AB PREMIA KPC

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AB PREMIA KPC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AB Premia KPC, a joint stock company registered in the Republic of Lithuania (hereinafter the Company), and consolidated financial statements of AB Premia KPC and subsidiaries (hereinafter the Group), which comprise the balance sheets as of 31 December 2008, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the section *Basis for Qualified Opinion* below, we conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

BASIS FOR QUALIFIED OPINION

- As instructed, we have not performed an audit of the subsidiary AS Premia FFL, whose aggregated total assets and total revenues from the third parties comprised 27% and 37% of the respective consolidated amounts as of 31 December 2008 and for the financial year then ended, therefore we were unable to satisfy ourselves as to the balances of the subsidiary and its results and cash flows for the year ended 31 December 2008 included in the consolidated financial statements of the Group.
- We have not audited the financial statements of the subsidiary Premia FFL AS as of the acquisition date (31 October 2007) and we could not obtain sufficient audit evidence in respect of the purchase price allocation to the balances of the acquired assets, liabilities and contingent liabilities at that date. The balances of the subsidiary as of 31 October 2007 have an impact on Group's results and cash flows reported for the years ended 31 December 2008 and 2007, and balances of goodwill and customer contracts, recognised on the subsidiary acquisition, with the total carrying value of LTL 16,764 thousand as of 31 December 2007 (Note 3). Amortisation of customer contracts recorded in 2008 amounts to LTL 1,574 thousand, and the total carrying value of goodwill and customer contracts as of 31 December 2008 is LTL 14,911 thousand (Note 3).

QUALIFIED OPINION

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary, had we been able to perform procedures described in the paragraphs *a)* and *b)* of the section *Basis for Qualified Opinion*, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

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

Jonas Akelis
Auditor's licence
No. 000003
President

Asta Štreimikienė
Auditor's licence
Nr. 000382

The audit was completed on 30 April 2009, except for note 24 of the financial statements, the audit of which was completed on 19 June.

BALANCE SHEETS

		Notes	Group		Company	
			As of 31 December 2008	As of 31 December 2007	As of 31 December 2008	As of 31 December 2007
	ASSETS					
A.	**Non-current assets**					
I.	Intangible assets	3	18,796	16,952	30	24
II.	Property, plant and equipment					
II.1.	Property, plant and equipment (except investment property)	4	37,546	56,830	4,242	5,518
II.2.	Investment property	5	590	611	-	-
	Total property, plant and equipment		38,136	57,441	4,242	5,518
III.	Non-current financial assets					
III.1.	Investments into subsidiaries and associates	6	-	9	34,450	22,159
III.2.	Non-current receivables	25	-	-	4,489	4,489
III.3.	Other long term investments	6	2,064	1,273	-	-
	Total non-current financial assets		2,064	1,282	38,939	26,648
	Total non-current assets		**58,996**	**75,675**	**43,211**	**32,190**
B.	**Current assets**					
I.	Inventories, prepayments and contracts in progress					
I.1.	Inventories	7	15,977	15,021	2,243	1,848
I.2.	Prepayments and contracts in progress		552	85	-	-
t	Total inventories, prepayments and contracts in progress		16,529	15,106	2,243	1,848
II.	Current accounts receivable					
II.1.	Trade receivables	8	13,556	14,186	3,062	2,578
II.2.	Receivables from subsidiaries	25	-	-	4	-
II.3.	Other receivables	9	6,147	894	58	115
	Total current accounts receivable		19,703	15,080	3,124	2,693
III.	Other current assets		806	471	78	11
IV.	Cash and cash equivalents	10	1,265	1,587	147	452
	Total current assets		**38,303**	**32,244**	**5,592**	**5,004**
	Total assets		**97,299**	**107,919**	**48,803**	**37,194**

(cont'd on the next page)
The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS (CONT'D)

		Notes	Group		Company	
			As of 31 December 2008	As of 31 December 2007	As of 31 December 2008	As of 31 December 2007
	EQUITY AND LIABILITIES					
C.	**Equity**					
	Attributable to the shareholders of the Company					
I.	Share capital	11	32,099	32,099	32,099	32,099
II.	Share premium		26,586	26,586	26,586	26,586
III.	Revaluation reserve (result)		-	-	-	-
IV.	Legal reserve	12	674	674	674	674
V.	Foreign currency translation	2.2	(298)	87	-	-
VI.	Retained earnings (deficit)		(43,814)	(34,008)	(32,875)	(30,411)
			15,247	25,438	26,484	28,948
	Minority interest		**-**	**1,735**	**-**	**-**
	Total equity		**15,247**	**27,173**	**26,484**	**28,948**
D.	**Liabilities**					
I.	Non-current liabilities					
I.1.	Financial borrowings	13	22,790	36,806	2,417	3,038
I.2.	Due to shareholder	6	12,291	-	12,291	-
I.3.	Deferred income tax	22	2,169	2,522	23	23
1.4.	Grants and subsidies		9	-	-	-
	Total non-current liabilities		**37,259**	**39,328**	**14,731**	**3,061**
II.	Current liabilities					
II.1.	Financial borrowings	13	24,132	21,951	1,185	1,187
II.2.	Trade and other payables	14	20,661	19,005	4,567	3,177
II.3.	Payables to subsidiaries	25	-	-	1,836	359
II.4.	Income tax payable		-	462	-	462
	Total current liabilities		**44,793**	**41,418**	**7,588**	**5,185**
	Total equity and liabilities		**97,299**	**107,919**	**48,803**	**37,194**

The accompanying notes are an integral part of these financial statements.

General Manager Alvydas Malakauskas 30 April 2009
Chief Accountant Tomas Staškūnas 30 April 2009

INCOME STATEMENTS

		Notes	Group		Company	
			2008	**2007**	**2008**	**2007**
I.	Sales	16	166,492	118,375	30,701	30,445
II.	Cost of sales	17	(114,637)	(81,791)	(20,705)	(20,294)
III.	**Gross profit**		**51,855**	**36,584**	**9,996**	**10,151**
IV.	Operating expenses					
IV.1.	Selling and distribution expenses	18	(44,219)	(29,473)	(10,863)	(9,823)
IV.2.	Administrative expenses	19	(10,752)	(7,183)	(1,431)	(1,721)
VI.	Other operating income (expenses), net	20	6,883	6,883	(17)	4,718
V.	Profit (loss) from operations		3,767	6,811	(2,315)	3,325
VII.	Financial income	21	752	289	283	219
VIII.	Financial expenses	21	(3,966)	(1,792)	(432)	(446)
IX.	**Profit (loss) before tax**		**553**	**5,308**	**(2,464)**	**3,098**
X.	Income tax (expenses) income	22	198	2	-	182
XI.	**Net profit (loss)**		**751**	**5,310**	**(2,464)**	**3,280**
	Attributable to:					
	The shareholders of the Company		253	5,264	(2,464)	3,280
	Minority interest		498	46	-	-
			751	**5,310**	**(2,464)**	**3,280**
	Basic and diluted earnings (loss) per share (in LTL)	23	0.04	0.82	(0.38)	0.51

The accompanying notes are an integral part of these financial statements.

