

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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Independent auditors' report to the shareholders of AB Invalda

Report on the Financial Statements

We have audited the accompanying 2007 financial statements of AB Invalda, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Invalda Group (hereinafter the Group), which comprise the balance sheets as of 31 December 2007, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As described in Note 1 to the accompanying financial statements, the Group in the consolidated financial statements accounted for the investment to UAB GIRIŲ BIZONAS using the equity method according to the unaudited financial data of UAB GIRIŲ BIZONAS. We have not been able to obtain sufficient audit evidence with regards to what would the value of the investment (currently stated at LTL 15,796 thousand) and the negative effect of the equity method (currently stated at LTL 1,643 thousand) have been in the Group's consolidated financial statements had the investment been accounted for according to the audited financial data of UAB GIRIŲ BIZONAS.

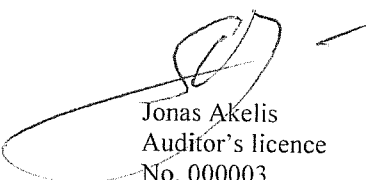
Qualified Opinion

In our opinion, except for the effect of the adjustments, if any, that may have been required had we been able to perform the procedures discussed in section *Basis for Qualified Opinion* above, the accompanying financial statements present fairly, in all material respects, the financial position of AB Invalda and the Group as of 31 December 2007, 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.

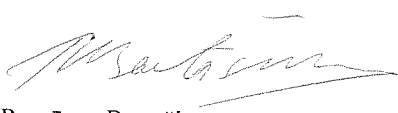
Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2007 (presented as a separate document) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2007.

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



Jonas Akelis
Auditor's licence
No. 000003



Ramūnas Bartašius
Auditor's licence
No. 000362

The audit was completed on 18 April 2008.

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in LTL thousand unless otherwise stated)

GENERAL INFORMATION

Board of Directors

Mr. Vytautas Bučas (Chairman of the Board)
Mr. Dailius Juozapas Mišeikis
Mr. Darius Šulnis

Management

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

Registered office and company code

Šeimyniškių Str. 3,
Vilnius,
Lithuania
Company code 121304349

Bankers

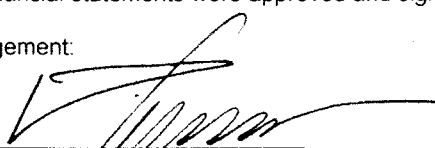
Nordea Bank Finland Plc. Lithuanian Branch
AB DnB NORD Bankas
AB Sampo Bankas
AB SEB Bankas
AB Bankas Hansabankas
AB Bankas Snoras
AB Šiaulių Bankas
UAB Medicinos Bankas


Auditor

UAB Ernst & Young Baltic
Subačiaus St. 7,
Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 18 April 2008.

Management:



Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief financial officer

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

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**Income statements**

		Group		Company	
	Notes	2007	2006	2007	2006
Continuing operations					
Revenue	4				
Furniture production revenue		169,865	133,539	-	-
Rent and other real estate income		35,097	35,702	-	-
Financial mediation revenue		33,769	24,825	-	-
Pharmacy revenue		-	16,171	-	-
Other production and services revenue		14,864	14,111	-	-
Total revenue		253,595	224,348	-	-
Other income	5.1.	36,161	24,733	7,726	17,719
Valuation gains of investment properties	12	50,161	50,497	-	-
Valuation losses of investment properties	12	(674)	(4,601)	-	-
Changes in inventories of finished goods and work in progress		(674)	(1,497)	-	-
Raw materials and consumables used		(110,827)	(92,130)	(42)	-
Salaries and related expenses		(67,306)	(57,548)	(1,681)	(1,336)
Depreciation and amortisation	10, 11, 13	(11,713)	(13,868)	(158)	(127)
Subcontractor expenses		(8,791)	(12,354)	-	-
Premises rent and utilities		(13,348)	(9,581)	(385)	(263)
Fees for securities		(3,552)	(7,108)	(94)	(195)
Vehicles maintenance costs		(3,528)	(3,798)	(103)	(54)
Other taxes		(3,579)	(3,464)	(164)	(210)
Advertising and other promotion expenses		(5,074)	(2,790)	(42)	(67)
Goodwill impairment	13, 14	-	(2,980)	-	-
Repair and maintenance of premises		(2,409)	(916)	(3)	-
Other operating expenses	5.2.	(20,587)	(14,976)	(10,008)	(695)
Finance income	5.3.	10,237	5,432	100,114	20,714
Finance expenses	5.4.	(30,353)	(18,034)	(9,064)	(4,229)
Share of profit from associates and joint ventures		30,074	27,686	-	-
Profit before tax		97,813	87,051	86,096	31,257
Income tax expenses	6	(12,241)	(13,501)	708	(2,441)
Profit for the year from continuing operations		85,572	73,550	86,804	28,816
Discontinued operation					
Profit/(Loss) after tax for the year from a discontinued operation	7	1,988	2,002	-	-
PROFIT FOR THE YEAR		87,560	75,552	86,804	28,816
Attributable to:					
Equity holders of the parent		78,964	65,533	-	-
Minority interest		8,596	10,019	-	-
		87,560	75,552	-	-
Basic and diluted earnings per share (in LTL)	8	1.78	1.51		
Basic and diluted earnings per share (in LTL) for continuing operations	7, 8	1.73	1.46		

