AB INVALDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Translation note:

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

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Translation note

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

Independent auditor's report

To the Shareholders of AB Invalda

We have audited the accompanying stand alone and consolidated financial statements (the 'Financial Statements') of AB Invalda (the 'Company') and its subsidiaries (together the 'Group') set out on pages 5 – 94 which comprise the stand alone and consolidated statement of financial position as at 31 December 2009 and the stand alone and consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory 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 European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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. 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.

Opinion

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2009 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
8 April 2010

GENERAL INFORMATION

Board of Directors

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

Management

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

Principal place of business and company code

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

Bankers

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

Auditor

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

The financial statements were approved and signed by the Management and the Board of Directors on 8 April 2010.

Management:

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

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

Consolidated and Parent Company's income statements

	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Continuing operations					
Revenue	5	217,322	309,434		
Other income	6.3	4,012	14,505	21,476	34,340
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	4	3,813	35,583	(7,538)	90,641
Net gains (losses) from fair value adjustments on investment property	12	(72,358)	(43,707)	-	-
Net changes in fair value on financial assets	6.1.	(1,357)	(17,126)	(4,121)	(13,371)
Changes in inventories of finished goods and work in progress		3,154	1,400	-	-
Raw materials and consumables used	5	(111,056)	(124,506)	(22)	(43)
Changes in residential real estate		(7,988)	(75,582)	-	-
Employee benefits expenses	5	(33,832)	(47,860)	(1,772)	(2,355)
Impairment, write-down, allowances and provisions	6.2	(39,199)	(38,869)	(108,723)	(77,265)
Premises rent and utilities		(15,728)	(15,687)	(174)	(399)
Depreciation and amortisation	11, 13	(10,120)	(9,857)	(130)	(151)
Repair and maintenance of premises		(8,734)	(8,740)	(9)	(1)
Other operating expenses		(14,722)	(21,478)	(1,535)	(2,186)
Operating profit (loss)		**(86,793)**	**(42,490)**	**(102,548)**	**29,210**
Finance costs	6.4.	(31,199)	(45,233)	(22,502)	(27,800)
Share of (loss) profit of associates and joint ventures	4	10,432	(7,000)	-	-
(Loss) profit before income tax		**(107,560)**	**(94,723)**	**(125,050)**	**1,410**
Income tax	7	15,837	(2,388)	3,252	184
(Loss) profit for the year from continuing operations		**(91,723)**	**(97,111)**	**(121,798)**	**1,594**
Discontinued operations					
Profit after tax for the year from a discontinued operations	8	6,070	5,558	-	-
(LOSS) PROFIT FOR THE YEAR		**(85,653)**	**(91,553)**	**(121,798)**	**1,594**
Attributable to:					
Equity holders of the parent		(88,596)	(90,140)	(121,798)	1,594
Minority interest		2,943	(1,413)	-	-
		(85,653)	**(91,553)**	**(121,798)**	**1,594**
Basic and diluted earnings (deficit) per share (in LTL)	9	(2.08)	(2.12)	(2.86)	(0.04)
Basic and diluted earnings (deficit) per share (in LTL) for continuing operations	8, 9	(2.22)	(2.25)	(2.86)	(0.04)

Consolidated and Parent Company's statements of comprehensive income

		Group		Company	
		2009	**2008**	**2009**	**2008**
(Loss) profit for the year		**(85,653)**	**(91,553)**	**(121,798)**	**1,594**
Continuing operation					
Net (loss) on cash flow hedges	27	(47)	(308)	-	-
Income tax		8	46	-	-
		(39)	(262)	-	-
Net gain on available-for –sale financial assets		286	-	-	-
Reclassification adjustment for loss included in profit or loss		(76)	-	-	-
Income tax		(42)	-	-	-
		168			
Exchange differences on translation of foreign operations		293	(149)	-	-
Share of other comprehensive losses of associates		(2,732)	(19,836)	-	-
Income tax on share of other comprehensive losses of associates		-	(257)	-	-
		(2,732)	(20,093)	-	-
Other comprehensive losses for the period from continuing operations		**(2,310)**	**(20,504)**	**-**	**-**
Discontinued operations					
Net (loss) gain on available-for-sale financial assets		209	(2,427)	-	-
Reclassification adjustment for loss included in profit or loss		1,219	199	-	-
Income tax		(114)	362	-	-
Other comprehensive income (loss) for the period from discontinued operations		**1,314**	**(1,866)**	**-**	**-**
Other comprehensive loss for the period, net of tax		**(996)**	**(22,370)**	**-**	**-**
Total comprehensive (loss) income for the period, net of tax		**(86,649)**	**(113,923)**	**(121,798)**	**1,594**
Attributable to:					
Equity holders of the parent		(89,592)	(112,502)	(121,798)	1,594
Minority interest		2,943	(1,421)	-	-

Consolidated and Parent Company's statements of financial position

		Group			Company	
	Notes	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007	As at 31 December 2009	As at 31 December 2008
ASSETS						
Non-current assets						
Property, plant and equipment	11	43,709	65,678	72,734	212	311
Investment properties	12	263,775	326,872	402,933	-	-
Intangible assets	13	8,863	18,315	23,546	1	5
Investments into subsidiaries	1	-	-	-	81,311	165,361
Investments into associates and joint ventures	1	169,436	236,045	303,952	136,450	209,985
Investments available-for-sale	15	1,818	3,995	5,920	1,817	1,817
Loans granted	16	-	7,978	16,962	1,092	27,656
Other non-current assets	30	2,848	2,848	2,848	-	-
Deferred income tax asset	7	4,963	5,581	809	4,144	892
Total non-current assets		**495,412**	**667,312**	**829,704**	**225,027**	**406,027**
Current assets						
Inventories	17	41,837	63,941	119,942	-	-
Trade and other receivables	18	21,131	25,433	27,365	1	822
Current loans granted	16	28,959	58,010	77,977	78,396	120,582
Prepaid income tax		51	3,202	3,678	-	647
Prepayments and deferred charges		2,014	2,782	22,040	29	67
Investments available-for-sale	15	995	-	-	-	-
Financial assets held-for-trade	15	10,743	27,943	24,206	3,269	5,092
Restricted cash	20	5,475	15,606	-	-	-
Cash and cash equivalents	19	3,486	18,217	4,248	94	12
Total current assets		**114,691**	**215,134**	**279,456**	**81,789**	**127,222**
Assets of disposal group classified as held-for-sale		**-**	**-**	**87,669**	**-**	**-**
TOTAL ASSETS		**610,103**	**882,446**	**1,196,829**	**306,816**	**533,249**

(cont'd on the next page)

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

		Group			Company	
	Notes	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007	As at 31 December 2009	As at 31 December 2008
EQUITY AND LIABILITIES						
Equity						
Equity attributable to equity holders of the parent						
Share capital	1, 21	42,569	42,569	42,569	42,569	42,569
Share premium		50,588	50,588	50,588	50,588	50,588
Reserves	22	76,490	74,371	41,852	73,383	73,383
Retained earnings (accumulated deficit)		(90,978)	750	131,736	(120,204)	1,594
Foreign exchange reserve		-	(293)	(73)	-	-
Reserves of disposal group classified as held for sale		-	-	28,077	-	-
		78,669	**167,985**	**294,749**	**46,336**	**168,134**
Minority interest		**13,041**	**9,705**	**4,137**	**-**	**-**
Total equity		**91,710**	**177,690**	**298,886**	**46,336**	**168,134**
Liabilities						
Non-current liabilities						
Non-current borrowings	23	28,722	23,619	270,395	4,061	6,364
Finance lease liabilities	24	103	202	230	-	-
Government grants		5	19	31	-	-
Provisions	26	480	127	136	-	-
Deferred income tax liability	7	14,900	31,502	33,972	-	-
Derivative financial instruments	27	122	219	-	-	-
Convertible bonds	28	-	75,631	-	-	75,631
Other non-current liabilities		-	-	1,280	-	-
Total non-current liabilities		**44,332**	**131,319**	**306,044**	**4,061**	**81,995**
Current liabilities						
Current portion of non-current borrowings	23	268,199	314,561	134,830	101,046	105,653
Current portion of financial lease liabilities	24	162	206	6,102	-	-
Current borrowings	23	73,039	209,319	186,821	67,789	172,933
Trade payables	25	28,679	28,604	26,159	642	1,833
Income tax payable		5,099	3,392	4,729	-	-
Provisions	26	1,616	-	-	1,466	-
Advances received	17	2,017	1,902	47,400	-	-
Derivative financial instruments	27	233	89	-	-	-
Convertible bonds	28	83,056	-	-	83,056	-
Other current liabilities	28	11,961	15,364	130,690	2,420	2,701
Total current liabilities		**474,061**	**573,437**	**536,731**	**256,419**	**283,120**
Liabilities of disposal group directly associated with the assets classified as held-for-sale		-	-	55,168	-	-
Total liabilities		**518,393**	**704,756**	**897,943**	**260,480**	**365,115**
TOTAL EQUITY AND LIABILITIES		**610,103**	**882,446**	**1,196,829**	**306,816**	**533,249**

(the end)

Consolidated and Parent Company's statements of changes in equity

		Equity attributable to equity holders of the parent									
				Reserves							
Group	**Notes**	**Share capital**	**Share premium**	**Fair value reserve**	**Legal and other reserves**	**Foreign currency translation reserve**	**Retained earnings (accumulated deficit)**	**Discontinued operation**	**Subtotal**	**Minority interest**	**Total equity**
Balance as at 31 December 2007		**42,569**	**50,588**	**552**	**41,300**	**(73)**	**136,131**	**28,077**	**299,144**	**6,056**	**305,200**
Correction of prior-period errors (Note 3 a)		-	-	-	-	-	(4,395)	-	(4,395)	(1,919)	(6,314)
Balance as at 31 December 2007 (restated)		**42,569**	**50,588**	**552**	**41,300**	**(73)**	**131,736**	**28,077**	**294,749**	**4,137**	**298,886**
Net (loss) on available-for-sale investments		-	-	(1,866)	-	-	-	-	(1,866)	-	(1,866)
Net (loss) on cash flow hedge		-	-	(262)	-	-	-	-	(262)	-	(262)
Foreign currency translation differences		-	-	-	-	(141)	-	-	(141)	(8)	(149)
Share of other comprehensive loss of associates	1	-	-	-	-	-	(20,093)	-	(20,093)	-	(20,093)
Net (loss) for the year 2008	9	-	-	-	-	-	(90,140)	-	(90,140)	(1,413)	(91,553)
Total comprehensive loss for the year		**-**	**-**	**(2,128)**	**-**	**(141)**	**(110,233)**	**-**	**(112,502)**	**(1,421)**	**(113,923)**
						-					
Dividends declared		-	-	-	-	-	(12,771)	-	(12,771)	-	(12,771)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	(233)	(233)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	892	892
Changes in reserves	22	-	-	-	34,647	-	(34,647)	-	-	-	-
Minority of subsidiaries acquired		-	-	-	-	-	(1,491)	-	(1,491)	(523)	(2,014)
Sales of subsidiaries		-	-	-	-	(79)	79	-	-	(45)	(45)
Minority interest on sale of UAB Girių Bizonas		-	-	-	-	-	-	-	-	6,898	6,898
Discontinued operation	8	-	-	-	-	-	28,077	(28,077)	-	-	-
Balance as at 31 December 2008		**42,569**	**50,588**	**(1,576)**	**75,947**	**(293)**	**750**	**-**	**167,985**	**9,705**	**177,690**

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

Group	Notes	Share capital	Share premium	Fair value reserve	Legal and other reserves	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Discontinued operation	Subtotal	Minority interest	Total equity
		Equity attributable to equity holders of the parent		Reserves							
Balance as at 31 December 2008		**42,569**	**50,588**	**(1,576)**	**75,947**	**(293)**	**750**	**-**	**167,985**	**9,705**	**177,690**
Net (loss) on available-for-sale investments		-	-	168	-	-	-	1,314	1,482	-	1,482
Net (loss) on cash flow hedge		-	-	(39)	-	-	-	-	(39)	-	(39)
Foreign currency translation differences		-	-	-	-	293	-	-	293	-	293
Share of other comprehensive loss of associates	1	-	-	-	-	-	(2,732)	-	(2,732)	-	(2,732)
Net (loss) for the year 2009	9	-	-	-	-	-	(88,596)	-	(88,596)	2,943	(85,653)
Total comprehensive income (loss) for the year		**-**	**-**	**129**	**-**	**293**	**(91,328)**	**1,314**	**(89,592)**	**2,943**	**(86,649)**
Dividends declared		-	-	-	-	-	-	-	-	-	-
Increase of share capital of subsidiary by contribution from minority shareholders		-	-	-	-	-	-	-	-	338	338
Share based payments		-	-	-	289	-	-	-	289	72	361
Changes in reserves	22	-	-	-	824	-	(671)	(153)	-	-	-
Minority of subsidiaries acquired		-	-	-	-	-	(13)	-	(13)	(7)	(20)
Sales of subsidiaries		-	-	-	-	-	284	(284)	-	(10)	(10)
Discontinued operation	8	-	-	1,314	(437)	-	-	(877)	-	-	-
Balance as at 31 December 2009		**42,569**	**50,588**	**(133)**	**76,623**	**-**	**(90,978)**	**-**	**78,669**	**13,041**	**91,710**

(the end)

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

Company	Notes	Share capital	Share premium	Reserves: Legal reserve	Reserves: Other reserves	Retained earnings (accumulated deficit)	Total
Balance as at 31 December 2007		**42,569**	**50,588**	**4,501**	**34,500**	**47,153**	**179,311**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	1,594	1,594
Dividends for 2007	10	-	-	-	-	(12,771)	(12,771)
Transferred to reserve of purchase of own shares		-	-	(244)	34,626	(34,382)	-
Balance as at 31 December 2008		**42,569**	**50,588**	**4,257**	**69,126**	**1,594**	**168,134**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	(121,798)	**(121,798)**
Balance as at 31 December 2009		**42,569**	**50,588**	**4,257**	**69,126**	**(120,204)**	**46,336**

(the end)

Consolidated and Parent Company's statements of cash flows

	Group		Company	
	2009	**2008**	**2009**	**2008**
Cash flows from (to) operating activities				
(Loss) profit after tax from continuing operations	(91,723)	(97,111)	(121,798)	1,594
(Loss) profit after tax from discontinued operations	6,070	5,558	-	-
Net (loss) profit for the year	(85,653)	(91,553)	(121,798)	1,594
Adjustment to reconcile profit before tax to net cash flows:				
Non-cash:				
Valuation (gain) loss, net	72,358	43,707	-	-
Depreciation and amortisation	10,636	11,986	130	151
Loss (gain) on disposal of tangible assets	245	(431)	(2)	(18)
Realized and unrealized loss (gain) on investments	(761)	21,753	9,825	(77,930)
(Gain) on disposal of subsidiaries and associates	(20,347)	(68,748)	-	-
Share of net loss (profit) of associates and joint ventures	(10,432)	7,000	-	-
Interest (income)	(3,908)	(9,148)	(12,469)	(13,836)
Interest expenses	31,852	47,258	22,429	27,694
Deferred taxes	(21,167)	(6,896)	(3,252)	(184)
Current income tax expenses	4,056	5,358	-	-
Allowances	38,908	41,530	108,723	77,265
Change in provisions	1,969	(9)	-	-
Share based payment	361	-	-	-
Dividend (income)	-	(5,106)	(9,000)	(20,478)
Loss (gain) from other financial activities	293	-	86	(7)
	18,410	(3,299)	(5,328)	(5,749)
Working capital adjustments:				
Decrease in inventories	7,739	67,942	-	-
Decrease (increase) in trade and other receivables	866	2,296	(1)	45
Decrease (increase) in other current assets	(463)	20,702	38	(11)
Increase (decrease) in trade payables	2,086	2,445	(485)	217
(Decrease) increase in other current liabilities	(1,887)	(83,299)	74	(117,524)
Cash flows from (to) operating activities	**26,751**	**6,787**	**(5,702)**	**(123,022)**
Income tax (paid) return	740	(6,408)	500	-
Net cash flows from (to) operating activities	**27,491**	**379**	**(5,202)**	**(123,022)**