General Manager	Alvydas Malakauskas	30 April 2009
Chief Accountant	Tomas Staškūnas	30 April 2009

STATEMENTS OF CHANGES IN EQUITY

		Attributable to the shareholders of the Company							
Group	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Foreign currency translation reserve**	**Retained earnings (deficit)**	**Subtotal**	**Minority interest**	**Total**
Balance as of 31 December 2006		32,099	26,586	674	-	(39,272)	20,087	3,365	23,452
Income (expenses) for the year recognised directly in equity	2.2	-	-	-	87	-	87	-	87
Net profit for the year		-	-	-	-	5,264	5,264	46	5,310
Total income and (expense) for the year		-	-	-	87	5,264	5,351	46	5,397
Acquisition of subsidiaries	1, 3	-	-	-	-	-	-	(1,676)	(1,676)
Balance as of 31 December 2007		**32,099**	**26,586**	**67**	**87**	**(34,008)**	**25,438**	**1,735**	**27,173**
Income (expenses) for the year recognised directly in equity	2.2	-	-	-	(385)	-	(385)	-	(385)
Net (loss) for the year		-	-	-	-	253	253	498	751
Total income and (expense) for the year		-	-	-	(385)	253	(132)	498	366
Acquisition of minority	1, 6	-	-	-	-	(10,059)	(10,059)	(2,233)	(12,292)
Balance as of 31 December 2008		**32,099**	**26,586**	**674**	**(298)**	**(43,814)**	**15,247**	**-**	**15,247**

Company	Share capital	Share premium	Revaluation reserve (result)	Legal reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2006	**32,099**	**26,586**	**-**	**674**	**(33,691)**	**25,668**
Net profit for the year	-	-	-	-	3,280	3,280
Balance as of 31 December 2007	**32,099**	**26,586**	**-**	**674**	**(30,411)**	**28,948**
Net (loss) for the year	-	-	-	-	(2,464)	(2,464)
Balance as of 31 December 2008	**32,099**	**26,586**	**-**	**674**	**(32,875)**	**26,484**

The accompanying notes are an integral part of these financial statements.

General Manager	Alvydas Malakauskas	30 April 2009
Chief Accountant	Tomas Staškūnas	30 April 2009

CASH FLOW STATEMENTS

		Notes	Group		Company	
			2008	2007	2008	2007
I.	**Cash flows from (to) operating activities**					
I.1.	Net profit		751	5,310	(2,464)	3,280
	Adjustments for non-cash items:					
I.2.	Depreciation and amortisation	3,4	10,639	6,326	2,060	2,078
I.3.	(Gain) loss from sale of property, plant and equipment	3,4,20	(6,522)	(6,973)	18	(4,858)
I.4.	Write-off of property, plant and equipment	3,4	3	341	6	341
I.5.	Allowance and write-off of inventories		309	177	27	54
I.6.	Change in allowance for accounts receivable and impairment of property, plant and equipment		495	(244)	2	(244)
I.7.	Other		(259)	96	-	10
I.8.	Interest (income)	21	(373)	(283)	(276)	(213)
I.9.	Interest expenses	21	3,628	1,755	348	428
I.10.	Profit tax (income)	22	(198)	(2)	-	(182)
			8,473	6,503	(279)	694
	Changes in working capital					
I.11.	(Increase) decrease in trade and other receivables		(873)	218	(498)	1,447
I.12.	Decrease (increase) in inventories		(1,265)	(1,765)	(422)	(257)
I.13.	(Decrease) in accounts payable		1,076	(1,967)	2.399	(242)
	Net cash flows from operating activities		**7,411**	**2,989**	**1,200**	**1,642**

II.	**Cash flows from (to) investing activities**					
II.1.	(Acquisition) of intangible assets and property, plant and equipment	3,4	(5,728)	(12,369)	(157)	(28)
II.2.	Disposal of property, plant and equipment	4	21,617	11,864	2	8,558
II.3.	Disposal of subsidiaries' shares		-	1,417	-	10
II.4.	Acquisitions of subsidiaries, net of cash acquired in the Group		-	(28,225)	-	-
II.5.	(Acquisition) of other non-current investments		(782)	(1,257)	-	-
II.6.	Loans (granted)		(7,390)	(1,015)	-	(4,489)
II.7.	Loans received		2,624	2,244	-	-
II.8.	Interest received	21	373	283	276	213
	Net cash flows from (to) investing activities		**10,714**	**(27,058)**	**121**	**4,264**
III.	**Cash flows from (to) financing activities**					
III.1.	Loans received		12,314	36,782	-	-
III.2.	(Repayment) of loans		(23,979)	(6,568)	-	(2,831)
III.3.	Interest (paid)	21	(3,628)	(1,755)	(348)	(428)
III.4.	Financial lease (paid)		(3,154)	(3,288)	(1,278)	(2,427)
	Net cash flows (to) from financial activities		**(18.447)**	**25,171**	**(1,626)**	**(5,686)**
IV.	**Net (decrease) increase in cash and cash equivalents**		**(322)**	**1,102**	**(305)**	**220**
V.	**Cash and cash equivalents at the beginning of the year**		**1,587**	**485**	**452**	**232**
VI.	**Cash and cash equivalents at the end of the year**		**1,265**	**1,587**	**147**	**452**
	Additional cash flow information:					
	Non-cash investment activity:					
	Acquisition of property, plant and equipment financed by financial lease		2,984	5,357	655	4,224
	Property, plant and equipment received as a subsidy		9	-	-	-

The accompanying notes are an integral part of these financial statements.

General Manager	Alvydas Malakauskas	30 April 2009
Chief Accountant	Tomas Staškūnas	30 April 2009

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kauno Pieno Gamykla was established in 1937. The Company supplied Kaunas with dairy products and ice-cream. In 1970 the dairy production was moved to the suburbs of Kaunas and the ice-cream production remained in the same place, later moved to Estonia. AB Premia KPC (hereinafter the Company) was established as a joint stock company on 7 February 1994 (the company was named AB Kauno Pieno Centras until 2007). The main activities of the Company are sale of ice-cream and frozen products in Lithuania. The Company is located in Kaunas. The address of its registered office is:

Taikos av. 96,
Kaunas,
Lithuania.

The main activities of the Group are production and sale of ice-cream and sale of frozen products in the Baltic states.
As of 31 December 2008 and 2007 the shareholders of the Company were (unaudited):

	2008		2007	
	Number of shares	**Percentage**	**Number of shares**	**Percentage**
Amber Trust II S.C.A. (Luxembourg)	6,063,912	94.45%	6,419,871	100.00%
OU Footsteps Management	218,876	3.41%	-	-
OU Nordelor	53,822	0.84%	-	-
OU Freespirit	47,380	0.74%	-	-
OU Kamakamada	35,881	0.56%	-	-
Total	6,419,871	100.00%	6,419,871	100.00%

The shares of the Company are included into the list of non-traded securities at the NASDAQ OMX Vilnius stock exchange and the securities of the Company are practically not traded.

All the shares of the Company are ordinary shares with a par value of LTL 5 each and were fully paid as of 31 December 2008 and 2007. The share capital did not change in 2008 and 2007. During the reporting period the Company held its own shares (355,959 units) acquired from Amber Trust II S.C.A. and disposed them to the companies related to the management of the Group. The Company did not have any gain from this transaction.