Balance sheets

		Group		Company	
	Notes	As at 31 December 2007	As at 31 December 2006	As at 31 December 2007	As at 31 December 2006
ASSETS					
Non-current assets					
Property, plant and equipment					
Hotels	10	-	49,821	-	-
Other property, plant and equipment	11	80,424	147,449	535	630
Total property, plant and equipment		80,424	197,270	535	630
Investment properties	12	402,933	391,303	-	-
Intangible assets	13, 14	23,546	5,659	10	8
Non-current financial assets					
Investments into subsidiaries	1	-	-	163,991	67,141
Investments into associates and joint ventures	1	303,952	186,509	216,350	118,797
Investments available-for-sale	15	5,920	18,713	1,821	1,771
Loans granted	16	16,962	15,338	21,961	30,350
Total non-current financial assets		326,834	220,560	404,123	218,059
Other non-current assets	29	2,848	-	-	-
Deferred tax asset	6	809	1,131	708	-
Total non-current assets		837,394	815,923	405,376	218,697
Current assets					
Inventories	17	119,950	18,499	-	-
Trade and other receivables	1	27,365	24,347	239	-
Short-term loans granted	16	77,977	44,974	108,754	16,981
Prepaid income tax		3,678	4,173	900	-
Prepayments and deferred charges	19	22,040	1,832	142	4
Financial assets held for trade	20	24,206	19,097	-	-
Cash and cash equivalents	21	4,248	9,161	30	82
Total current assets		279,464	122,083	110,065	17,067
Non-current assets and assets of disposal group classified as held-for-sale					
	7	87,669	-	10,079	-
TOTAL ASSETS		1,204,527	938,006	525,520	235,764

(cont'd on the next page)

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

Balance sheets (cont'd)

		Group		Company	
	Notes	As at 31 December 2007	As at 31 December 2006	As at 31 December 2007	As at 31 December 2006
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1, 22	42,569	45,008	42,569	45,008
Share premium		50,588	50,588	50,588	50,588
Reserves	23	41,852	28,683	39,001	3,068
Retained earnings		136,131	203,860	47,153	47,675
Translation reserve	23	(73)	(48)	-	-
Reserves of disposal group classified as held-for-sale		28,077	-	-	-
		299,144	328,091	179,311	146,339
Minority interest		6,056	40,407	-	-
Total equity		305,200	368,498	179,311	146,339
Liabilities					
Non-current liabilities					
Non-current borrowings	24	270,395	246,347	78,589	2,901
Financial lease liabilities	25	230	6,267	-	-
Government grants		31	109	-	-
Provisions		136	105	-	-
Deferred tax liability	6	35,356	35,976	-	-
Other non-current liabilities	3	1,280	197	-	-
Total non-current liabilities		307,428	289,001	78,589	2,901
Current liabilities					
Current portion of non-current borrowings	24	134,830	80,104	1,350	1,350
Current portion of financial lease liabilities	25	6,102	1,467	-	-
Current borrowings	24	186,821	138,819	144,244	81,770
Trade payables	26	26,159	24,707	890	552
Income tax payable		4,729	2,785	-	1,218
Advances received	7, 17	47,400	19,360	1,233	-
Other current liabilities	27	130,690	13,265	119,903	1,634
Total current liabilities		536,731	280,507	267,620	86,524
Non-current liabilities and liabilities of disposal group directly associated with the assets classified as held-for-sale	7	55,168	-	-	-
Total liabilities		899,327	569,508	346,209	89,425
TOTAL EQUITY AND LIABILITIES		1,204,527	938,006	525,520	235,764

(the end)

