571	64,000	2,474	74,480
Additions	1	-	2,137	414	2,552
Disposals and write-offs	-	-	(1,822)	-	(1,822)
Transfers from/to	100	-	2,374	(2,474)	-
Reclassifications from investment property (Note 8)	49	-	-	-	49
Balance as of 31 December 2007	7,585	571	66,689	414	75,259
Additions	-	-	170	20	190
Disposals and write-offs	-	-	(377)	-	(377)
Transfers from/to	-	-	433	(433)	-
Reclassifications to investment property (Note 8)	(215)	-	-	-	(215)
Balance as of 31 December 2008	7,370	571	66,915	1	74,857
Accumulated depreciation:					
Balance as of 1 January 2007	2,758	268	38,500	-	41,526
Charge for the year	92	31	5,984	-	6,107
Disposals and write-offs	-	-	(1,611)	-	(1,611)
Reclassifications from investment property (Note 8)	24	-	-	-	24
Balance as of 31 December 2007	2,874	299	42,873	-	46,046
Charge for the year	90	31	5,605	-	5,726
Disposals and write-offs	-	-	(375)	-	(375)
Reclassifications to investment property (Note 8)	(94)	-	-	-	(94)
Balance as of 31 December 2008	2,870	330	48,103	-	51,303
Impairment:					
Balance as of 1 January 2007	60	-	-	-	60
Reversal of impairment	(30)	-	-	-	(30)
Balance as of 31 December 2007	30	-	-	-	30
Balance as of 31 December 2008	30	-	-	-	30
Net book value as of 31 December 2006	**4,617**	**303**	**25,500**	**2,474**	**32,894**
Net book value as of 31 December 2007	**4,681**	**272**	**23,816**	**414**	**29,183**
Net book value as of 31 December 2008	**4,470**	**241**	**18,812**	**1**	**23,524**

7. Property, plant and equipment (continued)

Total depreciation charges of the Group's and the Company's property, plant and equipment amounted to LTL 8,170 thousand and LTL 5,726 thousand, respectively in 2008 (2007: LTL 8,848 thousand and LTL 6,107 thousand, respectively). The respective amounts of LTL 7,988 thousand and LTL 5,712 thousand in 2008 (2007: LTL 8,136 thousand and LTL 5,665 thousand, respectively) were included in cost of sales in the Group's and the Company's income statement. The remaining amounts were included in general and administrative expenses in the income statement and inventories in the balance sheet.

Property, plant and equipment of the Group and the Company with the acquisition costs of LTL 32,449 thousand and LTL 24,432 thousand, respectively, were fully depreciated as of 31 December 2008 (2007: LTL 22,193 thousand and LTL 19,929 thousand, respectively), but were still in use.

Property, plant and equipment of the Group and the Company with the net book values of LTL 12,911 thousand and LTL 2,015 thousand, respectively, as of 31 December 2008 (2007: LTL 36,524 thousand and LTL 20,937 thousand, respectively) were pledged to the banks as a collateral for the borrowings (Note 16).

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
Cost – capitalised finance lease				
Buildings	7,097	-	7,097	-
Vehicles and other property, plant and equipment	44,689	7,183	44,591	7,085
Investment property (Note 8)	4,423	-	4,423	-
	56,209	7,183	56,111	7,085
Accumulated depreciation				
Buildings	(2,750)	-	(2,750)	-
Vehicles and other property, plant and equipment	(28,974)	(1,218)	(28,939)	(1,199)
Investment property (Note 8)	(1,011)	-	(1,011)	-
	(32,735)	(1,218)	(32,700)	(1,199)
Net book value	23,474	5,965	23,411	5,886