The consolidated group (hereinafter the Group) consists of the Company – AB Premia KPC and its directly and indirectly owned subsidiaries:

Subsidiary	Address	Year of establish-ment / acquisition	Share of the stock held by the Group as of 31 December (%)		Result for 2008	Equity	Activity
			2008	2007			
Premia Tallinna Kulmhoone AS	Betooni 4, Tallinn, Estonia	1999	100	84.50	3,323	24,854	Production of dairy-products and ice-cream
FFL SIA	Meza 4, Ryga, Latvija	2007	100	84.50	(26)	1,622	Wholesale of dairy-products and ice-cream
TCS Invest OU	Betooni 4, Talinas, Estonia	2007	100	84.50	(81)	(72)	Investment activity
Premia FFL AS	Meza 4, Ryga, Latvija	2007	95	80.28	318	7,319	Wholesale of dairy-products and ice-cream
Salpro SIA (Subsidiary of Premia FFL AS)	Meza 4, Ryga, Latvija	2007	-	67.83	-	-	Wholesale of dairy-products and ice-cream

As described in Note 6, in 2008 the Company acquired remaining shares of AS „Premia Tallinna Külmhoone“ from the minority shareholders.

During the 2007 the structure of the Group changed after the disposal of UAB KPC Nekilnojamasis Turtas and after Premia Tallinna Kulmhoone AS acquired 100 % shares of Premia FFL AS and FFL AS (Latvia).

As of 31 December 2008 the number of employees of the Group was 514 (as of 31 December 2007 – 533). As of 31 December 2008 the number of employees of the Company was 100 (as of 31 December 2007 – 108).

The General director of the Company has changed in 2008. Alvydas Malakauskas was approved as Acting Director on 26 November 2008.

2. ACCOUNTING PRINCIPLES

2.1 BASIS OF PREPARATION

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

The Company's management authorised these financial statements on 30 April 2009. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and require the management to prepare a new set of financial statements.

Financial statements of the Group and the Company have been prepared on a historical cost basis.

Adoption of new and/or changed IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The Group and the Company has adopted the following new and amended IFRS and International Financial Report Interpretation Committee (hereinafter IFRIC) interpretations during the year:

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

The principal effects of these changes are as follows:

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

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

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

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

Standards issued but not yet effective

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

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

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

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

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

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

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

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. In accordance with the transitional requirements of these amendments, the Group and the Company will adopt them as a prospective change. 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 7 *Financial Instruments*: Disclosures (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The amendments improve disclosure requirements about fair value measurement and enhance existing principles for disclosures about liquidity risk associated with financial instruments. The amendments will have no impact on the financial position or performance of the Group. The Group is still evaluating whether additional disclosures will be needed.

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

The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 *Segment Reporting*. The Group and the Company will not be effected by this change as the Group/the Company has no publicly traded debt or equity instruments issued and selected not to report segment information.

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

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

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

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

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

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

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

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

Improvements to IFRSs

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Group and the Company 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.
- *IFRS 7 Financial Instruments: Disclosures.* Removal of the reference to 'total interest income' as a component of finance costs.
- *IAS 1 Presentation of Financial Statements*. Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors.* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *IAS 10 Events after the Reporting Period*. Clarification that dividends declared after the end of the reporting period are not obligations.
- *IAS 16 Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell".
- *IAS 18 Revenue.* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- *IAS 19 Employee Benefits.* Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.
- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance.* Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- *IAS 23 Borrowing Costs.* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- *IAS 27 Consolidated and Separate Financial Statements.* When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- *IAS 28 Investment in Associates.* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- *IAS 29 Financial Reporting in Hyperinflationary Economies.* Revised the reference to the exception to measure assets andliabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- *IAS 31 Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- *IAS 34 Interim Financial Reporting*. Earnings per share are disclosed in interim financial reports if an entity is within the cope of IAS 33.
- *IAS 36 Impairment of Assets*. When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- *IAS 38 Intangible Assets*. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- *IAS 39 Financial Instruments: Recognition and Measurement*. Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- *IAS 40 Investment Property*. Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- *IAS 41 Agriculture*. Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'.

Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments*: Recognition and Measurement – Embedded derivatives (effective for financial years ending on or after 30 June 2009 once adopted by the EU).
The amendments clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment to IAS 39 and IFRS 7 issued in October 2008. The Group and the Company did not have financial instruments caught by these amendments.

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 1 January 2010).
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 and the Company is an operator and, therefore, this interpretation has no impact on the Group and the Company.

IFRIC 13 *Customer Loyalty Programmes* (effective for financial years beginning on or after 1 July 2008).
This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Group and the Company does not maintain customer loyalty programmes, therefore, this interpretation will have no impact on the financial position or performance of the Group and the Company.

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

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

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

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

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

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

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

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

IFRIC 18 *Transfers of Assets from Customers (*effective for transfers of assets received on or after 1 July 2009 once adopted by the EU).
The interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the consolidated financial statements because the Group and the Company does not have such agreements.

2.2 MEASUREMENT AND PRESENTATION CURRENCY

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

The functional currency of the subsidiaries in foreign countries are the currencies of the foreign countries. Operations of subsidiaries in foreign countries are booked at local currencies.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Financial assets and liabilities denominated in foreign currencies on the balance sheet date are recognized are translated at period-end exchange rates.

As of the reporting date, the assets and liabilities of the 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 average exchange rate for the financial year. The exchange differences arising on the translation are taken directly to a separate component of equity. 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.

Long-term receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future is considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognized in the separate financial statements of the subsidiary in relation to these monetary items are reclassified to the separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.3 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Group include AB Premia KPC and the companies under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated.

The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and the income statement

Acquisitions of minority interest by the Group are accounted 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.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. 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 identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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.

The excess of the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment remaining after the reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination is recognised in the income statement immediately.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit 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.

2.4 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (THE COMPANY)

Investments in subsidiaries and associates in the Company's stand-alone financial statements are carried at cost, less impairment.

2.5 INTANGIBLE ASSETS (EXCEPT GOODWILL)

Intangible assets are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. 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.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Company do not have any intangible assets with infinite useful life other than goodwill.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

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 over 3 - 10 years period.

Costs incurred in order to restore or maintain the future economic benefits 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.

TRADE CONTRACTS

Intangible assets acquired in a business combination are recognized separately from goodwill, if the asset items are distinguishable or arise from contractual or other legal rights, and their fair value can be reliably measured on the date of acquisition. Trade contracts are amortised over 5-year period.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including investment property, are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the income statement in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance and (or) that they have resulted in an increase of the useful life of the asset, the expenditures are capitalised as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings 20 - 63 years
Constructions and equipment 5 - 40 years
Other property, plant and equipment 2 - 10 years

The useful lives, residual values and depreciation method are reviewed annually 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 in the year the asset is derecognised. Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and put into operation.

2.7 INVESTMENT PROPERTY

Investment property includes land, administrative premises and other buildings, which are not used for main operations of the Group and are intended for generating income from long-term lease to the third parties. Investment property is accounted at cost less depreciation and accumulated impairment loss.

2.8 FINANCIAL ASSETS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The category financial assets at fair value through profit or loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in income statement.

HELD-TO-MATURITY INVESTMENTS

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

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

When the Group / 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. 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 / the Company 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 profit or loss statement.