AB INVALDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in LTL thousand unless otherwise stated)

Statements of changes in equity

Equity attributable to equity holders of the parent												
Group	Notes	Share capital	Share premium	Reserves					Discontinued operations	Subtotal	Minority interest	Total equity
				Revaluation reserve	Fair value reserves	Other reserves	Translation reserve	Retained earnings				
Balance as at 31 December 2005		41,735	19,815	19,716	3,273	9,463	472	147,034	-	241,508	93,782	335,290
Net gain on available-for-sale Investments		-	-	-	159	-	-	-	-	159	-	159
Depreciation transfer for hotels		-	-	(1,325)	-	-	-	1,325	-	-	-	-
Foreign currency translation		-	-	-	-	-	(520)	-	-	(520)	-	(520)
Income and expenses for the year recognised directly in equity	1	-	-	-	-	-	-	3,946	-	3,946	-	3,946
Total income and expenses for the year recognised directly in equity		-	-	(1,325)	159	-	(520)	5,271	-	3,585	-	3,585
Profit for the year 2006	8	-	-	-	-	-	-	65,533	-	65,533	10,019	75,552
Total income and expenses for the year		-	-	(1,325)	159	-	(520)	70,804	-	69,118	10,019	79,137
Minority of subsidiaries acquired		-	-	-	-	-	-	(8,234)	-	(8,234)	(47,480)	(55,714)
Issue of new shares	22	3,273	30,773	-	-	-	-	-	-	34,046	-	34,046
Change in reserves		-	-	-	-	(2,603)	-	2,603	-	-	-	-
Equity dividends	9	-	-	-	-	-	-	(8,347)	-	(8,347)	-	(8,347)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	(15,914)	(15,914)
Balance as at 31 December 2006		45,008	50,588	18,391	3,432	6,860	(48)	203,860	-	328,091	40,407	368,498

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AB INVALDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(all amounts are in LTL thousand unless otherwise stated)

Statements of changes in equity (cont'd)

Group	Notes	Equity attributable to equity holders of the parent										
		Share capital	Share premium	Reserves					Discontinued operations	Subtotal	Minority interest	Total equity
				Revaluation reserve	Fair value reserves	Other reserves	Translation reserve	Retained earnings				
Balance as at 31 December 2006		45,008	50,588	18,391	3,432	6,860	(48)	203,860	-	328,091	40,407	368,498
Net gain on available-for-sale investments		-	-	-	(2,880)	-	-	-	-	(2,880)	-	(2,880)
Revaluation of hotels		-	-	9,933	-	-	-	-	-	9,933	-	9,933
Depreciation transferred for hotels		-	-	(492)	-	-	-	492	-	-	-	-
Foreign currency translation		-	-	-	-	-	(25)	-	-	(25)	-	(25)
Income and expenses for the year recognised directly in equity	1	-	-	-	-	-	-	8,640	-	8,640	-	8,640
Total income and expenses for the year recognised directly in equity		-	-	9,441	(2,880)	-	(25)	9,132	-	15,668	-	15,668
Profit for the year 2007	8	-	-	-	-	-	-	78,964	-	78,964	8,596	87,560
Total income and expenses for the year		-	-	9,441	(2,880)	-	(25)	88,096	-	94,632	8,596	103,228
Discontinued operations		-	-	(27,832)	-	(245)	-	-	28,077	-	-	-
Minority interest arising on business combination		-	-	-	-	-	-	-	-	-	987	987
Acquisition of minority interests		-	-	-	-	-	-	(298)	-	(298)	(186)	(484)
Sales of subsidiaries		-	-	-	-	-	-	-	-	-	221	221
Changes in share capital after the merger	22	(2,439)	-	-	-	-	-	(109,590)	-	(112,029)	(13,072)	(125,101)
Change in reserves		-	-	-	-	34,685	-	(34,685)	-	-	-	-
Equity dividends	9	-	-	-	-	-	-	(11,252)	-	(11,252)	-	(11,252)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	(30,897)	(30,897)
Balance as at 31 December 2007		42,569	50,588	-	552	41,300	(73)	136,131	28,077	299,144	6,056	305,200

(the end)