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
Cash flows from (to) investing activities				
(Acquisition) of non-current assets (except investment properties)	(3,757)	(15,451)	(32)	(73)
Proceeds from sale of non-current assets (except for investment properties)	486	1,095	7	168
(Acquisition) of investment properties	(98)	(5,834)	-	-
Proceeds from sale of investment properties	3,262	34,345	-	-
(Acquisition) and establishment of subsidiaries, net of cash acquired	-	(1,619)	-	(1,636)
Proceeds from sales of subsidiaries, net of cash disposed	12,643	48,223	48,779	50,192
(Acquisition) of associates and joint ventures	(123)	(18,215)	(129)	(18,215)
Proceeds from sales of associates and joint ventures	83,119	58,513	84,423	25,537
Loans (granted)	(15,515)	(174,630)	(49,391)	(137,265)
Repayment of granted loans	29,978	197,050	45,222	101,735
Dividends received	-	5,106	-	7,000
Interest received	2,572	6,209	3,093	2,537
(Acquisition) and changes of minority interest and increase of share capital	318	(1,830)	(6,819)	(13,848)
(Acquisition of) and proceeds from sales of held-for-trade and available-for-sale investments	(14,984)	(12,172)	(645)	-
Net cash flows from (to) investing activities	**97,901**	**120,790**	**124,508**	**16,132**
Cash flows from (to) financing activities				
Cash flows related to company shareholders:				
Dividends (paid) to equity holders of the parent	(69)	(12,282)	(69)	(12,282)
Dividends (paid) to minority interest		(233)	-	-
	(69)	(12,515)	(69)	(12,282)
Cash flows related to other sources of financing:				
Proceeds from loans	37,761	241,839	34,799	335,192
(Repayment) of loans	(165,296)	(276,561)	(137,850)	(197,987)
Interest (paid)	(22,393)	(39,807)	(16,031)	(18,051)
Finance lease (payments)	(257)	(6,408)	-	-
Transfer to/from restricted cash	10,131	(15,606)	-	-
Other cash flows from financing activities	-	-	(73)	-
	(140,054)	(96,543)	(119,155)	119,154
Net cash flows (to) from financial activities	**(140,123)**	**(109,058)**	**(119,224)**	**106,872**
Impact of currency exchange on cash and cash equivalents	**-**	**-**		**-**
Net increase (decrease) in cash and cash equivalents	**(14,731)**	**12,111**	**82**	**(18)**
Cash and cash equivalents at the beginning of the year	**18,217**	**6,106**	**12**	**30**
Cash and cash equivalents at the end of the year	**3,486**	**18,217**	**94**	**12**

(the end)

Notes to the financial statements

1 General information

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

Šeimyniškių str. 1A,
Vilnius,
Lithuania.

Investment Company AB Invalda was established in 1992 and is incorporated and domiciled in Lithuania. The Company strives to ensure long-term financial return for its shareholders maintaining a low grade of risk, and implements its plans observing ethical standards and traditional values. AB Invalda endeavors to be a reliable and stable company valued by its customers, shareholders, and employees. AB Invalda concentrates on the priority segments, such as pharmacy, roads and bridges construction, furniture manufacturing, real estate and IT. The activities and assets of key associates of the Company representing pharmacy and roads and bridges construction segments are concentrated in Poland.

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

As at 31 December 2009 and 2008 the shareholders of the Company were (by votes)*:

	2009		2008	
	Number of votes held	Percentage	Number of votes held	Percentage
Mr. Vytautas Bučas	9,585,803	22.52 %	9,585,803	22.52 %
UAB Lucrum Investicija	5,363,865	12.60 %	7,210,798	16.94 %
Mr. Dailius Juozapas Mišeikis	4,094,797	9.62 %	3,247,864	7.63 %
Mr. Darius Šulnis	4,071,762	9.57 %	3,658,538	8.59 %
Mr. Algirdas Bučas	3,424,119	8.04 %	3,424,119	8.04 %
Mr. Alvydas Banys	2,029,624	4.77 %	1,029,624	2.42 %
Mrs. Daiva Banienė	1,836,234	4.31 %	1,836,234	4.31 %
Other minor shareholders	12,162,645	28.57 %	12,575,869	29.55 %
Total	42,568,849	100.00 %	42,568,849	100.00 %

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

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2009 and 2008. Subsidiaries, joint ventures and associated companies did not hold any shares of the Company as at 31 December 2009 and 2008. The Company did not hold its own shares.

As at 31 December 2009 the number of employees of the Group was 701 (as at 31 December 2008 – 1,095). As at 31 December 2009 the number of employees of the Company was 14 (as at 31 December 2008 – 11).

The financial statements were approved and signed by the Management and the Board of Directors on 8 April 2010.

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

1 General information (cont'd)

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

		As at 31 December 2009		As at 31 December 2008		
Company	**Registration country**	**Share of the stock held by the Group (%)**	**Size of investment (acquisition cost)**	**Share of the stock held by the Group (%)**	**Size of investment (acquisition cost)**	**Main activities**
Real estate segment:						
AB Invalda Nekilnojamojo Turto Fondas	Lithuania	100.00	116,908	100.00	116,908	Real estate investor
UAB Ineturas	Lithuania	100.00	7,800	100.00	2,000	Real estate investor
UAB Trakų Kelias	Lithuania	100.00	512	100.00	512	Real estate investor
UAB Naujoji Švara	Lithuania	100.00	10,428	100.00	1,501	Real estate investor
UAB Ekotra	Lithuania	100.00	500	100.00	500	Real estate investor
UAB IBC Logistika	Lithuania	100.00	1,400	100.00	1,400	Real estate investor
UAB Saistas	Lithuania	100.00	1,884	100.00	1,884	Real estate investor
UAB Šimtamargis	Lithuania	100.00	300	100.00	300	Real estate investor
UAB Dizaino Institutas	Lithuania	100.00	2,677	100.00	2,677	Real estate investor
UAB Žemvesta	Lithuania	100.00	300	100.00	300	Real estate investor
UAB SAGO	Lithuania	100.00	6,972	100.00	1,500	Real estate investor
UAB Nerijos Būstas	Lithuania	100.00	14,800	100.00	1,000	Real estate investor
UAB Riešės Investicija	Lithuania	100.00	6,500	100.00	1,500	Real estate investor
UAB Inreal	Lithuania	100.00	3,801	100.00	1,475	Intermediation in operation with real estate, property valuation
UAB Invalda Nekilnojamojo Turto Valdymas	Lithuania	100.00	7,899	100.00	5,899	Real estate management and administration
UAB Invalda Construction Management	Lithuania	100.00	367	100.00	367	Construction management (suspended operations)
UAB Invalda Service	Lithuania	100.00	500	100.00	500	Facility management
UAB Aikstentis	Lithuania	76.00	108	76.00	108	Real estate investor
UAB Saulės Investicija	Lithuania	75.00	1,165	75.00	150	Real estate investor
UAB BNN	Lithuania	100.00	41	100.00	41	Real estate investor
UAB INTF investicija	Lithuania	100.00	4,282	100.00	700	Real estate investor
UAB Broner	Lithuania	75.75	17,402	74.40	6,235	Real estate investor
UAB Wembley Neringa	Lithuania	64.23	400	64.23	400	Dormant
UAB Trakų Rekreacijos Centras	Lithuania	76.00	10	76.00	10	Dormant
UAB PVP Nida**	Lithuania	-	-	100.00	10	Real estate investor
SIA Gravity	Latvia	-	-	100.00	766	Real estate investor
Incredo TOV	Ukraine	-	-	100.00	254	Real estate investor
SIA Inreal	Latvia	-	-	100.00	1,315	Intermediation in operation with real estate, property valuation
Inreal TOV	Ukraine	-	-	98.68	1,954	Intermediation in operation with real estate, property valuation
Inreal-Ocinka TOV	Ukraine	-	-	98.68	80	Intermediation in property valuation

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2009 Share of the stock held by the Group (%)	31 December 2009 Size of investment (acquisition cost)	31 December 2008 Share of the stock held by the Group (%)	31 December 2008 Size of investment (acquisition cost)	Main activities
Furniture production segment:						
AB Vilniaus Baldai	Lithuania	72.01	13,727	71.96	13,708	Furniture manufacturing
UAB Ari-Lux	Lithuania	72.01	17	71.96	17	Furniture manufacturing
Information technology segment:						
UAB Positor	Lithuania	80.00	4,003	80.00	4,003	Information technology solutions
UAB Informatikos Pasaulis	Lithuania	80.00	699	80.00	836	Information technology solutions
UAB Vitma	Lithuania	80.00	7,017	80.00	5,857	Information technology solutions
UAB Baltic Amadeus Infrastruktūros Paslaugos	Lithuania	80.00	3,942	80.00	3,942	Information technology solutions
UAB Acena	Lithuania	80.00	137	80.00	137	Information technology solutions
Other production and services segment:						
UAB Kelio Ženklai	Lithuania	100.00	6,554	100.00	1,520	Road signs production, wood manufacturing
VšĮ Iniciatyvos Fondas	Lithuania	100.00	10	100.00	10	Social initiatives activities
UAB Finansų Rizikos Valdymas (former UAB Finasta Rizikos valdymas)	Lithuania	100.00	737	100.00	97	Investment activities
UAB Fortina**	Lithuania	100.00	25	100.00	10	Investment activities
UAB Ente	Lithuania	100.00	16	100.00	10	Dormant
UAB Aktyvo	Lithuania	100.00	15	100.00	10	Dormant
UAB Investicijų Tinklas	Lithuania	100.00	15	100.00	10	Dormant
UAB Aktyvus Valdymas**	Lithuania	100.00	15	100.00	10	Dormant
UAB Volo**	Lithuania	100.00	17	100.00	10	Dormant
UAB Finansų Spektro Investicija	Lithuania	-	-	100.00	703	Investment activities

(cont'd in the next page)

1 General information (cont'd)

		31 December 2009		31 December 2008		
Company	**Registration country**	**Share of the stock held by the Group (%)**	**Size of investment (acquisition cost)**	**Share of the stock held by the Group (%)**	**Size of investment (acquisition cost)**	**Main activities**
Financial mediation segment (sold):						
AB bankas Finasta**	Lithuania	-	-	100.00	20,000	Investment and private banking
AB FMĮ Finasta	Lithuania	-	-	100.00	12,202	Financial mediation
AB Finasta Įmonių Finansai	Lithuania	-	-	100.00	20,150	Financial mediation
UAB Finasta Asset Management (former UAB Invalda Turto valdymas)	Lithuania	-	-	100.00	8,609	Financial mediation
Finasta Asset Management (former "Invalda Asset Management Latvia" IPAS)	Latvia	-	-	100.00	2,109	Financial mediation
Finasta TOV	Ukraine	-	-	97.72	2,208	Financial mediation
			243,902		248,414	
Less indirect ownership			(33,906)		(38,214)	
Less impairment			(128,685)		(44,839)	
Investments into subsidiaries (Company)			81,311		165,361	

(the end)

* The company was merged with UAB Ineturas in 2009.
** These companies were newly established in 2008.

In 2009 and 2008 investments in real estate segment subsidiaries were impaired by LTL 124,957 thousand and LTL 41,462 thousand, in other companies by LTL 3,728 thousand and LTL 2,651 thousand, respectively.

1 General information (cont'd)

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

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

Associates of the Group as at 31 December 2008 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	19.42	2,686	3,351	55,915	11,780	44,136	35,575	Production and services
UAB VIPC Klaipėda	47.00	5,101	(11,778)	45,200	26,315	18,884	76	Real estate investor
AB Sanitas**	40.28	176,387	(1,884)	752,364	298,518	453,846	387,954	Pharmacy
AB Tiltra Group*	44.78	67	4	2,788	154	2,634	4,048	Roads and bridge construction
AB Kauno Tiltai	43.34	24,937	46,356	462,199	109,573	352,626	637,059	Roads and bridge construction
UAB ŽVF Projektai	21.46	2	(21)	294	(62)	356	-	Investment property
Investment into associates (Company)		209,180						

* This company was newly established in 2008.

** The market value of the Group's and the Company's investment to AB Sanitas as at 31 December 2009 and at 31 December 2008 amounted to LTL 78.7 million and LTL 108.9 million according to published price quotation in NASDAQ OMX Vilnius, respectively.

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

1 General information (cont'd)

The Group has a 50 % interest in the following jointly controlled entities in 2009 and 2008:

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

The Company's interest in joint ventures as at 31 December 2009 and 2008 amounted to LTL 705 thousand (after impairment of LTL 4,331 thousand) and LTL 805 thousand (after impairment of LTL 4,231 thousand), respectively.

The share of the assets, liabilities, income and expenses of the jointly controlled entities as at 31 December 2009 and 2008 and for the years then ended are as follows (amounts stated relate to 100 % of these entities):

	2009	2008
Current assets	6,212	49,393
Non-current assets	151,135	152,797
Total assets	**157,347**	**202,190**
Current liabilities	175,329	172,499
Non-current liabilities	8,758	36,341
Total liabilities	**184,087**	**208,840**
Revenue	8,724	39,654
Expenses	(29,000)	(92,873)
(Loss) profit before income tax	(20,276)	(53,219)
Income tax	185	7,554
Net (loss) profit	**(20,091)**	**(45,665)**

1 General information (cont'd)

Investments into joint ventures UAB Laikinosios sostinės projektai and SIA Dommo Grupa and related loans to it were impaired in the consolidated and standalone financial statements to nil. The assets, liabilities, income and expenses of these jointly controlled entities as at 31 December 2009 and 2008 and for the years then ended are as follows (amounts stated relate to 100 % of these entities);

	2009	**2008**
Current assets	3,289	40,795
Non-current assets	138,236	144,775
Total assets	**141,525**	**185,570**
Current liabilities	168,284	163,239
Non-current liabilities	4,958	36,107
Total liabilities	**173,242**	**199,346**
Revenue	8,018	36,647
Expenses	(26,004)	(90,410)
(Loss) profit before income tax	(17,986)	(53,763)
Income tax	44	7,447
Net (loss) profit	**(17,942)**	**(46,316)**

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year ended 31 December 2009 are as follows:

2.1. Basis of preparation

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

Statement of compliance

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

Basis of consolidation

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

All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of minority interest by the Group are accounted for using the Entity concept method, i.e. the difference between the carrying value of the net assets acquired from the minority in the Group's financial statements and the acquisition price is accounted directly in equity.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Functional and presentation currency

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

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

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

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* effective 1 January 2009
- IFRS 2 *Share-based Payment: Vesting Condition and Cancellations* effective 1 January 2009
- IFRS 7 *Financial Instruments: Disclosures* effective 1 January 2009
- IFRS 8 *Operating Segments* effective 1 January 2009
- IAS 1 *Presentation of Financial Statements (Revised)* effective 1 January 2009
- IAS 23 *Borrowing Costs (Revised)* effective 1 January 2009
- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation* effective 1 January 2009
- Improvements to IFRSs (May 2008) which effective 1 January 2009
- IFRIC *9 Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement: Embedded derivatives* effective 1 January 2009
- IFRIC 13 *Customer Loyalty Programmes* effective 1 January 2009
- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* effective 31 December 2008

The principal effects of these changes are as follows:

Amendments to IFRS 1 and IAS 27 - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amendment to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements. These amendments were applied prospectively and did not have an impact on the financial position or performance of the Company.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendment to IFRS 2 - *Vesting Condition and Cancellation*

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group have first share-based payment transactions in 2009, so the amendment is applied prospectively and does not have an impact on the financial position or performance of the Group or Company for previous years.

Amendments to IFRS 7 *Financial Instruments: Disclosures*

The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The fair value measurement disclosures are presented in Note 29. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 29. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 *Operating Segments*

The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes and also to report information about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 *Segment Reporting.* The Group determined in accordance with IFRS 8 and reported the same operating segments as the business segments previously identified under IAS 14, except that the information technology segment is newly reported because of its increased business activity and relative weight in the Group after sale of the financial mediation segment. Also composition of the furniture segment was changed. Now it includes revenue and profit of AB Vilniaus Baldai and its subsidiary UAB Ari-Lux. UAB Kelio Ženklai was reclassified to the other production and service segments. IFRS 8 disclosures are shown in Note 5, including the related revised comparative information.