2.10 INVENTORIES

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the weighted average cost method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

2.11 CASH AND CASH EQUIVALENTS

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, current accounts with banks, and other short-term highly liquid investments.

2.12 BORROWINGS

Borrowing costs are expensed as incurred.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before authorisation of the financial statements for issue provides evidence that the substance of the liability at the balance sheet date was long-term.

2.13 FINANCIAL AND OPERATING LEASES

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.

FINANCIAL LEASE

The Group and the Company recognizes financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Company's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. 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.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the Group's and the Company's income statement for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets can not be depreciated over the period longer than lease term, unless the Group or the Company, according by the lease contract, gets transferred their ownership after the lease term is over.

OPERATING LEASE

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

2.14 GRANTS AND SUBSIDIES

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

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

The balance of unutilised grants is shown in caption "Grants and subsidies" on the balance sheet.

2.15 PROVISIONS

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of 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. The Group / the Company re-evaluates provisions at each balance sheet date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Were discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.16 INCOME TAX

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation. Income tax for the subsidiaries operating in the foreign countries is accounted according to tax legislation of those foreign countries.

The standard income tax rate in Lithuania was 15 % in 2008. In 2007 along with the 15 % income tax companies had to pay an additional 3 % social tax calculated based on the income tax accounting principles. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 20 % income tax rate has been established for indefinite period starting 1 January 2009.

Tax losses of the Group companies operating in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. 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.

Pursuant to the applicable laws, Estonian companies are not subject to income tax if the profit stays in the company. Pursuant to the applicable laws, income tax applied to Latvian companies is 15 %.

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

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

2.17 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods are recognised when delivery has taken place and transfer of risks and rewards has been completed. The services provided by the Company are recognised as revenue after providing the agreed service.

In the consolidated income statement intercompany sales are eliminated.

2.18 IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company or the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

OTHER ASSETS

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the income statement as the impairment loss.

2.19 USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation (Notes 2.6 and 4), impairment evaluation of goodwill and other asset (Note 2.3, Note 3, Note 7 and Note 8) and deferred income tax recognition and impairment evaluation (Note 22). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.20 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.

2.21 SUBSEQUENT EVENTS

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

3 INTANGIBLE ASSETS

Group	**Goodwill**	**Customers contracts**	**Other intangible assets**	**Total**
Cost:				
Balance as of 31 December 2006	-	-	633	633
Additions arising from acquisitions of subsidiaries	9,085	7,944	70	17,099
Additions	-	-	28	28
Disposals	-	-	(6)	(6)
Balance as of 31 December 2007	9,085	7,944	725	17,754

Additions	-	-	3,873	3,873
Foreign currency translation effect	(169)	(110)	(2)	(281)
Balance as of 31 December 2008	8,916	7,834	4,596	21,346
Accumulated amortisation:				
Balance as of 31 December 2006	-	-	465	465
Charge for the year	-	265	78	343
Disposals	-	-	(6)	(6)
Balance as of 31 December 2007	-	265	537	802
Charge for the year	-	1,574	174	1,748
Balance as of 31 December 2008	-	1,839	711	2,550
Net book value as of 31 December 2008	**8,916**	**5,995**	**3,885**	**18,796**
Net book value as of 31 December 2007	**9,085**	**7,679**	**188**	**16,952**

Company	**Other intangibles**
Cost:	
Balance as of 31 December 2006	25
Additions	28
Disposals	(6)
Balance as of 31 December 2007	47
Additions	19
Balance as of 31 December 2008	66
Accumulated amortisation:	
Balance as of 31 December 2006	25
Charge for the year	4
Disposals	(6)
Balance as of 31 December 2007	23
Charge for the year	13
Balance as of 31 December 2008	36
Net book value as of 31 December 2008	**30**
Net book value as of 31 December 2007	**24**

Neither the Group, nor the Company has internally generated intangible assets. Amortisation expenses of intangible assets are included within operating expenses in the income statement.

BUSINESS ACQUISITIONS

On 31 October 2007 the Group acquired 100% of Premia FFL AS and FFL SIA operating in Latvia for the acquisition cost of LTL 28,297 thousand, consisting of LTL 28,147 thousand purchase-sales price and LTL 150 thousand direct costs associated with the acquisition. In the course of the purchase price allocation the non-current assets were evaluated at fair value and customer contracts were recognized as a separate intangible asset valued using discounted future cash flows method.

Difference between the acquisition cost and the fair value of the acquired assets was accounted for as goodwill:

Fair value of the acquired assets attributable to the Group	14,826
Goodwill recognised	9,085
Investment value attributable to the Group (84,50%)	**23,911**
Total investment price	28,297
Cash acquired	(72)
Purchase price net of cash acquired	**28,225**

The goodwill in the amount of LTL 9,085 thousand is related to the synergy created in the Group and know how of the management of the acquired companies. Goodwill attributable to minority is LTL 1,676 thousand.

From the date of the acquisition till 31 December 2007 the subsidiaries acquired generated a loss of LTL 1,560 thousand and contributed LTL 9,267 thousand in revenue. Had the business combination been carried out on 1 January 2007, these amounts would have been LTL 102 thousand of profit and LTL 63,933 thousand of revenue.

GOODWILL IMPAIRMENT

For the purpose of impairment evaluation, goodwill as of 31 December 2008 and 2007 was fully allocated to subsidiary Premia FFL AS.

The recoverable amount of the cash generating unit has been determined based on the value in use. The cash flows used in the test were in case of the first 5 years based on the forecasts prepared by the Parent's Management Board and in case of the following years a 1% growth rate was used. Discount rate of 16% was used. The recoverable amount of the cash generating unit according to impairment test was higher than its carrying amount and therefore no adjustments to the value of goodwill were made.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Cost:						
Balance as of 31 December 2006	24,470	29,881	8,087	6,737	175	69,350
Additions	8,074	3,754	4,278	846	746	17,698
Additions arising from acquisitions of subsidiaries	5,225	5,046	5,314	824	984	17,393
Effect on currency exchange revaluation	38	17	38	6	7	106
Disposals	(10,485)	(229)	(222)	(2)	-	(10,938)
Write-offs	-	(2,381)	(215)	(472)	-	(3,068)
Balance as of 31 December 2007	27,322	36,088	17,280	7,939	1,912	90,541
Additions	1,099	2,725	2,048	619	(1,643)	4,848
Reclassifications	-	146	-	-	-	146
Effect on currency exchange revaluation	(95)	(107)	(94)	(12)	(2)	(310)

Disposals	(16,431)	(1,281)	(222)	(356)	-	(18,290)
Write-offs	-	-	(48)	(190)	-	(238)
Balance as of 31 December 2008	11,895	37,571	18,964	8,000	267	76,697
Accumulated depreciation:						
Balance as of 31 December 2006	9,182	17,067	5,184	5,090	-	36,523
Charge for the year	770	2,616	1,828	748	-	5,962
Disposals	(5,921)	-	(124)	(2)	-	(6,047)
Write-offs	-	(2,156)	(172)	(399)	-	(2,727)
Balance as of 31 December 2007	4,031	17,527	6,716	5,437	-	33,711
Charge for the year	1,193	3,866	2,848	963	-	8,870
Disposals	(2,536)	(448)	(2)	(209)	-	(3,195)
Write-offs	-	-	(47)	(188)	-	(235)
Balance as of 31 December 2008	2,688	20,945	9,515	6,003	-	39,151
Net book value as of 31 December 2008	**9,207**	**16,626**	**9,449**	**1,997**	**267**	**37,546**
Net book value as of 31 December 2007	**23,291**	**18,561**	**10,564**	**2,502**	**1,912**	**56,830**