8. Investment property

	Group	Company
Cost:		
Balance as of 1 January 2007	6,860	6,860
Transfer to property, plant and equipment (Note 7)	(49)	(49)
Balance as of 31 December 2007	6,811	6,811
Disposals	(2,477)	(2,477)
Transfer from property, plant and equipment (Note 7)	215	215
Balance as of 31 December 2008	4,549	4,549
Accumulated depreciation:		
Balance as of 1 January 2007	1,111	1,111
Charge for the year	144	144
Transfer to property, plant and equipment (Note 7)	(24)	(24)
Balance as of 31 December 2007	1,231	1,231
Charge for the year	144	144
Disposals	(366)	(366)
Transfer from property, plant and equipment (Note 7)	94	94
Balance as of 31 December 2008	1,103	1,103
Impairment:		
Balance as of 1 January 2007	98	98
Reversal of impairment	(98)	(98)
Balance as of 31 December 2007	-	-
Balance as of 31 December 2008	-	-
Net book value as of 31 December 2006	**5,651**	**5,651**
Net book value as of 31 December 2007	**5,580**	**5,580**
Net book value as of 31 December 2008	**3,446**	**3,446**

Rental income and associated costs have been disclosed in Note 21.

Leased investment property, where the Company and the Group is a lessee under finance lease contracts disclosed in Note 7.

No investment property of the Group and the Company was pledged to the bank as a collateral for the borrowings as at 31 December 2008 (2007: LTL 5,534 thousand).

Investment property of the Company and the Group comprises buildings rented to related party and third parties and vacant buildings ready for sale.

8. Investment property (continued)

The fair value of this investment property approximates to its net book value as at 31 December 2008. The fair value of investment property as at 31 December 2008 was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuators.

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

9. Investments in subsidiaries

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

	2008	2007
Cost of investments:		
Balance as at 1 January	12,753	10,742
Acquisition of subsidiary OAO MTF Mrija (Note 27)	-	2,011
Balance as at 31 December	12,753	12,753
Impairment:		
Balance as at 1 January	-	-
Balance as at 31 December	-	-
Carrying amount of investments in subsidiaries as at 31 December	**12,753**	**12,753**

As of 31 December 2008, investment to the subsidiary AB Šatrija amounting to LTL 4,935 thousand was pledged to the lease company as collateral for the finance lease (Note 16).

10. Inventories

	Group		Company	
	2008	2007	2008	2007
Raw materials	4,485	7,157	2,634	4,683
Work in progress	3,739	6,141	3,567	5,092
Finished goods	3,868	7,333	3,567	6,827
Goods for resale	139	106	-	-
	12,231	20,737	9,768	16,602
Write-down to net realisable value:				
Opening balance	(1,387)	(295)	(774)	(229)
Change	(539)	(1,092)	(81)	(545)
Closing balance	(1,926)	(1,387)	(855)	(774)
	10,305	19,350	8,913	15,828

The acquisition cost of the Group's and the Company's inventories accounted for at net realisable value as of 31 December 2008 amounted to LTL 3,587 thousand and LTL 2,516 thousand respectively (2007: LTL 1,580 thousand and LTL 1,026 thousand, respectively). Changes in impairment allowance for inventories during 2008 and 2007 were recorded within general and administrative expenses in the Group's and the Company's income statement.

Inventories of the Company and the Group with carrying value of LTL 11,400 thousand as of 31 December 2008 were pledged to the lease company as collateral for the finance lease (2007: LTL 10,000 thousand and LTL 12,830 thousand, respectively, a collateral for the bank borrowings).

11. Trade receivables

	Group		Company	
	2008	2007	2008	2007
Trade receivables, gross	9,575	15,377	7,705	11,756
Impairment allowance for trade receivables:				
Opening balance	(10)	(22)	-	-
Change	(378)	12	(375)	-
Closing balance	(388)	(10)	(375)	-
	9,187	15,367	7,330	11,756

Changes in impairment allowance for doubtful trade receivables during 2008 and 2007 were recorded within general and administrative expenses in the Group's and the Company's income statements.

12. Non current assets held for resale

In 2008, the subsidiary OAO MTF Mrija signed the contract with the agent for disposal of equipment not used in the subsidiary's activity with net book value of LTL 3,431 thousand as of 31 December 2008. The planned disposal period is seven months after the balance sheet date.

13. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
Cash on hand	39	73	31	54
Cash at bank	665	572	86	47
Deposits with maturity term of 3 months or less	1,095	-	-	-
	1,799	645	117	101

The balance of the Group's deposits as at 31 December 2008 included a deposit of EUR 100 thousand (equivalent of LTL 345 thousand) and LTL 750 thousand. Average interest rate on these deposits was 3.52 per cent, and its contractual maturity date was 5 January 2009.