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Share premium	Reserves			Retained earnings	Total
				Legal reserve	Fair value reserve	Other reserves		
Balance as at 31 December 2005		41,735	19,815	2,587	771	-	19,245	84,153
Net profit for 2006		-	-	-	-	-	28,816	28,816
Changes in fair value reserve		-	-	-	(771)	-	-	(771)
Total income and expenses for the year		-	-	-	(771)	-	28,816	28,045
Dividends for 2005	9	-	-	-	-	-	(8,347)	(8,347)
Transferred to legal reserve		-	-	481	-	-	(481)	-
Issue of new shares	22	3,273	30,773	-	-	-	-	34,046
Minority acquisition		-	-	-	-	-	8,442	8,442
Balance as at 31 December 2006		45,008	50,588	3,068	-	-	47,675	146,339
Net profit for 2007		-	-	-	-	-	86,804	86,804
Total income and expenses for the year		-	-	-	-	-	86,804	86,804
Dividends for 2006	9	-	-	-	-	-	(11,252)	(11,252)
Transferred to legal reserve		-	-	1,433	-	-	(1,433)	-
Transferred to reserve of purchase of own shares		-	-	-	-	34,500	(34,500)	-
Changes in share capital after the merger	3	(2,439)	-	-	-	-	-	(2,439)
Loss from annulled own shares acquired during the merger	3	-	-	-	-	-	(40,141)	(40,141)
Balance as at 31 December 2007		42,569	50,588	4,501	-	34,500	47,153	179,311

(the end)

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**Cash flows statements**

	Group		Company	
	2007	2006	2007	2006
Cash flows from (to) operating activities				
Profit after tax from continuing operations	85,572	73,550	86,804	28,816
Profit/(Loss) after tax from discontinued operations	1,988	2,002	-	-
Net profit for the year	87,560	75,552	86,804	28,816
Adjustment to reconcile profit before tax to net cash flows				
Non-cash:				
Valuation gain, net	(49,487)	(45,896)	-	-
Depreciation and amortisation	13,429	16,152	158	127
(Gain) on disposal of tangible assets	(14,419)	(17,758)	-	-
(Gain) on disposal of investments	(7,720)	(1,937)	(1,213)	(17,727)
(Gain) on disposal of subsidiaries	(8,047)	(7,405)	-	-
Share of net profits of associates and joint ventures	(30,074)	(27,686)	-	-
Interest (income)	(8,391)	(4,928)	(7,126)	(2,412)
Interest expenses	27,467	16,132	9,053	4,223
Deferred taxes	4,576	6,970	(708)	-
Current income tax expenses	7,665	6,531	-	-
Allowance for receivables	3,329	1,286	1,200	-
Allowance for inventories	(352)	643	-	-
Allowance for investments	-	-	1,630	-
Change in provisions	31	105	-	-
Dividend income	-	-	(92,877)	(18,302)
Valuation of held for trade investments	1,062	306	-	-
Loss (gain) from other financial activities	52	1,411	(99)	4
	26,681	19,478	(3,178)	(5,271)
Working capital adjustments:				
Decrease (increase) in inventories	2,528	(22,268)	-	-
Decrease (increase) in trade and other receivables	19,886	13,154	(8)	10,444
(Increase) decrease in other current assets	(20,208)	10,696	(138)	45
Increase (decrease) in trade payables	3,731	(24,925)	(529)	5,128
Income tax (paid)	(3,623)	(1,825)	(2,118)	621
Increase (decrease) in other current liabilities	64,932	(11,293)	(14,369)	631
Net cash flows from (to) operating activities	93,927	(16,983)	(20,340)	11,598

(cont'd on the next page)

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**Cash flows statements (cont'd)**