5. INVESTMENT PROPERTY

Company	**Buildings**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:					
Balance as of 31 December 2006	8,819	2,481	5,999	5,011	22,310
Additions	-	16	4,009	199	4,224
Disposals	(8,819)	-	(176)	(2)	(8,997)
Write-offs	-	(2,381)	(215)	(472)	(3,068)
Balance as of 31 December 2007	-	116	9,617	4,736	14,469
Additions		-	565	228	793
Disposals		-	(18)	-	(18)
Write-offs		-	(48)	(190)	(238)
Balance as of 31 December 2008		116	10,116	4,774	15,006
Accumulated depreciation:					
Balance as of 31 December 2006	5,144	2,229	3,894	3,634	14,901
Charge for the year	26	10	1,519	519	2,074
Disposals	(5,170)	-	(125)	(2)	(5,297)
Write-offs	-	(2,156)	(172)	(399)	(2,727)
Balance as of 31 December 2007	-	83	5,116	3,752	8,951

Charge for the year		5	1,551	491	2,047
Disposals		-	(2)	-	(2)
Write-offs		-	(44)	(188)	(232)
Balance as of 31 December 2008		88	6,621	4,055	10,764
Net book value as of 31 December 2008		**28**	**3,495**	**719**	**4,242**
Net book value as of 31 December 2007		**33**	**4,501**	**984**	**5,518**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2008 amounts to LTL 8,870 thousand and LTL 2,047 thousand, respectively (LTL 5,962 thousand and LTL 2,074 thousand for the year 2007, respectively). Amounts of LTL 6,929 thousand and LTL 2,074 thousand for the year 2008 (LTL 4,251 thousand and LTL 2,074 thousand for the year 2007, respectively) have been included into operating expenses in the Group's and the Company's income statement, respectively. The remaining amounts have been included into cost of production.

Property, plant and equipment of the Group with a net book value of LTL 33,301 thousand (the Company's assets were not pledged) as of 31 December 2008 (as of 31 December 2007 LTL 23,639 thousand of the Group) was pledged to banks as a collateral for the loans (Note 13).

Part of property, plant and equipment of the Group and the Company with acquisition cost of LTL 12,855 thousand and LTL 5,836 thousand respectively was fully depreciated as of 31 December 2008 (LTL 10,548 thousand and LTL 5,128 thousand as of 31 December 2007, respectively) but were still in active use. These assets include vehicles, freezers, warehouse and office equipment.

	Group
Cost:	
Balance as of 31 December 2006	2,755
Additions	-
Balance as of 31 December 2007	2,755
Additions	-
Balance as of 31 December 2008	2,755
Accumulated depreciation:	
Balance as of 31 December 2006	2,123
Charge for the year	21
Balance as of 31 December 2007	2,144
Charge for the year	21
Balance as of 31 December 2008	2,165
Net book value as of 31 December 2008	**590**
Net book value as of 31 December 2007	**611**

Part of the Group's property, plant and equipment located in Estonia is not used in the main activities and is accounted for as investment property.

In the opinion of the management, the fair value of investment properties amounts to LTL 1.3 – 2.2 million. This value is not based on an expert's evaluation.

6. INVESTMENTS INTO SUBSIDIARIES

The Company's investments into subsidiaries are as follows:

	Company	
	2008	2007
Cost of investments at the beginning of the year	22,159	22,169
Acquisition of 15.5% shares of Tallinnna Kulmhoone AS	12,291	-
Disposal of UAB KPC Nekilnojamasis Turtas shares	-	(10)
	34,450	22,159

In December 2006 the Company established a subsidiary UAB KPC Nekilnojamasis Turtas with the share capital of LTL 10 thousand. In 2007 the Company increased share capital of subsidiary from LTL 10 thousand to LTL 2,000 thousand and sold the subsidiary for the nominal value of the shares.

In December 2008 the Company acquired 15.5% shares of the subsidiary Tallinnna Kulmhoone AS from five minority shareholders. The estimated value of redeemed shares was LTL 12,947 thousand. The Company paid for these shares by its newly issued shares and shares acquired from former shareholders (1,112,317 shares). Respective increase in the share capital of the Company amounting to LTL 8,804 thousand was registered only on 9 January 2009, therefore the Company included this amount as a liability to the shareholders into the balance sheet as of 31 December 2008. The Company acquired 355,959 of own shares which were tranferred to the minority shareholders of the AS „Premia Tallinna Külmhoone" for the amount of LTL 4,143 thousand from its main shareholder with a 2-year payment term. The respective liability amounting to LTL 3,487 thousand (at a discounted value) was included into the liability to the shareholders in balance sheet as of 31 December 2008.

The Group has initiated negotiation concerning the possibility to acquire company Hladokombinat in Sankt Petersburg, Russia in 2007. As of 31 December 2008 consultancy fees and other related expenses have reached LTL 2,064 thousand. As of the date of release of these financial statements negotiation regarding Hladokombinat acquisition was still in process.

7. INVENTORIES

	Group		Company	
	2008	2007	2008	2007
Goods for resale	10,915	5,992	2,233	1,822
Finished products	2,829	6,632	-	-
Raw materials and other inventories	2,249	2,397	26	26
Less: net realisable value allowance	(16)	-	(16)	-
	15,977	15,021	2,243	1,848

As explained in Note 13, the Group has pledged inventories for an amount of LTL 13,699 thousand as of 31 December 2008 (the Group has pledged LTL 13,173 thousand of inventories as of 31 December 2007) in order to secure the repayment of a loan.

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as of 31 December 2008 amounted to LTL 16 thousand. Changes in allowance for inventories for the year 2008 is included in operating expenses.

8. TRADE RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
Trade receivables, gross	13,884	14,300	3,144	2,658
Less: allowance for doubtful trade receivables	(328)	(114)	(82)	(80)
	13,556	14,186	3,062	2,578

Changes in allowance for doubtful trade receivables for the year 2008 and 2007 have been included into operating expenses. In 2008 the Group and the Company have not written-off any bad debts.

The Group has pledged to the banks part of accounts receivable as a collateral for the loans received for an amount of LTL 10,490 thousand as of 31 December 2008 (LTL 11,608 thousand as of 31 December 2007) (Note 13).

Movements in the allowance for impairment of receivables (all individually impaired) were as follows:

	Group	Company
Balance as of 31 December 2006	148	115
Charge for the year	55	-
Reversed during the year	(89)	(35)
Balance as of 31 December 2007	114	80
Charge for the year	234	2
Exchange differences	(20)	-
Balance as of 31 December 2008	328	82

The ageing analysis of the Group's trade receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30 – 60 days	60 – 90 days	More than 90 days	
2007	11,865	2,045	93	54	129	14,186
2008	9,781	1,542	545	714	974	13,556

The ageing analysis of the Company's trade receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30 – 60 days	60 – 90 days	More than 90 days	
2007	2,503	36	-	14	25	2,578
2008	2,884	119	17	-	42	3,062

9. OTHER ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As of 31 December 2008 the major part of other accounts receivable of the Group consists of a loan granted by the Group to the company related to the management of Tallinna Kulmhoone AS in 2007. As of 31 December 2008 the outstanding balance of the loan amounted to LTL 5,904 thousand, annual interest – 6%, the maturity term is 2009 (LTL 507 thousand as of 31 December 2007).