All cash inflows into the Company's accounts opened in the bank were pledged to the lease company as collateral for the finance lease (Note 16) (2007: as a collateral for borrowings). As of 31 December 2008 and 2007, the Group and the Company had no other restrictions on the use of cash and cash equivalents.

14. Share capital

As at 31 December 2008 and 2007, the share capital comprised 19,834,442 ordinary registered shares with par value of LTL 1 each. As of 31 December 2008 and 2007, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as of 31 December 2008 and 2007. The Company did not hold its own shares as of 31 December 2008 and 2007.

15. Reserves

Other reserves

The balance of the Company's reserves as of 31 December 2008 and 2007 comprised a legal reserve.

Profit distribution

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

16. Borrowings

	Group		Company	
	2008	2007	2008	2007
Current				
Short-term bank borrowings	2,862	3,608	-	770
Current portion of long-term bank borrowings	2,038	14,945	-	10,487
Finance lease liabilities	4,661	1,504	4,641	1,481
	9,561	20,057	4,641	12,738
Non–current				
Long-term bank borrowings	3,587	32,164	-	26,743
Finance lease liabilities	27,666	6,379	27,666	6,359
	31,253	38,543	27,666	33,102
Total borrowings	40,814	58,600	32,307	45,840

In 2008, bank borrowings of the Company and the Group amounting to LTL28,802 thousand were restructured to finance lease liabilities.

The bank borrowings are secured by property plant and equipment (Note 7) (2007: property plant and equipment (Note 7), investment property (Note 8), inventories (Note 10) and future cash inflows into certain bank accounts (Note 13)).

The fulfilment of finance lease liabilities is substantially secured since the title to assets acquired under finance lease automatically reverts to the lessor in the event of default. Furthermore, investment to subsidiary (Note 9), future cash inflows into certain bank accounts (Note 13) and inventories (Note 10) were pledged as an additional collateral for the finance lease.

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

	Group		Company	
	2008	2007	2008	2007
UAH	-	16	-	-
EUR	40,814	57,814	32,307	45,070
LTL	-	770	-	770
	40,814	58,600	32,307	45,840

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

	Group		Company	
	2008	2007	2008	2007
Long-term bank borrowings	7.29	5.87	-	5.41
Short-term bank borrowings	7.29	7.97	-	6.95
Finance lease liabilities	5.27	5.76	5.27	5.76

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

16. Borrowings (continued)

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

	Group		Company	
	2008	2007	2008	2007
Every 6 months or more frequently	40,814	58,600	32,307	45,840

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

	Group		Company	
	2008	2007	2008	2007
Between 1 and 2 years	1,851	8,106	-	6,241
Between 2 and 5 years	1,736	24,058	-	20,502
	3,587	32,164	-	26,743

As at 31 December 2008, the Group did not comply with certain requirements relating to (1) capital ratio in the subsidiary OAO MTF Mrija; (2) gross profitability ratio in certain inter-company transactions within the Group; (3) financial debt to EBITDA ratio in the subsidiary OAO MTF Mrija; (4) cash ratio in the subsidiary OAO MTF Mrija (2007: 1) capital ratio in the subsidiary OAO MTF Mrija; (2) gross profitability ratio in certain inter-company transactions within the Group; (3) financial debt to EBITDA ratio in the subsidiary OAO MTF Mrija; (4) cash ratio in the subsidiary OAO MTF Mrija), which were set forth as restrictive covenants in loan and finance lease agreements signed with the bank and the lease company.

Moreover, as at 31 December 2008, the Company did not comply with certain requirements relating to (1) capital plus reserves to equity plus liabilities ratio; and (2) long-term plus short-term debts to capital plus reserves ratio (2007: (1) financial debt to EBITDA ratio; (2) capital plus reserves to equity plus liabilities ratio; and (3) long-term plus short-term debts to capital plus reserves ratio), which were set forth as restrictive covenants in certain lease agreements signed with the lease company.