IAS 1 *Presentation of Financial Statements (Revised)*

The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

IAS 23 *Borrowing Costs (Revised)*

The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that is not carried at fair value and that take a substantial period of time to get ready for use or sale. Such borrowing costs form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Prior to the revision of the standard, the Group's accounting policy was capitalisation of borrowing costs and thus the change had no impact on the Group's financial statements.

Amendments to IAS 32 and IAS 1 – *Puttable Financial Instruments and Obligations Arising on Liquidation*

The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards did not have an impact on the financial position or performance of the Group and on earnings per share, as the Group has not issued such instruments.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Improvements to IFRSs (May 2008)

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. These amendments to standards did not have a material effect on the financial statements. The changes that are effective 1 January 2009 are:

- IFRS 7 *Financial Instruments: Disclosures.* Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 1 Presentation of Financial Statements. Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors.* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 *Events after the Reporting Period.* Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 16 *Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. The Group did not have such transactions. Also, replaced the term "net selling price" with "fair value less costs to sell".
- IAS 18 *Revenue.* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 19 *Employee Benefits.* Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance.* Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- IAS 23 *Borrowing Costs.* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 27 *Consolidated and Separate Financial Statements.* When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale. The Company does not account for a subsidiary at fair value.
- IAS 28 *Investment in Associates.* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. The Group does not account for an associate at fair value. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- IAS 29 *Financial Reporting in Hyperinflationary Economies.* Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- IAS 31 *Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply. The Group does not account for a joint venture at fair value.
- IAS 34 *Interim Financial Reporting.* Earnings per share are disclosed in interim financial reports if an entity is within the scope of IAS 33.
- IAS 36 Impairment of Assets. When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.
- IAS 38 Intangible Assets. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Improvements to IFRSs (May 2008) (cont'd)

- IAS 39 *Financial Instruments: Recognition and Measurement.* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting. The Group did not have such transactions.
- IAS 40 *Investment Property.* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The Group has amended its accounting policies accordingly and has applied the amendment prospectively from 1 January 2009. The Group does not have now property under construction or development for future use as an investment property, therefore, these amendments did not have an impact on the financial position or performance of the Group and on earnings per share.

  Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability. The Group did not have such transactions.
- IAS 41 *Agriculture.* Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'. These amendments is not relevant to the Group.

Amendments to IFRIC 9 and IAS 39 – *Embedded derivatives*

The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these financial statements.

IFRIC 13 *Customer Loyalty Programmes*

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Group does not maintain customer loyalty programmes, therefore, this interpretation did not have an impact on the financial position or performance of the Group and on earnings per share.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. The Group does not have defined benefit plans, therefore, the interpretation did not have an impact on the financial position or performance of the Group and on earnings per share.

Standards adopted by the EU but not yet effective

IAS 27 *Consolidated and Separate Financial Statements (Revised)* (effective for annual periods beginning on or after 1 July 2009).

The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The amendment will not result in a material impact on financial statements as the Company and the Group are currently using the treatment determined in revised IAS 27.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective (cont'd)

IFRS 3 *Business Combinations (Revised)* (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

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

Amendments to IFRS 2 *Share-based Payment - Group cash-settled and share-based payment transactions* (effective for financial years beginning on or after 1 January 2010)

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

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

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

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

IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

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

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Amendment to IAS 32 *Classification of Rights Issues* (effective for financial years beginning on or after 1 February 2010)

The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment will not have any impact on the Group's financial statements.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective (cont'd)

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

The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

Improvements to IFRSs (May 2008 and April 2009)

In May 2008 and April 2009 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the changes are effective for financial years beginning on or after 1 January 2010, unless stated otherwise. The Group anticipates that these amendments to standards will have no material effect on the financial statements.

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective (cont'd)

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 30 March 2009).
This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirements* (effective for financial years beginning on or after 1 January 2011 once adopted by the EU).
This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment will not have any impact on the Group's financial statements.

IFRIC 15 *Agreements for the Construction of Real Estate* (effective for financial years beginning after 31 December 2009)
The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The Group is still evaluating the possible impact of IFRIC 15 on the consolidated financial statements.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for financial years beginning on or after 30 June 2009)
The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 will not have an impact on the consolidated financial statements because the Group does not have hedges of net investments.

IFRIC 17 *Distributions of Non-cash Assets to Owners (*effective for financial years beginning after 31 October 2009)
The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. IFRIC 17 will not have an impact on the consolidated financial statements because the Group does not distribute non-cash assets to owners in the past.

IFRIC 18 *Transfers of Assets from Customers (*effective for transfers of assets received after 31 October 2009).
The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The Group is still evaluating the possible impact of IFRIC 18 on the consolidated financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 July 2010 once adopted by the EU).
This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group is currently assessing the impact of the interpretation on its financial statements.

IFRS 1 *First-time Adoption of International Financial Reporting Standards (Revised)* (restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009)
The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard does not have any effect on the Group's financial statements.

Amendments to IFRS 1 *Additional Exemptions for First-time Adopters* (effective for annual periods beginning on or after 1 January 2010 once adopted by the EU)
The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Group's financial statements.

Amendment to IFRS 1 *Limited exemption from comparative IFRS 7 disclosures for first-time adopters* (effective for annual periods beginning on or after 1 July 2010 once adopted by the EU).
Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendments will not have any impact on the Group's financial statements.

2.2. Going concern

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

2.3. Property, plant and equipment

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

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

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

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

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

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

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

2.4. Investment properties

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

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

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

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

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

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

2 Accounting principles (cont'd)

2.5. Intangible assets other than goodwill

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

Contracts

Contracts include the pension accumulation fund's contracts acquired separately and during pension funds entity acquisition and information technology solution service contracts acquired during information technology solutions entities acquisition.

Contracts assured on the acquisition of subsidiaries are capitalised at the fair value established on acquisition and treated as an intangible asset. Following initial recognition, contracts are carried at cost less any accumulated impairment losses. The pension accumulation fund's contracts were amortised during 5 years (operations were disposed), information technology solution service contracts are amortised during 10 years (remaining amortisation period is 8 years).

Software

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

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

Other intangible assets

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

2.6. Business combinations and goodwill

Business combinations are accounted for using the purchase accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. If the cost of the business combination is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and carrying amount of goodwill relating to that subsidiaries sold is recognised in the income statement.

2 Accounting principles (cont'd)

2.7. Investments in associates (the Group)

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

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

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

2.8. Investments in joint ventures (the Group)

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

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

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

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

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

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

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

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

2 Accounting principles (cont'd)

2.11. Impairment of non-financial assets

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

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

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

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

<u>Goodwill</u>

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

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

2.12. Investments and other financial assets

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

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

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

2 Accounting principles (cont'd)

2.12. Investments and other financial assets (cont'd)

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Available-for-sale financial instruments

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

Fair value

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

Offsetting financial instruments

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

2 Accounting principles (cont'd)

2.13. Derivative financial instruments and hedge accounting

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

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

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

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

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

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

As at 31 December 2009 and 2008, the Group had an interest rate swap used as a hedge for the exposure to the changes in the variable interest rate of loans only. See Note 27 for more details.

<u>Cash flow hedges</u>

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

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

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

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

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

2 Accounting principles (cont'd)

2.14. Impairment of financial assets

Assets carried at amortised cost

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

The group first assesses whether objective evidence of impairment exists.

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

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

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

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

Available-for-sale financial investments

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

2 Accounting principles (cont'd)

2.15. Inventories

Raw materials, finished goods and work in progress

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

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

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

Residential real estate

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

2.16. Cash and cash equivalents

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

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

2.17. Financial liabilities

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

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

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

Trade payables

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

Borrowings

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

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

2 Accounting principles (cont'd)

2.18. Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

2.19. Compound financial instruments

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

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

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

2.20. Lease

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

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

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

2 Accounting principles (cont'd)

2.20. Lease (cont'd)

Financial lease

Group as a lessee

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

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

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

Operating lease

Group as a lessee

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

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

Group as a lessor

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

2 Accounting principles (cont'd)

2.21. Revenue recognition

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

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

Sale of goods

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

Disposal of investments

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

Long-term contracts

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

Rental income

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

Interest income

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

Dividends income

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

2.22. Dividends distribution

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

2.23. Borrowing costs

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

2.24. Income tax and deferred income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the respective country's tax legislation.

The standard income tax rate in Lithuania was 20 % in 2009 and 15 % in 2008. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15 % income tax rate has been established for indefinite period starting 1 January 2010.

The standard income tax rate in Latvia is 15 %.

2 Accounting principles (cont'd)

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2.25. Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as income in the financial statements over the period of depreciation of the assets associated with this grant. In the income statement, depreciation expense account is decreased by the amount of grant amortisation.

2.26. Provisions

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

2.27. Segments

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

2.28. Share capital

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

2 Accounting principles (cont'd)

2.29. Employee benefits

Social security contributions

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

Termination benefits

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

Bonus plans

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

Share - based payments

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

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

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

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

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

2.30. Significant accounting judgements and estimates

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

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

2 Accounting principles (cont'd)

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

Going concern assumption

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Management is unable to reliably determine the effects on the Company's future financial position of any further deterioration in the Company's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability of the Company's business in the current circumstances.

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

Subsequent to the reporting period (Note 32) the Company significantly improved its financial position:

- More than LTL 5 million of loans were repaid
- convertible bonds with par value of LTL 50 million were converted to equity
- Maturity term of convertible bonds with the par value of LTL 25 million was prolonged to 1 July 2012
- Maturity term of short term loan from credit institutions amounting to LTL 101 million was prolonged till 30 June 2012. All debt covenants that related to value of pledged assets were removed from loan contract.
- Maturity term of short term loan from credit institution amounting to LTL 18 million was prolonged till 15 April 2011
- Maturity term of part of short term loan from credit institution amounting to LTL 2 million was prolonged till 28 June 2011.

The above activities resulted in the following reductions of current liabilities balance:

• Capitalised to equity	LTL 50 million
• Reclassified to long term liabilities	LTL 146 million
• Repayments of borrowings	more than LTL 5 million

After all the efforts management taken the current assets exceed current liabilities of the Company by more than LTL 26 million, which cures liquidity and financial position of the Company.

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

Fair value of investment properties

Investment properties have been valued on the sales comparison approach method which refers to the prices of the analogues transactions in the market or on the basis of their highest and best use which are subject to uncertainty. The highest and best use concept considers in the valuation not only the existing use but any possible use of the asset, determined from the market evidence. Accordingly, fair value is the highest value by consideration of any use which is financially feasible and justifiable and reasonably probable. A use that is not legally permissible or physically possible was not considered a highest and best use. The fair value of the investment properties as at 31 December 2009 was LTL 263,775 thousand (as at 31 December 2008 – LTL 326,872 thousand) (described in more details in Note 12).

Deferred income tax assets

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

Deferred income tax asset is recognized on separate company basis taking into account future performance plans of those companies. For the loss making Group entities other than the Company, deferred tax asset is recognized only to the extent deferred tax liability was available and the realization period allows offsetting. No deferred tax asset is recognized from tax losses carry forward of LTL 31,876 thousand as 31 December 2009 (as at 31 December 2008 – LTL 26,020 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2009 in the total deferred tax asset balance of the Group the amount of LTL 4,330 thousand (as at 31 December 2008 – LTL 1,972 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and only LTL 3,749 thousand (as at 31 December 2008 – LTL 7,263 thousand) was recognized from the taxable losses of other group entities (Note 7).

2 Accounting principles (cont'd)

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

Tax legislation

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

Other areas involving estimates include useful lives of property, plant and equipment, intangible assets, allowances for inventories and accounts receivable, provisions, share-based payments, fair value of derivatives. According to the management, these estimates do not have significant risk of causing a material adjustment.

2.31. Contingencies

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

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

2.32. Subsequent events

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

2.33. Comparative figures

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.
In financial statements of the Company and the Group for the year ended 31 December 2008 the total amounts of interest income and dividend income (Note 6.3.) were included in finance income instead of other income. When preparing financial statements for the year ended 31 December 2009, these items were reclassified to other income.

3 Correction of prior-period errors

In preparation of consolidated financial statements for the year ended 31 December 2009 comparative figures have been restated to reflect the effect of correction of prior-period errors. The following errors were corrected in these financial statements:

a) In 2009 subsidiary AB Vilniaus Baldai retrospectively corrected prior-period error on measurement and disclosure. Subsidiary had disclosed in its financial statements for 2008 and previous years that revaluation model under IAS16 was selected for buildings as subsequent measurement model, but the subsidiary did not follow this policy. The revaluation was performed only once in 1999 for buildings included in the books at that time and no subsequent revaluation was performed on regular bases either for those assets which had been revalued in 1999 or for new acquisitions after 1999. The subsidiary decided to remove this inconsistency between disclosed accounting policy and the accounting treatment followed in practice in 2009. To achieve true and fair presentation of the financial statements the subsidiary reversed the impact of revaluation performed in 1999 and corrected this prior-period error retrospectively as required by IAS 8 para. 49.

The Company became a first-time adopter later than its subsidiary, therefore in its consolidated financial statements the Company measured the assets and liabilities of the subsidiary at the same carrying amounts as in the financial statements of the subsidiary as required by IFRS 1 para. 25. The error made by subsidiary has the same impact for the Group, therefore consolidated financial statements of the Group were corrected accordingly.

b) On 24 October 2008 the Company signed an agreement regarding the transfer of associate AB Sanitas shares, which amounts to 20.3 % of authorised share capital. On 28 October 2008 the first part of shares equal to 5% were transferred to the buyer. The Group and the Company derecognised part of the investment and recognised separately continuing involvement asset (included under investments in associates) and continuing involvement liability (included under other non-current liabilities) under IAS 39. When preparing financial statements for 2009 management noticed that it was not appropriate to account for partial disposal of associate in accordance with IAS 39, because the scope exception in IAS 39 applies to anything that is accounted for under IAS 28 at the time that the derecognition transaction is undertaken. As a consequence applicable version of IAS 28 should have been applied. The transaction should have been accounted as follows:

- The portion de-recognised was calculated on a pro-rata basis of the total investment, compared to the consideration received and the difference was recognised as a gain.
- The consideration received in this case took the form of cash and a derivative over a portion of an associate. Derivatives on associates are scoped in IAS 39 and are measured at fair value through profit and loss.

c) Property, plant and equipment disposals were not properly presented in the movement table in 2006 and 2007, i.e. by mistake too large amounts were deducted from acquisition cost and accumulated depreciation without an impact on net book value. The error corrected retrospectively in these financial statements.

Effect of the adjustments made on the assets, liabilities, equity as at 31 December 2007 and 2008 and effect of adjustments on the income statement lines for the year ended 31 December 2008 is summarised in the reconciliation provided further.

Group	**As at 31 December 2007, audited**	**Changes due buildings value of AB Vilniaus Baldai**	**As at 31 December 2007, restated**
Property, plant and equipment	80,424	(7,690)	72,734
Inventories	119,950	(8)	119,942
Total assets	**1,204,527**	**(7,698)**	**1,196,829**
Retained earnings	136,131	(4,395)	131,736
Minority interest	6,056	(1,919)	4,137
Deferred tax liability	35,356	(1,384)	33,972
Total equity and liabilities	**1,204,527**	**(7,698)**	**1,196,829**

3 Correction of prior-period errors (cont'd)

Group	Year ended 31 December 2008, audited	Changes due buildings value of AB Vilniaus Baldai	Year ended 31 December 2008, restated
Depreciation and amortisation *	(12,320)	334	(9,857)
Income tax *	1,297	241	(2,388)
Loss for the year	**(92,128)**	**575**	**(91,553)**
Attributable to:			
Equity holders of the parent	(90,554)	414	(90,140)
Minority interest	(1,574)	161	(1,413)
Basic and diluted earnings per share	(2.13)	0.01	(2.12)

* Depreciation and amortisation and income tax lines do not add up because of reclassifications of comparative numbers to discontinued operations made when preparing financial statements for the year ended 31 December 2009.