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
Cash at bank	1,179	1,498	147	406
Cash on hand	86	43	-	-
Cash in transit	-	46	-	46
	1,265	1,587	147	452

The Group has pledged to the banks part of its cash amounting to LTL 1,118 thousand as of 31 December 2008 (LTL 1,135 thousand as of 31 December 2008) as a collateral for the loans received (Note 13).

11. SHARE CAPITAL

As of 31 December 2008 and 2007 the share capital amounted to LTL 32,099 thousand. The share capital consists of 6,419,871 (6,419,871 in 2007) ordinary registered shares with the par value of LTL 5 each. All the shares were fully paid as of 31 December 2008 and 2007.

On 9 December 2008 the shareholder of the Company made a decision to increase the share capital of the Company by LTL 3,781,790 (or by 756,358 ordinary shares with the par value of LTL 5 each, also see Note 6), however the new by-laws were registered within the Register of Legal Entities only on 9 January 2009 (Note 26).

According to the Law on Stock Companies of Republic of Lithuania equity of the company should not be less than ½ of the share capital of the company registered in the company by-laws. The Company was not in compliance with this requirement as of 31 December 2008.

If equity of the Company is less than required part the share capital, the Board no later than three months from the moment when it became aware or had to become aware of the equity deficit, must convene a general shareholders' meeting, which has to consider how to resolve the situation according to the Law on Stock Companies of Republic of Lithuania. The situation in the company has to be rectified no later than in the 6-month period from the moment when the Board became aware or had to become aware of the equity deficit. If the shareholders' meeting does not take any decision in order to rectify the situation or the situation was not rectified in the 6-month period since the moment when the Board became aware or had to become aware of the equity deficit, the Board no later than in two months period from the date of the shareholders' meeting, shall apply to the court regarding the decrease of the share capital of the Company according to the Law on Stock Companies of Republic of Lithuania Following the court's ruling, the Company has to reduce the share capital and make appropriate changes to the by-laws of the Company.

The Company was not informed about the shareholders' actions in respect of this matter by the date of issuing of these financial statements.

12. RESERVES

LEGAL RESERVE

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of distributable retained earnings calculated for a statutory reporting purposes are required until the reserve reaches 10% of the share capital. This reserve is used for covering accumulated losses. As the Company is operating with the loss, the legal reserve was not fully formed as of 31 December 2008 and 2007.

SHARE PREMIUM

Share premium represents the excess of the share issue price over nominal value of the shares issued. According to laws of the Republic of Lithuania share surplus cannot be distributed, it can only be converted to the share capital or used to cover accumulated losses

RETAINED EARNINGS (DEFICIT)

According to the provisions of the Law on Stock Companies of the Republic of Lithuania, if the total of retained earnings at the beginning of the financial year and net profit (loss) for the year are negative, the General Shareholders' Meeting has to make a decision to cover these losses. Transfers to distributable earnings should be made in the following sequence:

a) transfer from reserves not used in the current financial year;
b) transfer from the compulsory reserve;
c) transfer from the share premium.

The Company was not informed about the shareholder's actions in respect of this matter by the date of issuing of these financial statements.

13. FINANCIAL BORROWINGS

	Group		Company	
	As of 31 December 2008	As of 31 December 2007	As of 31 December 2008	As of 31 December 2007
Non-current borrowings				
Financial lease liabilities	5,763	6,085	2,417	3,038
Bank loans	17,027	30,721	-	-
	22,790	36,806	2,417	3,038
Current borrowings				
Current portion of non-current borrowings	6,325	4,311	-	-
Shares repurchase agreement	1,540	1,426	-	-
Financial lease liabilities	2,895	2,743	1,185	1,187
Short-term loans	13,372	13,471	-	-
	24,132	21,951	1,185	1,187
	46,922	58,757	3,602	4,225

To secure its debt liabilities the Group has pledged the property, plant and equipment (Note 4), inventories (Note 7), trade receivables (Note 8) and future cash inflows (Note 10). In case of the failure to meet financial lease liabilities, the rights of ownership of the leased property are returned to the lessor.

Terms of repayment of non-current debt (except for the financial lease liabilities) are as follows:

	As of 31 December 2008			
	Group		Company	
Year	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2009	-	6,325	-	-
2010 - 2013	-	1,577	-	-
Over five years	-	15,450	-	-
	-	23,352	-	-

	As of 31 December 2007			
	Group		Company	
Year	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2009	-	4,311	-	-
2010 - 2013	-	18,134	-	-
Over five years	-	12,586	-	-
	-	35,031	-	-

The interest rates as of the balance sheet date were as follows:

	Group		Company	
	2008	2007	2008	2007
Bank loans	4.1%	5.6%	-	-
Financial lease liabilities	4.9% - 6.4%	5.8%	6.2%	5.7%

On 31 October 2007 the Group sold 5% of shares of the subsidiary Premia FFL for LTL 1,407 thousand to the third party and according to the purchase-sales agreement is committed to acquire the 5% share in the future at a price equivalent to the other party's investment in AS Premia FFL plus accrued interest of 8 %. According to management of the Group, this transaction on its nature is a put option held by the other party on shares, therefore, the assets and liabilities of subsidiary AS Premia FFL have been consolidated in the Group's financial statements without excluding minority interest and the respective liability has been accounted for as a liability to repurchase these 5% of shares sold.

The assets leased by the Company and Group under financial lease contracts consist of machinery, equipment and vehicles. Apart from the lease payments, other liabilities under the lease contracts are property maintenance and insurance. The terms of financial lease are from 3 to 5 years.

The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group		Company	
	2008	2007	2008	2007
Machinery and equipment	9,804	10,690	3,124	4,010
Other	653	651	506	504
	10,457	11,341	3,630	4,514

As of 31 December 2008 the interest rate of financial lease liability in EUR varies depending on the 12-month EUR LIBOR plus 1.15 % to 2.4 %.

Minimal future lease payments are as follows:

	Group		Company	
	2008	2007	2008	2007
Within one year	3,223	2,967	1,338	1,194
From one to five years	6,063	6,769	2,549	3,473
Over five years	-	-	-	-
Interest	(628)	(908)	(285)	(442)
Present value of financial lease liabilities	8,658	8,828	3,602	4,225

Present value of lease payments is accounted for as follows:

	Group		Company	
	2008	2007	2008	2007
Current financial lease obligations	2,895	2,743	1,185	1,187
Non-current financial lease obligations	5,763	6,085	2,417	3,038
	8,658	8,828	3,602	4,225

As of 31 December 2008 and 2007 all lease agreements were denominated in EUR.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
Trade payables	15,084	15,502	3,221	2,165
Taxes, wages, salaries and social security	1,923	1,207	303	75
Vacation pay accrual	1,337	1,075	239	304
Accrued expenses and other amounts payable	2,317	1,221	804	633
	20,661	19,005	4,567	3,177

15. OPERATING LEASE

The Group and the Company concluded several non-cancellable contracts of operating lease. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2008 lease expenses of the Group and the Company amounted to LTL 1,295 thousand and LTL 13 thousand, respectively (LTL 602 thousand and LTL 24 thousand in 2007, respectively).