The management of the Group and the Company do not expect that the bank and the lease company will take any restrictive actions, therefore, the non current borrowing of the Group and the Company amounting to LTL 24,067 and LTL 20,480 respectively as of 31 December 2008 (2007: LTL 32,164 thousand and LTL 26,743 thousand, respectively) were not reclassified to current borrowings in these financial statements.

16. Borrowings (continued)

Finance lease liabilities – minimum lease payments:

	Group		Company	
	2008	2007	2008	2007
Not later than 1 year	6,224	1,854	6,203	1,829
After 1 year but not later than 5 years	28,503	6,688	28,503	6,668
After 5 years	-	370	-	370
	34,727	8,912	34,706	8,867
Future finance lease charges	(2,400)	(1,029)	(2,399)	(1,027)
Present value of finance lease liabilities	32,327	7,883	32,307	7,840

Present value of finance lease liabilities:

	Group 2008	Group 2007	Company 2008	Company 2007
Not later than 1 year	4,661	1,504	4,641	1,481
After 1 year but not later than 5 years	27,666	6,018	27,666	5,998
After 5 years	-	361	-	361
	32,327	7,883	32,307	7,840

17. Accrued charges and other current liabilities

	Group		Company	
	2008	2007	2008	2007
Amounts payable for services and non-current assets	1,955	4,152	1,552	3,863
Wages, salaries and social security	1,746	2,085	1,191	1,260
Accrual for vacation reserve	1,806	2,107	1,207	1,556
Bonuses for employees	102	119	102	119
Other liabilities	189	403	31	176
	5,798	8,866	4,083	6,974

18. Revenue

	Group		Company	
	2008	2007	2008	2007
Revenue from sale of goods	104,558	131,241	92,954	112,425
Revenue from sewing services	5,593	4,918	-	-
Revenue from sale of materials	594	1,382	1,086	2,326
	110,745	137,541	94,040	114,751

19. Cost of sales

	Group		Company	
	2008	**2007**	**2008**	**2007**
Materials	39,868	53,296	32,751	39,330
Wages and salaries	33,624	35,750	23,670	24,779
Other overhead expenses	28,191	31,118	29,502	35,862
Cost of materials sold	643	1,324	875	2,131
	102,326	121,488	86,798	102,102

20. Selling general and administrative expenses

	Group		Company	
	2008	**2007**	**2008**	**2007**
Selling expenses				
Maintenance costs of retail outlets	132	41	-	-
Wages salaries and social security	1,447	1,759	1,124	1,330
Other selling expenses	1,822	1,895	1,588	1,503
Total selling expenses	3,401	3,695	2,712	2,833
General and administrative expenses				
Wages salaries and social security	4,018	5,105	2,729	2,902
Communications and consulting services	1,401	2,207	867	1,612
Taxes other than income tax	1,463	1,945	1,382	1,852
Reversal of impairment of property plant and equipment and investment property	-	(128)	-	(128)
Depreciation and amortisation	503	341	369	181
Impairment and write-off of inventories	864	1,258	98	557
Impairment and write-off of accounts receivable	915	48	601	20
Business trips	153	181	99	104
Charity and sponsorship	101	139	62	126
Other	3,681	3,624	2,364	2,618
Total general and administrative expenses	13,099	15,013	8,571	9,844
	16,500	18,708	11,283	12,677

21. Other income (expenses), net

	Group		Company	
	2008	**2007**	**2008**	**2007**
Gain on disposal of investment property	688	-	688	-
Gain on disposal of property plant and equipment	1,486	61	29	85
Lease income	857	691	619	683
Lease expenses	(171)	(227)	(189)	(242)
Other income (expenses) net	224	70	102	59
	3,084	595	1,249	585

22. Finance costs, net

	Group		Company	
	2008	**2007**	**2008**	**2007**
Net foreign exchange gain (loss)	(7,472)	(2,269)	(6)	2
Interest expenses	(3,407)	(3,308)	(2,537)	(2,260)
Discounts granted on earlier payment	(791)	(271)	(791)	(271)
Interest income	18	79	208	216
Discounts received on earlier payment	-	11	-	11
Interest on late payment received (paid)	(74)	43	(69)	13
	(11,726)	(5,715)	(3,195)	(2,289)