Group	As at 31 December 2008, audited	Changes due buildings value of AB Vilniaus Baldai	Derecognising of continuing involvement	As at 31 December 2008, restated
Property, plant and equipment	73,033	(7,355)	-	65,678
Investments into associates and joint ventures	261,571	-	(25,526)	236,045
Inventories	63,951	(10)	-	63,941
Financial assets held-for-trade	26,463	-	1,480	27,943
Total assets	**913,857**	**(7,365)**	**(24,046)**	**882,446**
Retained earnings	4,880	(4,130)	-	750
Minority interest	11,315	(1,610)	-	9,705
Deferred tax liability	33,127	(1,625)	-	31,502
Other non-current liabilities	24,046	-	(24,046)	-
Total equity and liabilities	**913,857**	**(7,365)**	**(24,046)**	**882,446**

Company	As at 31 December 2008, audited	Derecognising of continuing involvement	As at 31 December 2008, restated
Investments into associates and joint ventures	231,661	(21,676)	211,465
Financial assets held-for-trade	3.612	1,480	5,092
Total assets	**553,445**	**(20,196)**	**533,249**
Other non-current liabilities	20,196	(20,196)	-
Total equity and liabilities	**553,445**	**(20,196)**	**533,249**

4 Business combinations and acquisition of minority interests

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
At 1 January	**236,045**	**303,952**	**209,985**	**216,350**
Share of (loss)/ profit	10,432	(7,000)	-	-
Share of exchange differences	(146)	(14,108)	-	-
Share of cash flow hedge reserves	268	(3,716)	-	-
Acquisition of minority interest in subsidiary held by associate	(2,871)	(3,438)	-	-
Share of other equity movements	17	1,426	-	-
Acquisition	145	20,514	145	20,514
Disposals	(74,369)	(45,919)	(72,075)	(22,648)
Impairment	(85)	(7,688)	(1,605)	(4,231)
Dividends	-	(7,978)	-	-
At 31 December	**169,436**	**236,045**	**136,450**	**209,985**

Investments in associates at 31 December 2009 include the goodwill of LTL 72,061 thousand (LTL 101,146 thousand at 31 December 2008).

The movement of investments in subsidiaries was as follows:

	Company	
	2009	**2008**
At 1 January	**165,361**	**163,991**
Acquisition	-	2,150
Minority acquisition	19	1,830
Establishment of subsidiaries and increase of share capital (nominal amount of loans capitalised)	66,625	42,108
Reclassification of allowance on loans capitalized within share capital of subsidiaries	(12,152)	-
Disposal of Finasta Group	(47,571)	-
Disposals of other subsidiaries	(19,277)	(1,509)
Impairment charge for the year	(71,694)	(43,209)
At 31 December	**81,311**	**165,361**

Acquisitions in 2009

In 2009 there were no new acquisitions.

Acquisitions in 2008

UAB Acena
On 27 March 2008 the Group acquired 80 % shares of information technology solution company UAB Acena. Based on assessment of the fair and the carrying values of the identifiable assets and liabilities of UAB Acena at the acquisition date were:

	Carrying value	**Fair value recognised on acquisition**
Property, plant and equipment	5	5
Inventories and prepayments	212	212
Short-term loans granted and other receivables	894	894
Cash	79	79
Total assets	**1,190**	**1,190**
Liabilities	(1,053)	(1,053)
Net assets	**137**	**137**

Total consideration in cash	**137**
Cash acquired	(79)
Cash outflow on acquisition	**58**

4 Business combinations and acquisition of minority interests (cont'd)

If the acquisition of UAB Acena had been performed as at 1 January 2008, the revenue of the Group in 2008 would be larger by LTL 2,130 thousand and the net result would be larger by LTL 275 thousand. The net loss of LTL 191 thousand was included in the Group's results since the acquisition date.

UAB BNN

On 2 June 2008 the Group acquired 100 % shares of real estate company UAB BNN. Based on the assessment of the fair and the carrying values of the identifiable assets and liabilities of UAB BNN at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Amounts receivable within one year	2	2
Cash	39	39
Liabilities	-	-
Net assets	**41**	**41**
Total consideration in cash		**41**
Cash acquired		(39)
Cash outflow on acquisition		**2**

If the acquisition of UAB BNN would have been performed as at 1 January 2008, the revenue and the net result of the Group would not differ materially. The net loss of LTL 1,543 thousand was included in the Group's results since the acquisition date.

Acquisitions in 2008 (cont'd)

IPAS Invalda Asset Management Latvia (former IPAS Baltikums Asset Management)

On 19 September 2008 the Group acquired 100 % shares of Latvia based financial services company IPAS Baltikums Asset Management. Based on the assessment of the fair and the carrying values of the consolidated identifiable assets and liabilities of IPAS Baltikums Asset Management at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Intangible assets (pensions funds contracts)	-	1,218
Tangible assets	10	10
Prepaid income tax	6	6
Other receivables	14	14
Term deposits	855	855
Cash	6	6
Liabilities	-	-
Net assets	**891**	**2,109**
Total consideration in cash		**2,109**
Cash acquired		(6)
Cash outflow on acquisition		**2,103**

If the acquisition of IPAS Baltikums Asset Management had been performed as at 1 January 2008, the revenue of the Group in 2008 would be larger by LTL 77 thousand and the net result would be lower by LTL 180 thousand. The net loss of LTL 203 thousand was included in the Group's results since the acquisition date.

4 Business combinations and acquisition of minority interests (cont'd)

Establishment of companies (increase of share capital)

The Company invested LTL 61,441 thousand additionally to increased share capital of UAB Kelio Ženklai, UAB Sago, UAB Riešės Investicija, UAB Saulės Investicija, UAB Nerijos Būstas, UAB Finansų Spektro Investicija, UAB Invalda nekilnojamojo turto valdymas, UAB Inreal, UAB Naujoji Svara, UAB Ineturas, SIA Inreal (the part of granted loans was converted to shares) and LTL 684 thousand additionally to increased share capital of other minor subsidiaries.

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

Newly established Group companies in 2008 are listed in Note 1. In 2008 the Company increased share capital of UAB Positor, AB FMĮ Finasta, SIA Inreal, UAB Invalda Turto Valdymas, Finasta TOV, Inreal TOV and AB Invaldos Nekilnojamojo Turto Fondas. Due to non-pro rata share capital increase in Finasta TOV and Inreal TOV (was acquired 2.72 % and 10 % of net assets, respectively) the Group had recognised directly in the shareholders equity the negative difference equal to LTL 179 thousand between the consideration and the value of the interest acquired.

Minority acquisition in 2009

AB Vilniaus Baldai

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

Minority acquisition in 2008

AB Vilniaus Baldai

In 2008 the Group acquired additional 2.36 % shares of AB Vilniaus Baldai for LTL 1,730 thousand. The value of the additional interest of the net assets acquired was LTL 434 thousand. The negative difference equal to LTL 1,296 thousand between the consideration and the value of the interest acquired has been recognised directly in the shareholders equity.

U*AB Aikstentis*

In 2008 the Group acquired additional 1.00 % shares of AB Aikstentis for LTL 100 thousand. The value of the additional interest of the net assets acquired was LTL 84 thousand. The negative difference equal to LTL 16 thousand between the consideration and the value of the interest acquired has been recognised directly in the shareholders equity.

Additional acquisition of associates in 2009

AB *Sanitas*

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

Additional acquisition of associates in 2008

AB Sanitas

The Company also acquired 2.53 % of AB Sanitas shares for LTL 13,391 thousand as part of deal of AB Sanitas shares' sale. The goodwill of LTL 11,980 thousand was recognised in the value of the investment into associate. The purchase price will be adjusted depending on the price Baltic Pharma Limited will receive latter from the shares' sale together with other AB Sanitas shareholders who concluded shareholders agreement. The Group has recognised the derivative, which represents probable share price adjustment for purchased and sold shares.

4 Business combinations and acquisition of minority interests (cont'd)

Additional acquisition of associates in 2008 (cont'd)

AB Tiltra Group

In 2008 the Group participated in establishment of roads and bridges building company AB Tiltra Group and acquired 44.78 % of shares for LTL 67 thousand.

UAB VIPC Klaipėda

In 2008 the Group acquired additional 5 % of net assets of UAB VIPC Klaipėda for LTL 1,429 thousand. The negative difference equal to LTL 446 thousand between the consideration and the fair value of the interest acquired has been recognised in the income statement.

AB Kauno Tiltai

The Group acquired additional 1.58 % of net assets of AB Kauno Tiltai for LTL 5,624 thousand during 2008. The goodwill of LTL 4,947 thousand has been recognised in the value of the investment into associate.

Disposals in 2009

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
Net gain on sale of subsidiaries	(3,105)	9,276	(17,849)	67,164
Net gain on sale of associates and joint ventures	8,752	26,967	12,145	24,137
Direct costs of disposal of subsidiaries, associates and joint ventures	(1,834)	(660)	(1,834)	(660)
	3,813	35,583	(7,538)	90,641

Finasta Group

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

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

4 Business combinations and acquisition of minority interests (cont'd)

Disposals in 2009 (cont'd)

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

As part of deal the Company obliged to reimburse some loans granted by AB bankas Finasta, if they were not collected within 12 month after the sale date. Due to this the Company recognised LTL 1,466 thousand provisions.

UAB Finansų spektro investicija

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

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

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

Other sales

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

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

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

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

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

4 Business combinations and acquisition of minority interests (cont'd)

Disposals in 2008

UAB Hidroprojektas

UAB Hidroprojektas was sold on 10 January 2008. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Intangibles assets	126
Property, plant and equipment	740
Inventories, prepayments and contracts in progress	160
Trade receivables and other current assets	3,078
Cash	1,765
Total assets	**5,869**
Liabilities	(3,647)
Net assets	**2,222**
Group sold net assets	2,177
Goodwill allocated to sold net assets	728
Profit on sale	5,695
Proceeds from sale	**8,600**
Cash sold	(1,765)
Net cash received	**6,835**

The revenues and net profit of UAB Hidroprojektas during 2008 until the date of disposal were not material.

AB Valmeda Group

AB Valmeda Group (including UAB Kelionių Viešbučiai) was sold on 14 March 2008. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Intangibles assets	55
Hotels property	59,441
Other equipment, property and plant	505
Inventories	1,069
Trade and other receivables	27,574
Deferred tax assets	449
Cash	87
Total assets	**89,180**
Non-current liabilities (excluding deferred income tax liabilities)	(42,557)
Deferred tax liabilities	(6,401)
Current liabilities	(2,748)
Total liabilities	**(51,706)**
Net assets	**37,474**
Group sold net assets	37,474
Profit on sale	31,025
Proceeds from sale	**68,499**
Cash sold	(87)
Net cash received	**68,412**

The revenues and net loss of AB Valmeda during 2008 until the date of disposal amounted to LTL 1,536 thousand and LTL 361 thousand, respectively.

4 Business combinations and acquisition of minority interests (cont'd)

Disposals in 2008 (cont'd)

AS IPS Finasta Asset Management

AS IPS Finasta Asset Management was sold in 2008.The carrying values of identifiable assets and liabilities as at the date of disposal were:

	Carrying values
Non-current assets	3
Prepaid income tax and other receivables	3
Financial assets held-for-trade	47
Term deposits	453
Cash	41
Total assets	**547**
Total liabilities	-
Net assets	**547**
Loss on sale	(3)
Proceeds from sale	**544**
Cash sold	(41)
Net cash received	**503**

The revenues and net loss of AS IPS Finasta Assets Management during 2008 until the date of disposal amounted to LTL 132 thousand and LTL 76 thousand, respectively.

OOO Bazilika and OOO Bazilika Invest

During 2008 the Group sold 100 % shares of OOO Bazilika and OOO Bazilika Invest for LTL 2 thousand (discontinued activity in Russia). In the consolidated statements profit of LTL 3,457 thousand was recognised, as equities of these companies were negative. On the other hand, the Group's loan amounting to LTL 3,547 thousand, granted to OOO Bazilika and OOO Bazilika Invest, was fully impaired and derecognised.

The revenue and net loss of both OOO Bazilika and OOO Bazilika Invest during 2008 until the date of disposal amounted to LTL 152 thousand and LTL 215 thousand, respectively.

Disposals of associates and joint ventures in 2009

Sales of AB Sanitas

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

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

The Company and the Group gained LTL 11,097 thousand and LTL 13,818 thousand profit from second part of the deal in 2009, respectively.
The Company gained LTL 3,837 thousand profit and the Group suffered loss of LTL 12 thousand from first part of the deal in 2008, respectively.

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

To reflect likely share price adjustment a derivative was recognised in the statement of financial position in the caption 'Financial assets held for trade' (as of 31 December 2009 – LTL 1,512 thousand, as of 31 December 2008 – LTL 1,480 thousand). Derivative is measured based on management assumptions using valuation techniques.

4 Business combinations and acquisition of minority interests (cont'd)

Disposals of associates and joint ventures in 2009 (cont'd)

UAB VIPC Klaipeda

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

UAB Girių Bizonas

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

Disposals of associates and joint ventures in 2008

AB Sanitas

The sale of Sanitas in 2008 is described above.

UAB Girių Bizonas

On 10 December 2008 the Group signed a shares purchase-sale agreement for the disposal of the UAB Girių Bizonas ordinary shares. The Group held the 122,497 ordinary shares with the par value of LTL 100 each (25 % of the share capital). According to the agreement the selling price is LTL 33,000 thousand. The profit on the sale of LTL 16,375 thousand has been recognised in the income statement.

AB Agrowill Group

AB Agrowill Group completed its initial public offering on 1 April 2008. As a result the Company ceased to have significant influence (share of stock of AB Agrowill Group decreased from 20.63 % till 15.78 % and the Company is not represented in the governing bodies). From 1 April 2008 the Company accounts for this investment as financial assets at fair value as held-for-trade. The fair value on 31 December 2008 was LTL 3,612 thousand (excluding lended securities).

In the Company's income statement due to the loss of significant influence a gain of LTL 20,275 thousand has been recognised.

In the Group's income statement gain of LTL 10,580 thousand was recognised due to the loss of significant influence.

From the date of loss of significant influence until 31 December 2008 the Group and the Company have recognised an unrealised loss of LTL 10,865 thousand and LTL 14,851 thousand, respectively, in the income statement.

AB Umega

In 2008 AB Umega acquired control over AB Vienybė, company engaged in equipment manufacturing and metal processing. At the end of 2008 AB Vienybė was merged with AB Umega (previous AB Vienybė minority shareholders received AB Umega shares). Due to that Group's share in AB Umega has decreased by 1.95% and loss of LTL 240 thousand was recognised in statement of income for 2008.

5 Segment information

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

For management purposes, the Group is organised into following segments:

Real estate

The real estate segment is involved in investment in real estate, real estate management and administration, facility management, construction management, intermediation in buying, selling and rating real estate.

Pharmacy

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

Furniture production

The furniture segment includes flat-pack furniture mass production and sale. In the financial statements for the year ended 31 December 2009 the segment includes revenue and profit of AB Vilniaus Baldai and its subsidiary UAB Ari-Lux.
UAB Kelio Ženklai is reclassified to the other production and service segments. The comparative figures have been adjusted.

Roads and bridge construction

The roads and bridge construction segment is involved in:

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

Information technology

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

Other production and service segments

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

Financial mediation (sold)

The financial mediation segment is involved in financial brokerage, corporate finance services, investment and pension fund management, investment and private banking activities. The segment is sold in 2009 and in these financial statements it is presented as discontinued operations (Note 8).

Hotels management (sold)

The hotels management segment renders room revenue, restaurant revenue, conference facilities revenue. The segment was sold in 2008 and in these financial statements it is presented as discontinued operations (Note 8).