Minimal future operating lease payments according to the signed uncancellable lease contracts are as follows:

	Group	Company
Within one year	2,313	13
From one to five years	10,439	-
Over five years	7,616	-
	20,368	13
Denominated in:		
- EUR	20,365	10
- LTL	3	3

16. SALES

	Group		Company	
	2008	2007	2008	2007
Ice-cream	62,610	62,323	18,024	20,710
Frozen food products	109,436	65,424	11,156	9,388
Other	2,812	993	1,521	347
	174,858	128,740	30,701	30,445
Transactions between the group companies	(8,366)	(10,365)	-	-
	166,492	118,375	30,701	30,445

Ice-cream and frozen food products are subject to different sales margins, which are 35 – 47 % for ice-cream and 15 – 25 % for frozen products.

	Geographical region				
Sales of the Group	Lithuania	Estonia	Latvia	Other	Total
2008	30,061	72,694	61,492	2,245	166,492
2007	29,799	73,656	13,801	1,119	118,375

17. COST OF SALES

	Group		Company	
	2008	2007	2008	2007
Ice cream	29,104	27,315	11,193	13,131
Frozen foods	84,396	54,263	8,376	6,950
Other	1,137	213	1,136	213
	114,637	81,791	20,705	20,294

18. SELLING AND DISTRIBUTION EXPENSES

	Group		Company	
	2008	2007	2008	2007
Wages, salaries and social security	16,520	10,121	3,970	3,494
Transportation expenses	9,820	7,149	2,061	1,657
Depreciation and amortisation	6,632	4,047	1,967	2,000
Marketing expenses	2,942	2,874	418	484
Rent	2,661	1,671	1,827	1,551
Utilities	1,551	812	109	169
Office supplies	842	543	110	98
Change in allowance for doubtful receivables	214	(35)	2	(35)
Other	3,037	2,291	399	405
	44,219	29,473	10,863	9,823

19. ADMINISTRATIVE EXPENSES

	Group		Company	
	2008	2007	2008	2007
Wages, salaries and social security	4,558	3,003	710	668
Professional services (except audit)	1,343	1,222	284	377
Depreciation and amortisation	2,045	547	93	78
Repairs and maintenance	321	270	42	29
Bank charges	261	243	18	18
Security	251	276	-	41
Communications expenses	171	197	14	20
Rent	223	177	90	56

Transportation expenses	312	165	39	82
Office supplies	190	132	20	14
Business travel	68	109	4	24
Audit expenses	118	79	38	38
Real estate tax	-	9	-	9
Insurance	6	7	6	7
Other	885	747	73	260
	10,752	7,183	1,431	1,721

20. OTHER OPERATING INCOME (EXPENSES), NET

	Group		Company	
	2008	**2007**	**2008**	**2007**
Gain (loss) from sale of non-current assets	6,522	6,973	(18)	4,858
Rent income	17	4	17	4
Other income (expenses)	344	(94)	(16)	(144)
	6,883	6,883	(17)	4,718

21. INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES, NET

	Group		Company	
	2008	**2007**	**2008**	**2007**
Interest income	373	283	276	213
Foreign currency exchange gain	379	6	7	6
	752	289	283	219
Foreign currency exchange (loss)	-	(8)	-	(8)
Interest (expenses)	(3,628)	(1,755)	(348)	(428)
Other financial (expenses) income, net	(338)	(29)	(84)	(10)
	(3,966)	(1,792)	(432)	(446)

22. INCOME TAX

	Group		Company	
	2008	**2007**	**2008**	**2007**
Income tax for the reporting year	118	642	-	462
Change in deferred income tax recorded in the income statement	(316)	(644)	-	(644)
Income tax (income) expenses recorded in the income statement	(198)	(2)	-	(182)

The income tax expenses attributable to the result for the year and recognized in the income statement can be reconciled with income tax expenses computed by applying standard tax rate to the profit before tax as follows:

	Group		Company	
	2008	2007	2008	2007
Profit (loss) before tax	553	5,206	(2,464)	3,098
Income tax expenses computed at standard rate (15% in 2008 and 18% in 2007)	83	937	(370)	558
Effect of subsidiaries' results taxable at different rates	(636)	(104)	-	-
Effect of change in income tax rate	(129)	(109)	(129)	(109)
Permanent differences	(30)	(32)	(23)	71
Change in valuation allowance accounted for in the income statement	514	(694)	522	(702)
Income tax expenses (income)	(198)	(2)	-	(182)

	Group		Company	
	2008	2007	2008	2007
Deferred income tax asset				
Tax loss carry forward	471	-	471	-
Allowance for accounts receivable	16	21	16	13
Vacation pay accrual	48	-	48	-
Other	-	-	-	-
Deferred income tax asset before valuation allowance	535	21	535	13
Less: valuation allowance	(535)	(21)	(535)	(13)
Deferred income tax asset, net	-	-	-	-
Deferred income tax liability				
Property, plant and equipment and intangible assets	(968)	(2,522)	(21)	(23)
Deferred income tax liability arising from revaluation of property during the acquisition of the subsidiaries	(1,199)	-	-	-
Other	(2)	-	(2)	-
Deferred income tax liability	(2,169)	(2,522)	(23)	(23)
Deferred income tax, net	(2,169)	(2,522)	(23)	(23)

In 2008 change in a deferred income tax of foreign subsidiary due to effect of changes in foreign currency exchange rates amounting to LTL 37 thousand was accounted for in foreign currency translation reserve.

As of 31 December 2008 the consolidated retained earnings of the subsidiary Premia Tallinna Kulmhoone AS amounted to EEK 19,134 thousand (equivalent to LTL 4,223 thousand). In case the subsidiary Premia Tallinna Kulmhoone AS would have paid all the retained earnings as dividends, the maximum profit tax liability payable would be EEK 5,086 thousand (equivalent to LTL 1,123 thousand), and the net dividends paid would be EEK 14,048 thousand (equivalent to LTL 3,100 thousand).

The biggest possible tax liability was estimated making an assumption that Premia Tallinna Kulmhoone AS will pay dividends and the related income tax will not exceed profit available for distribution as of 31 December 2008.

23. EARNINGS BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share represent the net profit (loss) divided by the number of shares. The calculation of the earnings per share is presented below:

	Group		Company	
	2008	**2007**	**2008**	**2007**
Net profit attributable to the shareholders of the Company (in LTL thousand)	253	5,264	(2,464)	3,280
Number of shares (in thousand)	6,420	6,420	6,420	6,420
Earnings (loss) per share (in LTL)	0.04	0.82	(0.38)	0.51

The Company has no diluting instruments, therefore basic and diluted earnings per share are the same.

24. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

CREDIT RISK

The Group and the Company have no significant concentration of credit risk. The credit risk or the risk that the parties will not meet their obligations is controlled by terms of crediting and supervisory procedures.

The Group and the Company do not issue guarantees for the obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the management of the Group and the Company considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

INTEREST RATE RISK

The major part of the Company's and Group's borrowings is with variable interest rates, related to VILIBOR and EUR LIBOR and SEB Eesti base interest rate, which creates an interest rate risk (Note 13). There were no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2008 and 2007.