23. Employee benefits

	Group		Company	
	2008	**2007**	**2008**	**2007**
Wages and salaries	29,667	32,328	21,017	22,143
Social security	9,411	10,280	6,506	6,868
	39,078	42,608	27,523	29,011

24. Income tax

Income tax expense comprised as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Current tax	(167)	(12)	-	-
Change in deferred tax	(185)	(243)	(248)	42
Income tax refunded on dividends	-	7	-	7
Income tax expense	(352)	(248)	(248)	49

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

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

24. Income tax (continued)

	Group		Company	
	2008	2007	2008	2007
Income tax at a rate of 15% in 2008 (18% in 2007)	2,508	1,400	898	312
Effect of different tax rates applicable to Ukrainian subsidiaries	863	288	-	-
Income tax refunded on dividends	-	7	-	7
Unrecognised deferred tax assets	(3,955)	(1,054)	(1,302)	-
Change in income tax rate	606	(69)	325	(69)
Expenses not deductible for tax purposes	(425)	(820)	(170)	(201)
Non taxable income	51	-	1	-
Income tax expense	(352)	(248)	(248)	49

The movement on deferred income tax account was as follows:

	Group		Company	
	2008	2007	2008	2007
At beginning of year	185	428	248	206
Change during the year	(185)	(243)	(248)	42
At end of year	-	185	-	248

In 2008, deferred income tax asset and liability relating to the entities operating in Lithuania were estimated using the tax rate of 20 per cent (18 per cent tax rates in 2007). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 25 per cent.

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

Group	2006	Recognised in the income statement	2007	Recognised in the income statement	2008
Deferred tax assets					
Tax loss carry forwards	-	74	74	(74)	-
Inventories	53	63	116	(116)	-
Receivables	6	(6)	-	-	-
Property, plant and equipment and investment property	319	(319)	-	-	-
Accrued charges	201	(120)	81	(81)	-
	579	(308)	271	(271)	-
Deferred tax liabilities					
Goodwill	(86)	86	-	-	-
Property, plant and equipment	(65)	(21)	(86)	86	-
	(151)	65	(86)	86	-
Deferred tax assets, net	428	(243)	185	(185)	-

24. Income tax (continued)

Company	2006	Recognised in the income statement	2007	Recognised in the income statement	2008
Deferred tax assets/liabilities					
Inventories	41	75	116	(116)	-
Property, plant and equipment and investment property	37	(60)	(23)	23	-
Tax loss	-	74	74	(74)	-
Accrued charges	128	(47)	81	(81)	-
	206	42	248	(248)	-

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Group		Company	
	2008	2007	2008	2007
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	-	-	-	-
Deferred tax asset to be recovered within 12 months	-	271	-	271
	-	271	-	271
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	-	(86)	-	(23)
Deferred tax liability to be recovered within 12 months	-	-	-	-
	-	(86)	-	(23)
	-	185	-	248

The Group's and the Company's tax losses to be carried forward against future taxable income amounted to LTL 16,262 thousand and LTL 5,460 thousand, respectively, as of 31 December 2008 (2007: LTL 5,020 thousand and nil).

No deferred tax asset was recognised in respect of these losses due to uncertainties relating to recoverability of asset. All tax losses of the Company and the Group's tax losses amounting to LTL 8,749 thousand may be brought forward for an unlimited period and LTL 226 thousand, LTL 2,282 thousand and LTL 5,005 thousand of the Group's tax losses can be utilised until 2009, 2010 and 2011, respectively.

Deferred tax asset not recognised by the Group and the Company in its financial statements as of 31 December 2008 due to uncertainties relating to the Group's and the Company's ability to earn sufficient taxable income necessary for realisation of this asset totalled LTL 3,955 thousand and LTL 1,302 thousand, respectively (2007: LTL 1,053 thousand and nil).

25. Loss per share

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

	Group	
	2008	2007
Loss attributable to the equity holders of the Company	(16,890)	(7,791)
Weighted average number of shares in issue (thousand)	19,834	19,834
Basic and diluted loss per share (in LTL)	(0.85)	(0.39)

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

26. Dividends per share

	2008*	2007*
Dividends declared	-	7,934
Weighted average number of shares (thousand)	19,834	19,834
Declared dividends per share (LTL)	-	0.40

* The year when dividends were declared.