5 Segment information (cont'd)

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

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

	Real estate	Pharmacy	Furniture production	Roads and bridge construction	Information technology	Other production and service	Elimination	Total continuing operations
Year ended 31 December 2009								
Revenue								
Sales to external customers	36,327	-	148,966	-	25,378	6,651	-	217,322
Inter-segment sales	714	-	-	-	158	-	(872)	-
Total revenue	**37,041**	**-**	**148,966**	**-**	**25,536**	**6,651**	**(872)**	**217,322**
Results								
Net losses from fair value adjustment on investment property	(72,277)	-	-	-	-	(81)	-	(72,358)
Impairment, write-down and allowance	(38,437)	-	546	-	-	(1,308)	-	(39,199)
Depreciation and amortization	(773)	-	(6,095)	-	(1,641)	(1,466)	-	(9,975)
Interest revenue	543	-	790	-	10	12,081	(11,275)	2,149
Interest expenses	(17,604)	-	(1,210)	-	(681)	(24,162)	13,097	(30,560)
Employee benefits expense	(4,826)	-	(20,262)	-	(5,210)	(3,534)	-	(33,832)
Raw materials and consumables used	(176)	-	(92,223)	-	(15,017)	(3,646)	-	(111,056)
Other income and expenses	(30,504)	-	(11,267)	-	(4,435)	4,824	899	(40,483)
Share of profit (loss) of the associates and joint ventures	(6,405)	4,734	-	13,285	-	(1,182)	-	10,432
Profit (loss) before income tax	(133,418)	4,734	19,245	13,285	(1,438)	(11,821)	1,855	(107,556)
Income tax expenses	16,767	-	(3,655)	-	(159)	2,884	-	15,837
Net profit for the year	**(116,651)**	**4,734**	**15,590**	**13,285**	**(1,597)**	**(8,939)**	**1,855**	**(91,723)**
Attributable to:								
Equity holders of the parent	(115,761)	4,734	11,226	13,285	(1,063)	(8,938)	1,855	(94,662)
Minority interest	(888)	-	4,364	-	(534)	1	-	2,943
As at 31 December 2009								
Assets and liabilities								
Segment assets	131,013	-	77,990	-	10,556	308,644	(87,593)	440,667
Investment in associates and joint ventures	-	108,763	-	58,502	-	2,171	-	169,436
Total assets	**131,013**	**108,763**	**77,990**	**58,502**	**10,556**	**310,815**	**(87,593)**	**610,103**
Segment liabilities	**276,809**	**-**	**33,077**	**-**	**12,365**	**283,676**	**(87,593)**	**518,393**
Other segment information								
Capital expenditure:								
• Tangible assets	50	-	2,156	-	1,007	135	-	3,348
• Investment properties	558	-	-	-	-	-	-	558
• Intangible assets	-	-	189	-	131	-	-	320

5 Segment information (cont'd)

The following table presents revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2008:

	Real estate	Pharmacy	Furniture production	Roads and bridge construction	Information technology	Other production and service	Elimination	Total continuing operations
Year ended 31 December 2008								
Revenue								
Sales to external customers	127,754	-	137,523	-	28,679	15,478	-	309,434
Inter-segment sales	3,258	-	-	-	437	163	(3,858)	-
Total revenue	**131,012**	**-**	**137,523**	**-**	**29,116**	**15,641**	**(3,858)**	**309,434**
Results								
Net losses from fair value adjustment on investment property	(42,560)	-	-	-		(1,147)	-	(43,707)
Impairment, write-down and allowance	(28,982)	-	(116)	-	-	(10,449)	-	(39,547)
Depreciation and amortization	(606)	-	(6,630)	-	(1,248)	(1,373)	-	(9,857)
Interest revenue	485	-	150	-	1	19,424	(14,183)	5,877
Interest expenses	(21,324)	-	(3,509)	-	(800)	(35,830)	16,379	(45,084)
Employee benefits expense	(13,100)	-	(23,763)	-	(4,964)	(6,033)	-	(47,860)
Raw materials and consumables used	(85)	-	(94,678)	-	(20,732)	(9,022)	11	(124,506)
Other income and expenses	(101,896)	-	5,615	-	(2,321)	2,965	3,164	(92,473)
Share of profit (loss) of the associates and joint ventures	(17,790)	(56)	(6,070)	18,744	-	(1,828)	-	(7,000)
Profit (loss) before income tax	(94,846)	(56)	8,522	18,744	(948)	(27,652)	1,513	(94,723)
Income tax expenses	(3,294)	-	(925)	-	(163)	1,994	-	(2,388)
Net profit for the year	**(98,140)**	**(56)**	**7,597**	**18,744**	**(1,111)**	**(25,658)**	**1,513**	**(97,111)**
Attributable to:								
Equity holders of the parent	(94,725)	(56)	5,543	18,744	(1,103)	(25,645)	1,513	(95,729)
Minority interest	(3,415)	-	2,054	-	(8)	(13)	-	(1,382)
As at 31 December 2008								
Assets and liabilities								
Segment assets	411,838	-	91,890	-	17,165	196,123	(133,588)	583,428
Investment in associates and joint ventures	15,380	167,682	-	48,423		4,560	-	236,045
Total assets	**427,218**	**167,682**	**91,890**	**48,423**	**17,165**	**200,683**	**(133,588)**	**819,473**
Segment liabilities	**346,424**	**-**	**62,566**	**-**	**13,707**	**414,854**	**(190,265)**	**647,286**
Other segment information								
Capital expenditure:								
• Tangible assets	8,896	-	933	-	825	615	-	11,269
• Investment properties	5,834	-	-	-	-	-	-	5,834
• Intangible assets	29	-	218	-	87	3	-	337

5 Segment information (cont'd)

In 2009 employee benefits expense included LTL 8,006 thousand social security contribution (2008: LTL 11,326 thousand)

Analysis of revenue by category:

	Group	
	2009	**2008**
Sales of goods		
Furniture production	148,966	137,523
Sales of residential real estate	8,207	92,906
Sales of other production	6,632	15,330
Total	**163,805**	**245,759**
Revenue from services		
Rent and other real estate income	28,120	34,848
IT sector revenue	25,378	28,679
Other services revenue	19	148
Total	**53,517**	**63,675**
Total revenue	**217,322**	**309,434**

The entity is domiciled in the Lithuania. The result of its revenue from external customers in the Lithuania is LTL 65,939 thousand (2008: LTL 165,943 thousand), and the total of revenue from external customers from other countries is LTL 151,383 thousand (2008: LTL 143,491 thousand).

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

	Group	
	2009	**2008**
European Union countries	119,849	86,614
Other than European Union countries	31,534	56,877
Total	**151,383**	**143,491**

The following table presents non current assets other than financial instruments and deferred tax assets regarding Group's geographical distribution for the years ended 31 December 2009 and 2008:

	Lithuania	**Latvia**	**Ukraine**	**Total continuing operations**
Year ended 31 December 2009	319,159	-	-	319,159
Year ended 31 December 2008	401,212	76	16	401,304

Revenues of LTL 148,001 thousand (2008: LTL 135,868 thousand) are derived from a single external customer and these revenues are attributable to the furniture productions segments. Revenues of LTL 17,731 thousand (2008: LTL 17,672 thousand) are derived from another single external customer and the majority of these revenues are attributable to the information technology segments.

6 Other revenues and expenses

6.1. Net changes in fair value on financial assets

	Group		Company	
	2009	2008	2009	2009
Net gain from financial assets at fair value	(1,436)	(17,238)	(4,121)	(13,371)
Realised (loss) gain from available-for-sale investments	79	112	-	-
	(1,357)	(17,126)	(4,121)	(13,371)

6.2. Impairment, write-down, allowance and provisions

	Group		Company	
	2009	2008	2009	2008
Impairment of current loans granted	(21,649)	(25,940)	(33,339)	(28,918)
Impairment of investments	(87)	(7,688)	(73,298)	(48,347)
Impairment of goodwill	-	(2,878)	-	-
Change in write-down of inventories	(14,503)	(2,183)	-	-
Change in allowance for trade receivable	(991)	(189)	(620)	-
Provisions	(1,969)	9	(1,466)	-
	(39,199)	(38,869)	(108,723)	(77,265)

In 2008 and in 2009 impairment of investments of the Group comprise impairment of investment into joint ventures engaged in real estate business, the Company – mainly impairment of investments into subsidiaries, associated, jointly controlled companies engaged in real estate businesses (to Note 1).

6.3. Other income

	Group		Company	
	2009	2008	2009	2008
Interest income	2,149	5,877	12,469	13,836
Dividend income	-	4,959	9,000	20,478
Other income	1,863	3,669	7	26
	4,012	14,505	21,476	34,340

In 2009 the Company recognised LTL 1,410 thousand interest income on impaired loans granted to subsidiaries (2008: nil). No interest income on impaired loans was recognised in Group's financial statements in 2009 and 2008.

6.4. Finance costs

	Group		Company	
	2009	2008	2009	2008
Interest expenses	(30,560)	(45,084)	(22,429)	(27,694)
Other finance expenses	(639)	(149)	(73)	(106)
	(31,199)	(45,233)	(22,502)	(27,800)

7 Income tax

	Group		Company	
	2009	2008	2009	2008
Components of the income tax income (expenses)				
Current year income tax	(4,161)	(5,447)	-	-
Prior year current income tax correction	135	(50)	-	-
Deferred tax income (expenses)	19,863	3,109	3,252	184
Income tax income (expenses) charged to the income statement	15,837	(2,388)	3,252	184

	Group		Company	
	2009	2008	2009	2008
Deferred tax asset				
Tax loss carry forward	12,888	14,325	4,330	1,972
Property, plant and equipment	61	102	-	-
Investment properties	2,400	1,522	-	-
Investments available-for-sale	-	1,118	-	-
Investments held for trade	-	981	-	-
Investments into subsidiaries and associates	-	68	-	-
Receivables	208	-	-	-
Inventories	355	601	-	-
Accruals	71	80	3	5
Intangible assets	10	22	-	-
Other	94	-	-	-
Deferred tax asset available for recognition	16,087	18,819	4,333	1,977
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(4,809)	(5,090)	-	-
Less: unrecognised deferred tax asset due to future uncertainties	(2,553)	(3,082)	-	-
Recognised deferred income tax asset, net	8,725	10,647	4,333	1,977
Asset netted with liability of the same legal entities	(3,762)	(5,066)	(189)	(1,085)
Deferred income tax asset, net	**4,963**	**5,581**	**4,144**	**892**
Deferred tax liability				
Property, plant and equipment	(196)	(1,035)	-	-
Investment properties	(16,745)	(33,207)	-	-
Investments available-for-sale	(42)	-	-	-
Investments held for trade	(303)	(1,085)	(189)	(1,085)
Investments into subsidiaries and associates		-	-	-
Inventories	(10)	(236)	-	-
Other	(1,366)	(1,005)	-	-
Deferred income tax liability	(18,662)	(36,568)	(189)	(1,085)
Liability netted with asset of the same legal entities	3,762	5,066	189	1,085
Deferred income tax liability, net	**(14,900)**	**(31,502)**	**-**	**-**
Recognised in the balance sheet as follows:				
Deferred tax asset	4,963	5,581	4,144	892
Deferred income tax liability	(14,900)	(31,502)	-	-
Deferred income tax liabilities, net	**(9,937)**	**(25,921)**	**4,144**	**892**

7 Income tax (cont'd)

	Group 2009	Group 2008
Consolidated statement of comprehensive income		
Current year income tax on cash flow hedge	-	46
Deferred income tax on cash flow hedge	8	-
Deferred tax effect of net gains (loss) on available-for-sale investments	(156)	362
Deferred tax effect on income (expenses) recognised directly in equity of associates	-	(257)
Income tax income charged directly in equity	(148)	151

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2009. All balances of the deferred taxes are expected to be recovered or settled after more than 12 months.

Movements in pre-tax components of temporary differences for the Group during 2009 are as follows:

	Balance as at 31 December 2008	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2009
Tax loss carry forward for indefinite period of time	71,711	41,177	47	(33,376)	79,559
Tax loss carry forward till 2014	-	6,177	-	-	6,177
Property, plant and equipment – asset	509	(103)	-	-	406
Property, plant and equipment – liability	(7,912)	4,792	-	4	(3,116)
Investment property	(160,707)	62,853	-	-	(97,854)
Investments – liability	(5,424)	(1,720)	(278)	52	(7,370)
Investments – asset	10,832	(2,726)	(245)	(7,861)	-
Receivables	-	1,387	-	-	1,387
Accruals	402	112	-	(45)	469
Inventories	1,826	326	-	-	2,152
Other assets	104	(32)	-	-	72
Other liabilities	-	630	-	-	630
Total temporary differences	(88,659)	112,873	(476)	(41,224)	(17,486)
Less: tax losses for which no deferred tax asset was recognised	(26,020)	(14,523)	-	8,667	(31,876)
Less: other temporary differences for which no deferred tax asset was recognised due to future uncertainties	(15,431)	(8,386)	-	7,596	(16,221)
Total temporary differences for which deferred tax was recognised	(130,110)	89,964	(476)	(24,961)	(65,583)
Deferred income tax, net	(25,921)	21,223	(148)	(5,091)	(9,937)

7 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 20% rate as at 31 December 2008. Movements in pre-tax components of temporary differences for the Group during 2008 are as follows:

	Balance as at 31 December 2007	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2008
Tax loss carry forward for indefinite period of time	21,735	51,769	-	(1,793)	71,711
Property, plant and equipment – asset	225	284	-	-	509
Property, plant and equipment – liability	(53,741)	3,152	-	42,677	(7,912)
Investment property	(218,443)	57,736	-	-	(160,707)
Investments – liability	(14,883)	7,822	1,637	-	(5,424)
Investments – asset	1,653	10,036	(857)	-	10,832
Receivables	2,185	(2,185)	-	-	-
Accruals	320	136	-	(54)	402
Inventories	4,610	(1,633)	-	(1,151)	1,826
Other assets	753	(651)	-	2	104
Other liabilities	(557)	557	-	-	-
Total temporary differences	(256,143)	127,023	780	39,681	(88,659)
Less: tax losses for which no deferred tax asset was recognised	(4,625)	(21,395)	-	-	(26,020)
Less: other temporary differences for which no deferred tax asset was recognised due to future uncertainties	(40)	(15,391)	-	-	(15,431)
Total temporary differences for which deferred tax was recognised	(260,808)	90,237	780	39,681	(130,110)
Deferred income tax, net	(39,086)	7,137	105	5,923	(25,921)

Movements in pre-tax components of temporary differences for the Company during 2009 are as follows:

	Balance as at 31 December 2008	Recognised in the income statement	Balance as at 31 December 2009
Tax loss carry forward for indefinite period of time	9,862	12,827	22,689
Tax loss carry forward till 2014	-	6,177	6,177
Investments	(5,424)	4,162	(1,262)
Receivables	-	-	-
Accruals	21	3	24
Other liabilities	-	-	-
Total temporary differences	4,459	23,169	27,628
Less: temporary differences for which no deferred tax asset was recognised	-	-	-
Total temporary differences for which deferred tax was recognised	4,459	23,169	27,628
Deferred income tax, net	892	3,252	4,144

7 Income tax (cont'd)

Movements in pre-tax components of temporary differences for the Company during 2008 are as follows:

	Balance as at 31 December 2007	**Recognised in the income statement**	**Balance as at 31 December 2008**
Tax loss carry forward for indefinite period of time	2,245	7,617	9,862
Investments	1,630	(7,054)	(5,424)
Receivables	1,377	(1,377)	-
Accruals	26	(5)	21
Other liabilities	(557)	557	-
Total temporary differences	4,721	(262)	4,459
Less: temporary differences for which no deferred tax asset was recognised	-	-	-
Total temporary differences for which deferred tax was recognised	4,721	(262)	4,459
Deferred income tax, net	708	184	892

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

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
Accounting profit before tax from continuing operations	(107,560)	(94,723)	(125,050)	1,410
(Loss) profit before tax from a discontinued operation	4,796	1,632	-	-
(Loss) profit before income tax	**(102,764)**	**(93,091)**	**(125,050)**	**1,410**
Tax calculated at the tax rate of 20 % (15 % in 2008)	20,553	13,964	25,010	(212)
Tax non-deductible (expenses) / non taxable income	(1,085)	(264)	(20,425)	172
Change in unrecognised deferred tax asset	(5,438)	(5,479)	-	-
Tax loss carry forward expiry (derecognition)	-	90	-	-
Correction of prior year current income tax	153	(50)	48	-
Change in income tax rate	2,928	(6,723)	(1,381)	224
Income tax credit (expenses) recorded in the income statement	17,111	1,538	3,252	184
Income tax attributable to a discontinued operation	1,274	3,926	-	-
Income tax attributable to a continuing operation	15,837	(2,388)	3,252	184

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

Discontinued operation

	2009	2008
Gain (loss) after tax for the period from discontinued operations (financial mediation)	6,070	(24,973)
Gain (loss) after tax for the period from discontinued operations (hotel management)	-	30,531
Total discontinued operation	**6,070**	**5,558**

Loss (earnings) per share:	2009	2008
Basic and diluted, from discontinued operation	0.14	0.13

Financial mediation

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

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

The results of the financial mediation segment for the year 2009 and 2008 are presented below:

	2009	2008
Revenue	5,540	11,639
Other income	1,757	595
Interest income	1,759	3,271
Net change in fair value on financial assets	2,076	(3,147)
Impairment charges	(1,680)	(1,983)
Depreciation and amortization	(667)	(2,129)
Other operating expenses	(15,700)	(34,925)
Operating (loss) profit	**(6,915)**	**(26,679)**
Interest expenses	(1,292)	(2,174)
Other finance cost	(608)	(46)
(Loss) profit before tax from a discontinued operation	**(8,815)**	**(28,899)**
Income tax	1,274	3,926
(Loss) profit for the period from a discontinued operation (financial mediation)	**(7,541)**	**(24,973)**
Loss on sale of TOV Finasta	**(319)**	**-**
Reclassification adjustment for fair value reserve of Finasta Group included in profit (loss)	**(1,145)**	**-**
Reclassification adjustment for fair value reserve of Finasta Group included in profit (loss) (deferred tax)	**56**	**-**
Gain on sale of Finasta Group	**15,019**	**-**
Gain (loss) after tax for the period from discontinued operations (financial mediation)	**6,070**	**(24,973)**

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

	2009	2008
Operating	9,851	(30,199)
Investing	10,101	(8,362)
Financing	(9,997)	52,945
Net cash (outflow)/inflow	**9,955**	**14,384**

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

Hotel management

The disposal of the Group hotels management segment was completed on 13 March 2008.