A 1% increase/decrease in interest rates would decrease/increase net profit before income tax of the Group (with all other variables held constant) by LTL 470 thousand in 2008 (573 thousand in 2007). There is no impact on the Group's equity, other than current year profit impact.

A 1% increase/decrease in interest rates would decrease/increase net profit before income tax of the Company (with all other variables held constant) by LTL 36 thousand in 2008 (42 thousand in 2007). There is no impact on the Group's equity, other than current year profit impact.

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 flexibility of financing is insured by unused credit lines (Note 13). The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as of 31 December 2008 were 0.86 and 0.50, respectively (0.78 and 0.42 as of 31 December 2007, respectively). The Company's liquidity and quick ratios as of 31 December 2008 were 0.74 and 0.44, respectively (0.97 and 0.61 as of 31 December 2007, respectively).

The Management of the Group has approved the strategic plan for the year 2009, where the instruments to improve liquidity and quick ratios of the Company are projected. The main instrument – to develop logistic department by transporting the goods of other companies together with own goods (five new agreements are signed in 2009).

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

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Borrowings	3,668	19,612	19,821	8,883	51,984
Trade and other payables	18,487	2,174	-	-	20,661
Due to shareholders	8,804	-	4,143	-	12,947
Balance as of 31 December 2008	**30,959**	**21,786**	**23,964**	**8,883**	**85,592**
Borrowings	3,931	20,804	32,812	13,643	71,190
Trade and other payables	18,988	17	-	-	19,005
Balance as of 31 December 2007	**22,919**	**20,821**	**32,812**	**13,643**	**90,195**

LIQUIDITY RISK (CONT'D)

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

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial borrowings	267	1,071	2,549	-	3,887
Trade payables	2,834	1,733	-	-	4,567
Payables to related parties	1,836	-	-	-	1,836
Due to shareholders	8,804	-	4,143	-	12,947
Balance as of 31 December 2008	**13,741**	**2,804**	**6,692**	**-**	**23,237**
Financial borrowings	239	955	3,473	-	4,667
Trade payables	3,160	17	-	-	3,177
Payables to related parties	359	-	-	-	359
Balance as of 31 December 2007	**3,758**	**972**	**3,473**	**-**	**8,203**

FOREIGN CURRENCY EXCHANGE RISK

Major currency risks of the Company and the Group occur due to the fact that the Company and the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Company's and the Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group uses forwards up to 21 day to eliminate exposure to USD exchange risk. Profit or loss from the use of forwards are accounted as current period profit or loss from currency exchange.

The Group had no currency forwards or other derivative instruments outstanding as of 31 December 2008 and 2007.

Monetary assets and liabilities stated in various currencies as of 31 December 2008 were as follows (all amounts in the table are presented in LTL thousand):

	Group		Company	
	Assets	Liabilities	Assets	Liabilities
LTL	3,306	7,231	3,268	7,012
EEK	4,221	6,446	-	-
LVL	5,097	3,531	-	-
EUR	6,969	45,026	4,492	6,177
RUB	91	-	-	-
USD	1,130	1,690	-	-
Total	20,814	63,924	7,760	13,189

Since both LTL and EKK are pegged to EUR, the major part of Group's and Company's liabilities is related to the fixed exchange rate in respect of EUR and does not present significant foreign exchange risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings. The carrying amounts and fair values of all of the Group's and the Company's financial instruments are equal.

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

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

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 interest rates approximates their carrying amounts.

25. 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. In 2008 and 2007 the related parties of the Group and the Company were as follows:

- Premia Tallinna Kulmhoone AS (directly owned subsidiary);
- UAB KPC Nekilnojamasis Turtas (directly owned subsidiary until April 2007, Note 6);
- FFL SIA (indirectly owned subsidiary);
- TCS Invest OU (indirectly owned subsidiary);
- Premia FFL AS (indirectly owned subsidiary);
- Salpro SIA (indirectly owned subsidiary);
- Nordic Foods AS (company controlled by members of management of Premia Tallinna Kulmhoone AS);
- Amber Trust II S.C.A. (the shareholder).

The Company's transactions with related parties were as follows:

2008	Sales	Purchases	Receivables	Payables
Premia Tallinna Kulmhoone AS	640	7,726	-	1,836
Premia FFL AS	33	37	4	-
Amber Trust II S.C.A.	-	-	-	3,487
	673	7,763	4	5,323

2007	Sales	Purchases	Receivables	Payables
Premia Tallinna Kulmhoone AS	974	9,550	-	350
Premia FFL AS	-	9	-	9
UAB KPC Nekilnojamasis Turtas (until April 2007, Note 6)	8,558	-	-	-
	9,532	9,559	-	359

The Company's loans to related parties were as follows:

	Maturity	Interest rate	2008	2007
Premia Tallinna Kulmhoone AS	28 May 2017	6%	4,489	4,489

The Group's transactions with related parties in 2008 and 2007 were as follows:

	Transactions in 2008		Balance as of 31 December 2008	
	Sales	Purchases	Receivables	Payables
Related parties				
Amber Trust II S.C.A.	-	-	-	6,905
Companies related to the management of Premia Tallinn Kulmhoone AS	-	155	5,190	37
Total	-	155	5,190	6,942

The short-term loan granted by Amber Trust II S.C.A. amounting to LTL 6,905 as of 31 December 2008 has an interest rate of 8.75%. The loan has to be repaid in 2009. A total of LTL 26 thousand interest was recognized as interest expense on this borrowing in 2008.

	Transactions in 2007		Balance as of 31 December 2007	
	Sales	Purchases	Receivables	Payables
Related parties				
Companies related to the management of Premia Tallinn Kulmhoone AS	252	15	-	34
Total	252	15	-	34

Besides the above mentioned transactions, the Company has included LTL 8,804 thousand into balance of the liabilities to the shareholders in the balance sheet, as it is described in Note 6.

REMUNERATION OF THE MANAGEMENT AND OTHER PAYMENTS

The Group's and Company's management remuneration amounted to LTL 2,350 thousand and LTL 805 thousand in 2008, respectively (LTL 1,493 thousand and LTL 610 thousand in 2007, respectively); other payments to the management of the Company amounted to LTL 84 thousand in 2008 (LTL 83 thousand in 2007). In 2008 and 2007 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued. The management includes general managers of the Group companies, their chief accountants, commercial directors, logistic managers and production managers.

26. SUBSEQUENT EVENTS

The profit distribution draft: generated loss of LTL 2,464 thousand during 2008 will be added to the accumulated losses.

On 9 December 2008 the Company has approved new by-laws along with a decision of shareholder to increase the share capital of the Company by LTL 3,781,790 (or by 756,358 ordinary shares with the par value of LTL 5 each, also see Note 6); the new by-laws were registered within the Register of Legal Entities on 9 January 2009.

The share capital was increased by issuing 756,358 ordinary shares with the par value of LTL 5 each. The price of the shares is LTL 11.64 each, the shares were paid by in-kind contribution – AS „Premia Tallinna Kulmhoone" shares (Note 6). The shares were acquired by OU Rododendron (626,484 shares) and OU Freespirit (129,874 shares).