27. Business combinations

Acquisition

On 7 August 2007, the Company acquired 7.096 per cent of shares of OAO MTF Mrija operating in Ukraine. The Company paid LTL 2,011 thousand for 36,406,770 shares of OAO MTF Mrija with par value of UAH 0.01 each, and recognised goodwill of LTL 2,012 thousand on this transaction as of 31 December 2007.

28. Additional information on cash flows

The principal non-cash transactions were as follows:

	Group		Company	
	2008	2007	2008	2007
Non-cash investing activity:				
Acquisition of property, plant and equipment under finance lease	-	7,883	-	7,840

29. Related-party transactions

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

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

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

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

The Group's and the Company's related-party transactions in 2008 and 2007 were as follows:

	Group		Company	
	2008	2007	2008	2007
Sales of goods and services				
Subsidiaries of the Company	-	-	1,705	2,876
SBA group companies	5,039	8,768	4,876	8,159
Ultimate parent company	-	302	-	-
	5,039	9,070	6,581	11,035

	Group		Company	
	2008	2007	2008	2007
Sales of property, plant and equipment				
Subsidiaries of the Company	-	-	-	320
	-	-	-	320

	Group		Company	
	2008	2007	2008	2007
Interest income				
Subsidiaries of the Company	-	-	207	189
SBA group companies	-	21	-	21
Ultimate parent company	12	44	-	-
	12	65	207	210

29. Related-party transactions (continued)

	Group		Company	
	2008	2007	2008	2007
Purchases of goods and services				
Subsidiaries of the Company			10,385	14,728
SBA group companies	122	205	91	188
Other related parties	189	232	189	232
Ultimate parent company	821	1,500	569	1,199
	1,132	1,937	11,234	16,347

	Group		Company	
	2008	2007	2008	2007
Amounts receivable within one year (including prepayments and loans)				
Subsidiaries of the Company			11,882	10,787
SBA group companies	75	2,220	-	2,220
Ultimate parent company	-	1,100	-	-
	75	3,320	11,882	13,007

Loan granted by AB Satrija to UAB Koncernas SBA amounting LTL 1,100 thousand was repaid in full in 2008. Annual interest rate on the loan was equal to 4 per cent.

In 2007, the Company granted a loan to subsidiary OAO MTF Mrija amounting to LTL 3,453 thousand with maturity of 12 December 2008. In 2008, the loan maturity was prolonged until 14 December 2009.

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

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

	2008	2007
Loans granted to related parties	4 - 6%	4 - 6%

	Group		Company	
	2008	2007	2008	2007
Amounts payable within one year				
Subsidiaries of the Company	-	-	1,327	547
SBA group companies	1,135	-	1,135	-
Other related parties	129	254	129	254
Ultimate parent company	886	315	679	232
	2,150	569	3,270	1,033

29. Related-party transactions (continued)

In August 2007, the subsidiary AB Šatrija granted a short-term loan to the Company for the amount of LTL 500 thousand and annual interest of 5.75 per cent. In 2008, the Company repaid loan to the subsidiary.

In 2008, the subsidiary UAB Gotija granted a short-term loan to the Company for the amount of LTL 1,250 thousand with annual interest rate of 6 per cent, which had to be repaid by 30 June 2009.

	Group		Company	
	2008	**2007**	**2008**	**2007**
Key management compensation including social security costs				
Remuneration of management	2,651	2,661	1,356	1,520
	2,651	2,661	1,356	1,520

In 2008 and 2007 the management of the Company did not receive any loans, guarantees; any other payments or property transfers were made or accrued. The management of the Group did not receive any guarantees; no other payments or property transfers were made or accrued in 2008 and 2007.

Guarantees issued

Guarantees issued on behalf of related parties are disclosed in Note 30.

30. Contingent liabilities and commitments

Guarantees issued

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

The Company has an agreement with bank, based on which the Company issued a guarantee for the amount of EUR 2,455 thousand (LTL 8,476 thousand as at 31 December 2008) on behalf of its subsidiary OAO MTF Mrija to secure the repayment of borrowings.

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

Commitments

As of 31 December 2008 and 2007 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.