The results of the hotel management segment for the year 2008 are presented below:

	2009	2008
Revenue	-	1,550
Expenses	-	(1,643)
Operating (loss) profit	**-**	**(93)**
Finance costs	-	(401)
(Loss) profit before tax from a discontinued operation	**-**	**(494)**
Income tax	-	-
(Loss) profit for the period from a discontinued operation	**-**	**(494)**
Gain on disposal of the discontinued operation	**-**	**31,025**
Gain (loss) after tax for the period from discontinued operations (hotel management)	**-**	**30,531**

9 Earnings per share

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

The weighted average number of shares for 2009 and 2008 were as follows:

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

Calculation of weighted average for 2008	**Number of shares (thousand)**	**Par value (LTL)**	**Issued/366 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2007	42,569	1	366/366	42,569
Shares issued as at 31 December 2008	42,569	1	-	42,569

Diluted earnings per share in 2009 and 2008 equal to basic earnings per share.

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

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
Net (loss) profit (LTL thousand), attributable to the equity holders of the parent from continuing operations	(94,666)	(95,729)	(121,798)	1,594
Net (loss) profit (LTL thousand), attributable to the equity holders of the parent from discontinued operation	6,070	5,589	-	-
Net (loss) profit (LTL thousand), attributable to equity holders of the parent for basic earnings	(88,596)	(90,140)	(121,798)	1,594
Weighted average number of ordinary shares (thousand)	42,569	42,569	42,569	42,569
(Deficit) earnings per share (LTL)	(2.08)	(2.12)	(2.86)	0.04

10 Dividends per share

In 2009 dividends were not declared.

	2009	**2008**
Dividends approved (LTL thousand)	-	12,771
Number of ordinary shares at the date when dividends were declared (thousand)	-	42,569
Dividends per share (LTL)	-	0.30

11 Property, plant and equipment

Group	**Buildings**	**Machinery and equipment**	**Vehicles**	**Construction in progress**	**Other property, plant and equipment**	**Total**
Cost:						
Balance as at 31 December 2007	33,394	63,044	2,029	19,208	8,094	125,769
Correction of prior period errors (Note 3 c)	4,482	912	237	-	966	6,597
Correction of prior period errors (Note 3 a)	(10,132)	-	-	-	-	(10,132)
Balance as at 31 December 2007 restated	27,744	63,956	2,266	19,208	9,060	122,234
Additions	148	732	23	7,889	5,372	14,164
Acquisition of subsidiaries	-	-	-	-	15	15
Disposals and write-offs	(474)	(811)	(836)	-	(558)	(2,679)
Disposals of subsidiaries	(268)	(66)	(54)	-	(16)	(404)
Transfers between captions	932	178	-	(1,183)	73	-
Foreign currency exchange difference	-	-	(15)	-	(26)	(41)
Transfer to inventories	-	-	(115)	(14,434)	-	(14,549)
Transfer to/ from investment properties	4,595	-	-	-	(910)	3,685
Balance as at 31 December 2008	32,677	63,989	1,269	11,480	13,010	122,425
Additions	-	1,819	118	59	1,430	3,426
Disposals and write-offs	(5)	(2,165)	(187)	-	(1,634)	(3,991)
Disposals of subsidiaries	-	-	(150)	-	(164)	(314)
Transfers between captions	-	2	-	(2)	-	-
Disposal of Finasta Group	-	-	(10)	-	(4,795)	(4,805)
Transfer to/ from investment properties (Note 12)	(945)	-	-	(11,038)	-	(11,983)
Balance as at 31 December 2009	31,727	63,645	1,040	499	7,847	104,758
Accumulated depreciation:						
Balance as at 31 December 2007	9,021	32,100	768	-	3,456	45,345
Correction of prior period errors (Note 3 c)	4,482	912	237	-	966	6,597
Correction of prior period errors (Note 3 a)	(2,442)	-	-	-	-	(2,442)
Balance as at 31 December 2007 restated	11,061	33,012	1,005	-	4,422	49,500
Charge for the year	1,167	6,351	224	-	1,789	9,531
Disposals and write-offs	(263)	(809)	(459)	-	(487)	(2,018)
Disposals of subsidiaries	(56)	(17)	(9)	-	(6)	(88)
Transfers between captions	4	9	-	-	(13)	-
Foreign currency exchange difference	-	-	(9)	-	(11)	(20)
Transfer to/ from investment properties	-	-	-	-	(158)	(158)
Balance as at 31 December 2008	11,913	38,546	752	-	5,536	56,747
Charge for the year	1,360	5,717	128	-	1,880	9,085
Disposals and write-offs	(5)	(1,962)	(187)	-	(1,106)	(3,260)
Disposals of subsidiaries	-	-	(52)	-	(100)	(152)
Disposal of Finasta Group	-	-	(3)	-	(1,350)	(1,353)
Transfer to/ from investment properties	(18)	-	-	-	-	(18)
Balance as at 31 December 2009	13,250	42,301	638	-	4,860	61,049
Net book value as at 31 December 2008 (restated)	**20,764**	**25,443**	**517**	**11,480**	**7,474**	**65,678**
Net book value as at 31 December 2009	**18,477**	**21,344**	**402**	**499**	**2,987**	**43,709**

11 Property, plant and equipment (cont'd)

Company	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:			
Balance as at 31 December 2007	612	378	990
Additions	-	73	73
Disposals and write-offs	(289)	(45)	(334)
Balance as at 31 December 2008	323	406	729
Additions	-	33	33
Disposals and write-offs	-	(31)	(31)
Balance as at 31 December 2009	323	408	731
Accumulated depreciation:			
Balance as at 31 December 2007	263	192	455
Charge for the year	64	82	146
Disposals and write-offs	(138)	(45)	(183)
Balance as at 31 December 2008	189	229	418
Charge for the year	54	74	128
Disposals and write-offs	-	(27)	(27)
Balance as at 31 December 2009	243	276	519
Net book value as at 31 December 2008	**134**	**177**	**311**
Net book value as at 31 December 2009	**80**	**132**	**212**

The depreciation charge of the Group's and the Company's other property, plant and equipment for the year 2009 amounts to LTL 9,085 thousand and LTL 128 thousand, respectively (in the year 2008 LTL 9,531 thousand and LTL 146 thousand, respectively). Amounts of LTL 8,940 thousand and LTL 128 thousand for the year 2009 (LTL 9,420 thousand and LTL 146 thousand for the year 2008) have been included into operating expenses in the Group's and the Company's income statement, respectively. The remaining amounts have been included into balance of inventories in furniture production segment's companies (Note 17).

Property, plant and equipment of the Group with a net book value of LTL 27,434 thousand as at 31 December 2009 (LTL 49,895 thousand as at 31 December 2008) was pledged to the banks as a collateral for the loans (Note 23).

Borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset amounted to LTL nil for the year 2009 (LTL 1,684 thousand for the year 2008).

12 Investment properties

	Group	
	2009	**2008**
Balance at the beginning of the year	**326,872**	**402,933**
Additions	558	5,834
Disposals	(3,262)	(34,345)
Transfer from construction in progress	11,038	-
Transfer from buildings	927	752
Transfer to property, plant and equipment	-	(4,595)
Gain from fair value adjustment	1,075	8,962
Loss from fair value adjustment	(73,433)	(52,669)
Balance at the end of the year	**263,775**	**326,872**

Investment properties of the Group include office buildings, warehouses, land and flats. The majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 14,524 thousand in 2009 (LTL 17,327 thousand in 2008). The direct operating expenses arising from investment properties that generated rental income during the year 2009 amounted to LTL 6,696 thousand (LTL 6,491 thousand in 2087).

Investment properties are stated at fair value, which has been determined based on the joint valuations performed by the accredited valuers: independent valuer UAB OBER-HAUS Nekilnojamasis Turtas, UAB Liturta and UAB Inreal (the Group company) as at 31 December 2009 and 2008. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using the sales comparison approach method which refers to the prices of the analogues transactions in the market or on the basis of their highest and best use which are subject to uncertainty. The highest and best use concept considers in the valuation not only the existing use but any possible use of the asset, determined from the market evidence. Accordingly, fair value is the highest value by consideration of any use which is financially feasible and justifiable and reasonably probable.

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

On 4 November 2008, AB Invalda Nekilnojamojo Turto Fondas signed an agreement regarding sale of real estate objects located at Savanorių av. 28, Vilnius. Land plot (1.50 hectare), office building (12 thousand sq. meters) and industrial building (565 sq. meters) were sold for LTL 30,000 thousand.

As at 31 December 2009 investment properties with carrying amount of LTL 257,247 thousand (LTL 320,464 thousand as at 31 December 2008) were pledged to the banks as collateral for the loans (Note 23).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2009 and 2008. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end except as stated above.

13 Intangible assets

Group

	Goodwill	Contracts	Software	Other intangible assets	Total
Cost:					
Balance as at 31 December 2007	4,831	16,694	3,652	78	25,255
Additions	-	-	1,281	6	1,287
Acquisition of subsidiaries	-	1,218	1	-	1,219
Disposals and write-offs	-	-	(446)	-	(446)
Disposals of subsidiaries	(777)	-	(2)	-	(779)
Impairment	(4,054)	-	-	-	(4,054)
Foreign currency exchange difference	-	(1)	(1)	-	(2)
Balance as at 31 December 2008	-	17,911	4,485	84	22,480
Additions	-	-	379	70	449
Acquisition of subsidiaries	-	-	-	-	-
Disposals and write-offs	-	-	-	-	-
Disposals of subsidiaries	-	-	-	-	-
Disposal of Finasta Group	-	(7,213)	(3,278)	(54)	(10,545)
Balance as at 31 December 2009	-	10,698	1,586	100	12,384
Accumulated amortisation:					
Balance as at 31 December 2007	-	-	1,647	62	1,709
Charge for the year	-	2,497	397	6	2,900
Disposals and write-offs	-	-	(443)	-	(443)
Disposals of subsidiaries	-	-	(1)	-	(1)
Impairment	-	-	-	-	
Balance as at 31 December 2008	-	2,497	1,600	68	4,165
Charge for the year	-	1,418	278	6	1,702
Disposals and write-offs	-	-	-	-	-
Disposals of subsidiaries	-	-	-	-	-
Disposal of Finasta Group	-	(1,622)	(671)	(53)	(2,346)
Balance as at 31 December 2009	-	2,293	1,207	21	3,521
Net book value as at 31 December 2008	**-**	**15,414**	**2,885**	**16**	**18,315**
Net book value as at 31 December 2009	**-**	**8,405**	**379**	**79**	**8,863**

13 Intangible assets (cont'd)

Company	**Software**	**Other intangible assets**	**Total**
Cost:			
Balance as at 31 December 2007	22	2	24
Additions	-	-	-
Balance as at 31 December 2008	22	2	24
Additions	-	-	-
Disposals and write-offs	(6)	-	(6)
Balance as at 31 December 2009	16	2	18
Accumulated amortisation:			
Balance as at 31 December 2007	12	2	14
Charge for the year	5	-	5
Balance as at 31 December 2008	17	2	19
Charge for the year	4	-	4
Disposals and write-offs	(6)	-	(6)
Balance as at 31 December 2009	15	2	17
Net book value as at 31 December 2008	**5**	**-**	**5**
Net book value as at 31 December 2009	**1**	**-**	**1**

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

The amortisation charge of the Group's and the Company's intangible assets for the year 2009 amounts to LTL 1,698 thousand and LTL 4 thousand, respectively (in the year 2008 LTL 2,900 thousand and LTL 5 thousand, respectively) and have been included into operating expenses in the Group's and the Company's income statement.

In 2008 due to incurred losses in real estate and financial mediation segments goodwill amounting to LTL 4,054 thousand was impaired and related expenses were recognised in the income statement.

14 Financial instruments by category

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

14 Financial instruments by category (cont'd)

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2008				
Assets as per statement of financial position				
Investments available-for-sale	3,995	-	-	3,995
Trade and other receivables excluding tax receivables	-	22,731	-	22,731
Financial assets held-for-trade	-	-	27,943	27,943
Current loans granted	-	58,010	-	58,010
Restricted cash	-	15,606	-	15,606
Cash and cash equivalents	-	18,217	-	18,217
Total	**3,995**	**114,564**	**27,943**	**146,502**

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

Group	Financial liabilities at amortised cost	Derivatives used for hedging	Total
31 December 2008			
Liabilities as per statement of financial position			
Borrowings	547,499	-	547,499
Finance lease liabilities	408	-	408
Trade payables	28,604	-	28,604
Derivative financial instruments	-	308	308
Convertible bonds	75,631	-	75,631
Other current payables excluding tax payables and employee benefit payables	9,804	-	9,804
Total	**661,946**	**308**	**662,254**

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

14 Financial instruments by category (cont'd)

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2008				
Assets as per statement of financial position				
Investments available-for-sale	1,817	-	-	1,817
Trade and other receivables excluding tax receivables	-	822	-	822
Financial assets held-for-trade	-	-	5,092	5,092
Current loans granted	-	148,238	-	148,238
Cash and cash equivalents	-	12	-	12
Total	**1,817**	**149,072**	**5,092**	**155,981**

Company	**31 December 2009**	**31 December 2008**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	172,896	284,950
Trade payables	642	1,833
Convertible bonds	83,056	75,631
Other current payables excluding tax payables and employee benefit payables	2,276	2,415
Total	**258,870**	**364,829**

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

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
Available-for-sale				
Ordinary shares – quoted	995	956	-	-
Ordinary shares – unquoted (carried at cost)	1,818	2,669	1,817	1,817
Investment funds	-	370	-	-
	2,813	3,995	1,817	1,817
Less current portion	(995)	-	-	-
Non-current portion	1,818	3,995	1,817	1,817
Held-for-trade				
Ordinary shares	9,221	25,747	1,757	3,612
Bonds	-	198	-	-
Derivative	1,512	1,480	1,512	1,480
Investment funds	10	518	-	-
	10,743	27,943	3,269	5,092

The fair value of the quoted ordinary shares is determined by reference to published price quotations in the active market The unquoted ordinary shares are measured at cost. The derivative value is determined by using valuation method (Note 4). None of these financial assets is either past due or impaired.

16 Loans granted

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

	Group		Company	
	2009	2008	2009	2008
Loans granted to third parties	18,034	24,116	8,687	3,043
Repurchasing agreements	-	5,999	-	-
Loans granted to related parties	56,834	61,386	121,820	175,297
	74,868	91,501	130,507	178,340
Less: long-term loans	-	(7,978)	(1,092)	(27,656)
Less: impaired	(45,909)	(25,513)	(51,019)	(30,102)
	28,959	58,010	78,396	120,582

As at 31 December 2009 and 2008 the Group and the Company had loans granted to third parties and repurchasing agreement (only in 2008) with the maturity term till 2009. The annual interest rate of loans granted to third parties is fixed and varies from 5 % to 13 %. Loans granted for related parties are disclosed in more details in Note 31.

As at 31 December 2009 the Group's and the Company's loans granted at nominal value of LTL 51,274 thousand and LTL 78,558 thousand, respectively, were impaired (as at 31 December 2008 LTL 46,447 thousand and LTL 77,786 thousand, respectively). The net amounts of LTL 5,365 thousand and LTL 27,539 thousand, respectively, are outstanding in the balance sheet of the Group and the Company (LTL 20,934 thousand and LTL 47,684 thousand in 2007, respectively).

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

	Individually impaired	
	Group	Company
Balance as at 31 December 2007	2,750	1,200
Charge for the year	27,052	28,918
Disposals of subsidiaries	(1,539)	-
Write-offs charged against the allowance	(2,108)	(16)
Recoveries of amounts previously written-off	(642)	-
Balance as at 31 December 2008	25,513	30,102
Charge for the year	21,994	33,788
Disposals of subsidiaries	(952)	-
Write-offs charged against the allowance	(301)	(270)
Recoveries of amounts previously written-off	(345)	(449)
Reclassification of allowance on loans capitalized within share capital of subsidiaries	-	(12,152)
Balance as at 31 December 2009	45,909	51,019

Changes in allowance for doubtful loans granted for the year 2009 and 2008 have been included into impairment and allowance caption in the income statement (Note 6.2.). Mainly the reason for the allowance is the drop in prices of constructed residential real estate and valuation losses of investment properties. Consider the economic situation in Latvia, the loans to Latvia companies were impaired until nil.

16 Loans granted (cont'd)

The ageing analysis of loans granted of the Group as at 31 December 2008 and 2009 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired				
		Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2009	23,594	-	-	-	-	23,594
2008	42,583	540	484	380	1,067	45,054

The ageing analysis of loans granted of the Company as at 31 December 2008 and 2009 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired				
		Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2009	51,950	-	-	-	-	51,950
2008	98,502	35	1,142	230	645	100,554

All granted loans neither past due nor impaired as at 31 December 2009 and 2008 have no history of counterparty defaults.

17 Inventories

	Group					
	2009			2008		
	Acquisitions costs	Allowance	Carrying value	Acquisitions costs	Allowance	Carrying value
Raw materials	6,405	(129)	6,276	9,343	(664)	8,679
Work in progress	2,103	-	2,103	2,177	-	2,177
Finished goods	6,596	(58)	6,538	3,507	(42)	3,465
Residential real estate	43,324	(17,047)	26,277	50,791	(2,025)	48,766
Goods for resale	643	-	643	864	-	864
	59,071	(17,234)	41,837	66,682	(2,731)	63,951

The acquisition cost of the Group's inventories excluding residential real estate accounted for at net realisable value as at 31 December 2009 amounted to LTL 433 thousand (LTL 967 thousand as at 31 December 2008). Changes in the allowance for inventories for the years 2009 and 2008 have been included into impairment and allowance caption in the income statement (Note 6.2.).

As at 31 December 2008 the Group has transferred the constructed for sale apartments, which are in the selling process from construction in progress. The advance payments received for these apartments as at 31 December 2009 amounted to LTL 628 thousand (as at 31 December 2008 LTL 449 thousand). The Group expects to realise these apartments within the two years. The acquisition cost of the Group's residential real estate accounted for at net realisable value as at 31 December 2009 amounted to LTL 32,889 thousand (LTL 14,434 thousand as at 31 December 2008).

As disclosed in Note 23, inventories of the Group with the carrying value of LTL 36,277 thousand as at 31 December 2009 (LTL 59,428 thousand as at 31 December 2008) were pledged to banks as collateral for the loans.

18 Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
Trade and other receivables, gross	20,674	23,538	620	822
Taxes receivable, gross	1,415	2,702	1	-
Less: allowance for doubtful trade and other receivables	(958)	(807)	(620)	-
	21,131	25,433	1	822

Changes in allowance for doubtful trade and other receivables for the year 2009 and 2008 have been included into impairment and allowance caption in the income statement (Note 6.2.).

18 Trade and other receivables (cont'd)

Trade and other receivables are non-interest bearing and are generally on 10–60 days terms.
Receivables from related parties in more details are described in Note 31.

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

	Individually impaired
Balance as at 31 December 2007	390
Charge for the year	586
Write-offs charged against the allowance	(36)
Disposals of subsidiaries	(94)
Recoveries of amounts previously written-off	(39)
Balance as at 31 December 2008	807
Charge for the year	991
Write-offs charged against the allowance	(221)
Disposals of subsidiaries	(619)
Recoveries of amounts previously written-off	-
Balance as at 31 December 2009	958

The Company did not have the allowance for impairment of receivables in 2008.
Movements in the allowance for accounts receivable of the Company (assessed individually) in 2009 were as follows:

	Individually impaired
Balance as at 31 December 2008	-
Charge for the year	620
Write-offs charged against the allowance	-
Disposals of subsidiaries	-
Recoveries of amounts previously written-off	-
Balance as at 31 December 2009	620

The ageing analysis of trade and other receivables of the Group as at 31 December 2008 and 2009 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2009	16,636	1,519	687	264	610	19,716
2008	19,140	1,486	1,406	326	233	22,591

The ageing analysis of trade and other receivables of the Company as at 31 December 2008 and 2009 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2009	1	-	-	-	-	1
2008	822	-	-	-	-	822

<u>Credit quality of financial assets neither past due nor impaired</u>

All trade receivables neither past due nor impaired as at 31 December 2009 and 2008 have no history of counterparty defaults. With respect to trade and other receivables that are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group and the Company trades only with recognised, creditworthy third parties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19 Cash and cash equivalents

	Group 2009	Group 2008	Company 2009	Company 2008
Cash at bank	3,476	17,878	94	12
Cash on hand	10	339	-	-
	3,486	18,217	94	12

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 December 2009 of the Group and the Company is LTL 3,486 thousand and LTL 94 thousand, respectively (18,217 thousand and LTL 12 thousand, respectively, as at 31 December 2008).

The Group's foreign and local currency accounts in banks amounting to LTL 1,718 thousand as at 31 December 2009 (LTL 1,496 thousand as at 31 December 2008) are pledged to the banks as collateral in relation to the loan (Note 23).

20 Restricted cash

Major part of restricted cash amounting to LTL 3,384 thousand as of 31 December 2009 (as of 31 December 2008: LTL 13,490 thousand) represents the balance of cash received by the Group company AB Invalda Nekilnojamojo Turto Fondas for sold investment properties which were pledged to Nordea Bank Finland Plc Lithuania Branch. The subsidiary has no ability to use these funds except for repayment of loan and payment of interest. In 2009 the amount of LTL 8, 981 thousand was settled as repayment of loan. The remaining amount was deposited in to secure variation in future cash flows.

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

21 Share capital

The total authorised number of ordinary shares is 42,568,849 (2008: 42,568,849 shares) with a par value of LTL 1 per share (2008: LTL 1 per share). All issued shares are fully paid.

22 Reserves

The movements in legal and other reserves are as follows:

Group	Legal reserve	Reserve for acquisition of own shares	Share based payments reserve	Fair value reserve	Other reserves	Total
As at 31 December 2007	**6,800**	**34,500**	**-**	**552**	**-**	**41,779**
Net (loss) on available for sale investments	-	-	-	(1,866)	-	(1,866)
Net (loss) on cash flow hedge	-	-	-	(262)	-	(262)
Transfer to reserves	21	34,626	-		-	34,647
As at 31 December 2008	**6,821**	**69,126**	**-**	**(1,576)**	**-**	**74,371**
Net gain on available for sale investments	-	-	-	168	-	168
Net (loss) on cash flow hedge	-	-	-	(39)	-	(39)
Share based payments	-	-	289	-	-	289
Discontinued operation	(437)	-	-	1,314	-	(877)
Transfer to reserves	146	-	-	-	678	824
As at 31 December 2009	**6,530**	**69,126**	**289**	**(133)**	**678**	**76,490**

22 Reserves (cont'd)

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 investment, 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.

Fair value reserves

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

Legal reserve

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

Reserve for acquisition of own shares reserve

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

Share based payments reserve

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

23 Borrowings

	Group		Company	
	2009	**2008**	**2009**	**2008**
Non-current:				
Non-current bank borrowings	24,661	17,255	-	-
Other borrowings	3,500	5,857	3,500	5,857
Borrowings from related parties	561	507	561	507
	28,722	23,619	4,061	6,364
Current:				
Current portion of non-current borrowings	268,199	314,561	101,046	105,653
Current bank borrowings	59,265	102,311	46,391	77,698
Other borrowings	11,145	59,669	2,190	24,956
Borrowings from related parties	2,629	14,607	19,208	70,279
Non-bank deposits	-	32,732	-	-
	341,238	523,880	168,835	278,586
Total borrowings	369,960	547,499	172,896	284,950

The significant amounts of the Company's borrowings are from related parties. Please refer to Note 31 for more details.

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

	Group		Company	
Borrowings denominated in:	**2009**	**2008**	**2009**	**2008**
EUR	302,805	363,407	122,985	131,865
LTL	67,155	170,726	49,911	153,085
USD	-	848	-	-
Other currencies	-	12,518	-	-
	369,960	547,499	172,896	284,950

23 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Property, plant and equipment	27,434	42,530	-	-
Investments held-for-trade	7,021	3,692	-	3,612
Investments into subsidiaries and associates	162,830	256,402	205,983	302,742
Investment properties	257,247	320,464	-	-
Inventories	36,277	59,428	-	-
Cash	1,718	1,496	-	-
Other current assets	5,463	1,728	-	-
Trade receivables	296	1,000	-	-
Assets held-for-sale	1,168	-	1,757	-
Granted loans	7,978	-	39,330	-

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

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
Borrowings	5.68%	6.93 %	8.83%	7.90 %

As of 31 December 2008 and 2009 the Company and some Group entities (real estate business segment) have not complied with certain bank loan covenants.

On 31 December 2009 the Company's loan from DnB Nord bank was classified nominally according to IAS 1 as current, because at end of 2009 an agreement was reached and the Bank's Board approved the loan extension until 1 July 2012, but legal documents have been signed in January 2010 (liability as of 31 December 2009 - LTL 101,046 thousand).

During 2nd quarter of 2009 the Group have signed bank loan agreements' amendments regarding extension of maturity terms of loans for 2 years in the real estate segment's companies (until 2011). These loans at 31 December 2009 were classified nominally according to IAS 1 as current (total value of its – LTL 106,462 thousand) as formally has not been suspended complying of loan covenants. However any notice on premature loan repayment was not received.

In addition during 2009 the Group companies UAB Saulės investicija, UAB Broner and UAB Nerijos būstas defaulted in repayment of loan and payment of interest. In 2010 the bank terminated loans agreement with these subsidiaries. The Group sold these subsidiaries in 2010 as described in Note 32.

24 Finance lease

The assets leased by the Group under finance lease contracts consist machinery and equipment, vehicles and other fixtures, fittings, tools and equipment. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The remaining terms of financial lease are from 1 to 46 months. In 2009 the Group has acquired vehicles of LTL 118 thousand through finance lease. The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group	
	2009	**2008**
Machinery and equipment	144	199
Other fixtures, fittings, tools and equipment	99	187
Vehicles	145	138
	388	524

All financial lease payables at the year end of 2009 and 2008 are denominated in EUR.

As at 31 December 2009 and 2008 the interest rate on the financial lease liabilities in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin varying from 1.2 % to 4 %.

Future minimal lease payments under the above mentioned financial lease contracts as at 31 December 2009 are as follows:

	Group	
	2009	**2008**
Within one year	169	226
From one to five years	113	209
Total financial lease obligations	282	435
Interest	(17)	(27)
Present value of financial lease obligations	265	408
Financial lease obligations are accounted for as:		
- current	162	206
- non-current	103	202

25 Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 31.

26 Provisions

	Group		
	Sale of Finasta Group (Note 4)	**Constructor claims**	**Total**
As of 1 January 2008	-	136	136
Changes during the year	-	(9)	(9)
As of 31 December 2008	**-**	**127**	**127**
Changes during the year	1,466	503	1,969
As of 31 December 2009	**1,466**	**630**	**2,096**
Non-current 2009	-	480	480
Current 2009	1,466	150	1,616
Non-current 2008	-	127	127
Current 2008	-	-	-

In 2009 Company's statement of financial position provisions include only provision related to sale of Finasta Group (Note 4) (2008: nil).

27 Cash flow hedge

	Group	
	2009	**2008**
Non-current financial liabilities – interest rate swaps (effective hedges)	(122)	(219)
Current financial liabilities – interest rate swaps (effective hedges)	(233)	(89)
	(355)	(308)

As at 31 December 2009 the Group company UAB Naujoji Švara had an interest rate swap agreement in place with a notional amount outstanding of EUR 1,754 thousand (equivalent of LTL 6,055 thousand) (as at 31 December 2008 EUR 1,808 thousand (equivalent of LTL 6,241 thousand) whereby the Group receives a variable rate equal to 3-month EURIBOR and pays a fixed rate of 4.78 %. The swap is being used to hedge the exposure to the changes in the variable interest rate of UAB Naujoji Švara loan received from Nordea Bank Finland Plc Lithuania Branch.

The cash flow hedges of the expected loans repayments were assessed to be highly effective and a net unrealised loss of LTL 355 thousand with tax assets of LTL 54 thousand (as at 31 December 2008 – LTL thousand with current tax assets of LTL 46 thousand) relating to the hedging instrument is included in the Group equity. The fair value loss of LTL 301 thousand deferred in equity until 31 December 2009 is (LTL 262 thousand as at 31 December 2008) is expected to be released to the consolidated income statement till August 2011 on a quarterly basis when loans repayments are due.

28 Other liabilities

Convertible bonds

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

The main characteristics of convertible bonds:
- annual interest rate: 9.9 %;
- redemption day 1 July 2010;
- the bonds can be converted to the Company's shares. One bond with par value of LTL 100 has an option to be converted to ordinary shares at ratio 5.5 (one bond would be converted into 18.18 shares approximately, final result would be rounded by arithmetical rules). More information about non-public convertible bonds issues was provided in the decisions of the General Meeting of shareholders announced by the Company on 14 November 2008.

28 Other liabilities (cont'd)

The liabilities of LTL 75,631 thousand arising from these bonds were shown as non-current liabilities as at 31 December 2008 and the liabilities of LTL 83,056 thousand are shown as current liabilities as at 31 December 2009.

Changes in the conditions of convertible bonds and conversion of LTL 50 million issue are described in the Note 32.

Other current liabilities

	Group		Company	
	2009	**2008**	**2009**	**2008**
Financial liabilities				
Dividends payable	2,873	4,178	2,197	2,266
Liability incurred in relation to business combination	1,240	2,998	-	-
Other amounts payable	3,072	2,628	79	149
	7,185	9,804	2,276	2,415
Non – financial liabilities				
Salaries and social security payable	2,719	4,539	144	281
Tax payable	2,057	1,021	-	5
	4,776	5,560	144	286
Total other current liabilities	11,961	15,364	2,420	2,701

29 Financial assets and liabilities and risk management

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

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

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

The Group and the Company also enter or may enter into derivative transactions, such as interest rate swaps and forward currency contracts. The purpose of them is to manage the interest rate and currency risks arising from the operations and its sources of finance. The Company has not used any of derivative instruments so far, as management considered that there is no demand for them. As described in Note 27 the Group uses interest rate swap contracts to manage its cash flows.

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

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

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

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

Credit risk

The Group estimates the credit risk separately by the segments. The sole furniture production segment has significant concentration of trading counterparties. The main customer of AB Vilniaus Baldai on 31 December 2009 accounts for approximately 57 % (41 % as at 31 December 2008) of the total Group's trade receivables (Note 5).

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables, which are not overdue and not impaired, due to constant control of the Group for receivable balances. Also, in 2008 and 2009 due to worsening of worldwide and Lithuanian economical conditions a decrease in real estate prices was noted. This factor had an impact to some related parties of the Group and Company which had significant investments into real estate. As it is further described in Note 16, this had impact to significant increase in impairment level of loans granted by the Group and the Company.

The Group and the Company trade only with recognised, creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances of subsidiary companies are monitored on a monthly basis. The maximum exposure to credit risk is disclosed in Notes 16 and 18. There are no significant transactions of the Group or the Company that do not occur in the country of the relevant operating unit.

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

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

Interest rate risk

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

To manage the interest rate risk the Group company UAB Naujoji Švara entered into interest rate swap, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge loan from banks Nordea Finland Plc Lithuania Branch (Note 27). The Group and the Company is ready to enter into other interest rate swap agreements if this allows to further mitigate risk.

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

	Increase/decrease in basis points	Group	Company
		Effect on profit before tax	
2009			
EUR	+100	(2,952)	(1,010)
LTL	+100	(18)	-
EUR	-200	5,903	2,021
LTL	-200	37	-
2008			
EUR	+ 100	(3,419)	1,057
LTL	+ 100	(121)	-
EUR	- 200	6,837	2,113
LTL	- 200	242	-

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

Liquidity risk

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

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

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

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2009 and 2008 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	37,394	37,852	250,754	91,304	55,830	473,674
Finance lease obligations	-	52	117	113	-	282
Trade and other payables	-	27,837	842	-	-	28,679
Derivative financial instruments and hedge agreements	-	63	184	179	-	426
Other liabilities	2,876	1,365	2,944	-	-	7,185
Balance as at 31 December 2009	**40,810**	**67,169**	**254,841**	**91,596**	**55,830**	**510,246**
Interest bearing loans	-	243,943	137,293	218,056	65,590	664,882
Finance lease obligations	-	56	170	209	-	435
Trade and other payables	-	28,354	257	-	-	28,611
Derivative financial instruments and hedge agreements	-	6	83	219	-	308
Other liabilities	4,178	3,816	1,810	-	-	9,804
Balance as at 31 December 2008	**4,178**	**276,223**	**139,613**	**218,484**	**65,590**	**704,088**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2009 and 2008 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	-	2,836	259,571	4,162	-	266,569
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	642	-	-	-	642
Other current liabilities	2,197	79	-	-	-	2,276
Balance as at 31 December 2009	**2,197**	**3,557**	**259,571**	**4,162**	**-**	**269,487**
Interest bearing loans	-	108,908	35,384	181,513	-	325,805
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	1,833	-	-	-	1,833
Other current liabilities	2,266	121	28	-	-	2,415
Balance as at 31 December 2008	**2,266**	**110,862**	**35,412**	**181,513**	**-**	**330,053**

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

Liquidity risk (cont'd)

Some of the Group's companies did not comply with loans covenants and accordingly such loans were classified as current in balance sheet of the Group and the Company as of 31 December 2009 and 2008. However, the banks have not demanded for early repayment of these loans, except loans of UAB Broner, UAB Nerijos būstas, UAB Saules investicija (these subsidiaries were sold in 2010, please see Note 23 and Note 32 for details). Accordingly, in the tables above these non-compliant loans in amount of LTL 37,934 thousand were presented in caption „On demand" and other non-compliant loans were presented according to their actual maturity terms agreed in agreements. If all loans, where non-compliance with covenants occurred are shown as payable on demand, the "On demand" caption of the Group would increase by LTL 109,659 thousand, " 3 to 12 months" caption would decrease by LTL 2,077 thousand, "1 to 5 years" caption would decrease by LTL 61,322 thousand, "more than 5 years" caption would decrease by LTL 55,274 thousand, but taking into account management's assessment of interaction with the bank's representatives, these scenarios are not realistic.

Due to subsequent events (Note 32), the caption "less than 3 months" caption was increased by LTL 537 thousand, the caption " 3 to 12 months" caption was decreased by LTL 199,821 thousand, the caption "1 to 5 years" was increased by LTL 164,220 thousand in the Company and in the Group.

The numbers presented in the tables above are based on the appropriate agreements' conditions being valid as at 31 December 2009 and 2008. The Group's liquidity ratio ((total current assets plus assets of disposal group classified as held-for-sale) / total current liabilities plus liabilities of disposal group directly associated with the assets classified as held-for-sale) as at 31 December 2009 was approximately 0.24 (0.38 as at 31 December 2008), the quick ratio ((total current assets – inventories) / total current liabilities) – 0.15 (0.26 as at 31 December 2008). The Company's liquidity ratio as at 31 December 2009 was approximately 0.32 (0.45 as at 31 December 2008). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes active actions to improve the situation. The liquidity situation is improved after incurred subsequent event as described in Note 32.

In addition, the Group's and the Company's management expects disposing of other non-current assets of the Group and the Company during the year 2010 if reasonable price is proposed, as the Group and the Company always have the assets (the investments, the real estate objects) which are ready and available-for-sale. Proceeds from such sales would be used for settlement of the Group's and the Company's liabilities. However, there are no firm decisions taken yet other than those as disclosed in these financial statements. The Group will continue selling residential real estate in 2010 – cash proceeds will be allocated to reduction of remaining liabilities.

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

Foreign exchange risk

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

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

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

Foreign exchange risk (cont'd)

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

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2009			
PLN/LTL	+10 %	(27)	-
USD/LTL	+10 %	(11,743)	(11,715)
PLN/LTL	-10 %	27	-
USD/LTL	-10 %	11,421	11,393
2008			
LVL/LTL	+1 %	3	(4)
UAH/LTL	+10 %	(15)	(15)
SEK/LTL	+10 %	(94)	-
USD/LTL	+10 %	7	-
LVL/LTL	-1 %	(3)	4
UAH/LTL	-10 %	15	15
SEK/LTL	-10 %	94	-
USD/LTL	-10 %	(7)	-

Fair value of financial instruments

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

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

The carrying amount of the financial assets and financial liabilities of the Group and the Company as at 31 December 2009 and 2008 approximated their book value.

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

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

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

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

Fair value hierarchy

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

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

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

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

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

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

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

<u>Capital management</u>

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

The Group's and the Company's capital comprise share capital, share premium, reserves and retained earnings.
The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2009 and 2008.

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

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

Capital management (cont'd)

Besides, some Group subsidiaries have obligations arising out of credit agreements concluded with banks, including capital. For the purpose of ensuring of bank credits it is required that the ratio of equity plus subordinated borrowings divided by total assets would be not less than specified in the appropriate agreements. Some banks, when calculating this ratio do not include in equity the revaluation reserve. Depending on risks related to projects and activities under development the ratio amount required by banks is 0.2–0.4. The Company, when subordinating credits, seeks to ensure that this ratio would be obeyed by the appropriate subsidiaries.

30 Commitments and contingencies

Operating lease commitments – Group as a lessee

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

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

In 2009 and 2008, the lease expenses for lease of premises of the Group amounted to LTL 6,063 thousand and LTL 5,888 thousand, respectively. In 2009, other asset lease expenses of the Group and the Company amounted to LTL 2,921 thousand and LTL 230 thousand, respectively (LTL 3,024 thousand and LTL 408 thousand, respectively, in 2008).

30 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessee (cont'd)

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

		Group		Company	
		2009	2008	2009	2008
Within one year					
	- lease of premises	5,041	5,735	-	-
	- other lease	1,497	4,298	240	381
		6,538	10,033	240	381
From one to five years					
	- lease of premises	21,789	23,210	-	-
	- other lease	2,092	11,775	294	545
		23,881	34,985	294	545
After five years					
	- lease of premises	15,520	21,340	-	-
	- other lease	-	6,352	-	-
		15,520	27,692	-	-
		45,939	**72,710**	**534**	**926**
Denominated in:					
- EUR		44,786	54,350	127	268
- LTL		1,153	18,306	407	658
- Other currencies		-	54	-	-

Operating lease commitments – Group as a lessor

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

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

		2009	2008
Within one year			
	- non-cancellable	6,240	6,787
	- cancellable	2,401	4,832
		8,641	11,619
From one to five years			
	- non-cancellable	2,866	4,386
	- cancellable	2,563	6,488
		5,429	10,874
After five years			
	- non-cancellable	-	296
	- cancellable	3,635	1,469
		3,635	1,765
		17,705	**24,258**

30 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessor (cont'd)

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

		2009	2008
Within one year			
	- non-cancellable	45	3,526
	- cancellable	1,612	1,870
		1,657	5,396
From one to five years			
	- non-cancellable	-	8,897
	- cancellable	5,150	6,247
		5,150	15,144
After five years			
	- non-cancellable	-	1,646
	- cancellable	1,692	2,779
		1,692	4,425
		8,499	**24,965**

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

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

Acquisition of AB Agrowill Group shares

On 21 July 2008 the shareholders of associated company AB Agrowill Group took a decision to increase the share capital from LTL 26,143 thousand to LTL 30,778 thousand by issuing 4,635,045 ordinary shares with a par value of LTL 1 each for the price of LTL 5.80 per share with a total issue price of LTL 26,883 thousand. The shareholders cancelled the priority right to acquire the newly issued shares for all shareholders and approved that 3,090,030 to be acquired by UAB ŽIA Valda and 1,545,015 shares by UAB Finasta Rizikos Valdymas. UAB Finasta Rizikos Valdymas signed shares subscription agreement on 19 September 2008 and on 22 September 2008 fully paid for the shares an amount of LTL 8,961 thousand.

The shares acquired by UAB Finasta Rizikos Valdymas were intended to be distributed to the minority shareholders. In order for minority shareholders to trade in the newly acquired shares right after the acquisition, UAB Finasta Rizikos Valdymas borrowed 1,545,015 shares of AB Agrowill Group from its parent company AB Invalda. The shares have to be returned to AB Invalda until 31 August 2009 from the shares received after the registration of increased share capital of AB Agrowill Group. UAB Finasta Rizikos Valdymas sold 905,861 shares to minority shareholders during the public offering.

In December 2008 UAB ŽIA Valda refused to pay for the subscribed part of the shares and cancelled shares subscription agreement. On 16 December 2008 the management board of AB Agrowill Group decided to increase the share capital only by the shares subscribed and acquired by UAB Finasta Rizikos Valdymas. UAB Finasta Rizikos Valdymas argued this decision and suited a claim to the court with an argument that UAB Finasta Rizikos Valdymas and minority shareholders acquired shares of AB Agrowill Group knowing that the major part of increased share capital will be acquired by the major shareholder and that significant amount of funds necessary to finance operations and expansion will be received by AB Agrowill Group.

The management of the Group estimates that the decision to increase the share capital of AB Agrowill Group will be rejected and UAB Finasta Rizikos Valdymas will receive the paid in amount back. Due to this reason accounts receivable from AB Agrowill Group is accounted for as of 31 December 2009 and 2008 in the Group's financial statements at the amortised amount less impairment loss recognised. If the claim is satisfied and funds received from AB Agrowill Group the minority shareholders may apply to UAB Finasta Rizikos Valdymas for repurchase of the shares acquired. Due to limited possibility of this outcome no adjustments have been made to these financial statements regarding this uncertainty.

31 Related party transactions

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

The related parties of the Group in 2009 and 2008 were associates, joint ventures and the Company's shareholders (Note 1) and key management personnel.

Receivables from related parties are presented in gross amount (without allowance).

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

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

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

2009 Group	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	944	99	12,166	-
Real estate income	503	-	53	-
Roads and bridges construction segment	521	-	245	-
Other	93	-	-	-
	2,060	99	12,464	-

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

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

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

Transactions of the Group with associates in 2008 and balances as at 31 December 2008 were as follows:

2008 Group	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	429	990	15,044	6,961
Real estate income	655	-	55	-
Roads and bridges construction segment	646	35	-	-
Financial segment	2,081	-	129	-
Raw materials purchased by AB Vilniaus Baldai from UAB Girių Bizonas	-	15,437	-	-
Other	354	2	143	-
	4,164	16,464	15,371	6,961

31 Related party transactions (cont'd)

Transactions of the Group with joint ventures in 2008 and balances as at 31 December 2008 were as follows:

2008 Group	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	2,308	804	32,163	7,979
Real estate income	682	153	60	22
Financial segment	8	-	-	-
Other	27	-	-	-
	3,025	958	32,223	8,001

Transactions of the Group with other related parties in 2008 and balances as at 31 December 2008 were as follows:

2008 Group	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Liabilities to shareholders and management	259	13,827	5,906	6,863

The maturity of loans granted is from 2009 till 2010, effective interest rate 6.5–13.28 %, for borrowings received maturity is 2011, effective interest rate 8–10 %.

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

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

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

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

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

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

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

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

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

31 Related party transactions (cont'd)

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

Transactions of the Company with subsidiaries in 2008 and balances as at 31 December 2008 were as follows:

2008 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	10,340	5,624	127,214	57,077
Real estate income	-	353	-	22
Dividends	20,478	-	-	-
Payables for share capital in subsidiaries in Ukraine and Latvia	-	-	-	872
Other	1	84	3	107
	30,819	6,061	127,217	58,07

Transactions of the Company with associates in 2008 and balances as at 31 December 2008 were as follows:

2008 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	429	526	13,444	6,961
Other	-	2	-	-
	429	528	13,444	6,961

Transactions of the Company with joint ventures in 2008 and balances as at 31 December 2008 were as follows:

2008 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	2,023	571	30,488	6,747
Other	-	-	620	-
	2,023	571	31,108	6,747

Transactions of the Company with other related parties in 2008 and balances as at 31 December 2008 were as follows:

2008 Company	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Liabilities to shareholders and management	-	11,068	-	1,642

The maturity of loans granted is from 2009 till 2010, effective interest rate 6.5–13.28 %, for borrowings received maturity is 2011, effective interest rate 8–10 %.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash. In 2009 the Company has recognised additional impairment losses in respect of loans due from joint ventures and subsidiaries, amounting to LTL 16,049 thousand and LTL 109 thousand, respectively (LTL 12,319 thousand and LTL 13,047 thousand, respectively in 2008). The Group recognised the same amount as the Company in respect of the loans granted to joint ventures. As at 31 December 2009 the impairment allowance for Company's loans granted to joint ventures and subsidiaries, amounted to LTL 28,368 thousand and LTL 13,156 thousand, respectively (LTL 12,319 thousand and LTL 13,047 thousand, respectively, in 2008). Doubtful debts assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

31 Related party transactions (cont'd)

Remuneration for the key management and other payments

The management remuneration contains only short-term employees' benefits. Key management of the Company and the Group includes Board members and Chief accountant and the Board members of subsidiaries, Managers and Chief accountants of the group entities, (excluding associates and joint ventures), respectively. In 2009 the Group's management remuneration (excluding social security contributions) amounted to LTL 3,745 thousand (LTL 5,791 thousand in 2008).The Company's management remuneration amounted to LTL 831 thousand in 2009 (LTL 832 thousand in 2008). Loans granted to the Group's management amounted to nil in 2009 (LTL 542 thousand in 2008). Loans outstanding amounted to nil as at 31 December 2009 (LTL 1,883 thousand as at 31 December 2008). In 2009 and 2008 other payments to the Group management amounted to LTL 40 thousand and LTL 160 thousand, respectively.

In year 2008 dividends amounting to LTL 4,922 thousand were paid out to the Group's and the Company's management, in 2009 dividends were not paid. In 2009 and 2008, the management of the Group and the Company did not receive any other loans, guarantees; no other payments or property transfers were made or accrued, except as stated above.

32 Events after the reporting period

During the General Shareholder Meetings which was held on 30 January 2010 it was decided to change the conditions of convertible bonds and to issue new convertible bonds of LTL 7.44 million. After realizing the decision maturity of convertible bonds of LTL 25 million was extended until 1 July 2012 and new emission of convertible bonds of LTL 7.44 million (maturity - 1 July 2012) was issued.

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

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

In February 2010 a loan agreement extension was signed with Šiaulių bank regarding postponement the maturity of the loan amounting LTL 18 million until 15 April 2011.

On 31 March 2010 the Group sold shares of Lithuanian real estate investors UAB Broner, UAB Nerijos būstas, UAB Saulės investicija and Latvian SIA Dommo grupa. The companies were sold for a symbolic price of 1 Litas each. All of these companies are in the process of being filed for bankruptcy. The projects became unfeasible because of the change in market situation, bank's decision to cease financing and its refusal to search for constructive solutions in regard to realization of the assets. All these investments were impaired until to nil in financial statements of the Company as at 31 December 2009. The assets and the liabilities of the Group have decreased by LTL 45,839 thousand after this transaction.