	Group		Company	
	2007	2006	2006	2005
Cash flows from (to) investing activities				
(Acquisition) of non-current assets (except investment properties)	(66,728)	(48,898)	(65)	(449)
Proceeds from sale of non-current assets (except investment properties)	3,839	11,040	-	67
(Acquisition) of investment properties	(58,505)	(90,259)	-	-
Proceeds of sale of investment properties	88,335	17,573	-	-
(Acquisition) and establishment of subsidiaries, net of cash acquired	(6,825)	(4,214)	(763)	(12,104)
Proceeds from sales of subsidiaries	8,767	23,726	9,526	24,504
(Acquisition) of associates, joint ventures	(11,163)	(98,705)	(19,436)	(85,763)
Proceeds from sales of associates, joint ventures	3,046	17,193	671	15,484
Loans (granted)	(78,227)	(9,997)	(114,171)	(119,186)
Repayment of granted loans	8,499	15,906	99,902	107,132
Dividends received	330	869	14,809	25,502
Interest received	8,391	4,938	1,576	276
(Acquisition) of minority interest and increase of share	(2,523)	(2,330)	(23,694)	-
Other cash flow from investing activities	14,500	430	(27)	-
Net cash flows (to) investing activities	(88,264)	(162,728)	(31,672)	(44,537)
Cash flows from (to) financing activities				
Cash flows related to company shareholders				
Dividends (paid) to equity holder of the parent	(10,841)	(8,347)	(10,841)	(7,918)
Dividends (paid) to minority interests	(30,897)	(15,914)	-	-
	(41,738)	(24,261)	(10,841)	(7,918)
Cash flows related to other sources of financing				
Proceeds from loans	151,775	286,944	245,471	105,574
Issue of bonds	2,000	6,000	-	-
(Repayment) of loans	(93,054)	(99,691)	(176,877)	(62,016)
Interest (paid)	(27,467)	(17,203)	(5,484)	(2,619)
Financial lease (payments)	(1,239)	(334)	-	-
Other cash flows from financing activities	1,005	4,678	102	-
	33,020	180,394	63,212	40,939
Net cash flows from financial activities	(8,718)	156,133	52,371	33,021
Impact of currency exchange on cash and cash	-	(10)	-	(4)
Net (decrease) increase in cash and cash equivalents	(3,055)	(23,588)	(52)	78
Cash and cash equivalents at the beginning of the year	9,161	32,749	82	4
Cash and cash equivalents at the end of the year	6,106	9,161	30	82

(the end)

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

Notes to the financial statements**1 General information**

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

Šeimyniškių Str. 3,
Vilnius,
Lithuania.

AB Invalda is the company actively managing its investments by acquiring and restructuring businesses, introducing modern management and financial management methods, receiving income from managed companies and/or exiting businesses and providing high return to the shareholders of the Company and diversifying risk. Striving to obtain the highest effectiveness of investments and profitability to the shareholders, concentration to the priority segments is made, such as finance, real estate, pharmacy, roads and bridges construction and furniture manufacturing.

The Company's shares were traded on the Baltic Secondary List of Vilnius Stock Exchange until 31 December 2007 and now are traded on the Baltic Main List of Vilnius Stock Exchange.

As at 31 December 2007 and 2006 the shareholders of the Company were:

	2007		2006	
	Number of shares held	Percentage	Number of shares held	Percentage
Mr. Vytautas Bučas	9,086,325	21.35%	5,882,003	13.07%
UAB Lucrum Investicija	7,276,865	17.09%	-	-
Mr. Algirdas Bučas	3,923,597	9.22%	35,000	0.08%
Mr. Darius Šulnis	3,658,538	8.59%	4,471,762	9.94%
Mr. Dailius Juozapas Mišeikis	2,748,238	6.46%	6,792,556	15.09%
Mrs. Daiva Banienė	1,836,234	4.31%	117,720	0.26%
Mr. Alvydas Banys	1,029,624	2.42%	5,364,493	11.92%
AB Nenuorama	-	-	9,448,043	20.99%
Other minor shareholders	13,009,428	30.56%	12,896,799	28.65%
Total	42,568,849	100.00%	45,008,376	100.00%

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2007 and 2006. On 30 June 2006 the share capital of the Company was increased to LTL 45,008,376 by issuing 3,273,714 ordinary shares with the par value of LTL 1 each. Subsidiaries and associated companies did not hold any shares of the Company as at 31 December 2007 and 2006. The Company did not hold its own shares.

On 28 September 2007 during the merger of the Company and AB Nenuorama 22,305,587 ordinary shares of the Company were annulled and 19,866,060 ordinary shares were issued with the par value of LTL 1 each. After the merger the share capital of the Company was decreased to LTL 42,568,849.

As at 31 December 2007, the number of employees of the Group was 1,723 (as at 31 December 2006 – 2,066). As at 31 December 2007, the number of employees of the Company was 13 (as at 31 December 2006 – 11).

The financial statements were approved and signed by the Management and the Board of Directors on 18 April 2008.

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

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

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

Company	Registration country	31 December 2007		31 December 2006		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
Real estate segment:						
AB Invalidos Nekilnojamojo Turto Fondas	Lithuania	100.00	91,608	56.21	6,557	Real estate investor
UAB PVP Nida	Lithuania	100.00	10	100.00	10	Real estate investor
UAB Ineturas	Lithuania	100.00	2,000	100.00	2,000	Real estate investor
UAB Vilniaus Senamiesčio Restauravimo Direkcija	Lithuania	-	-	100.00	1,978	Real estate investor
UAB Trakų Kelias	Lithuania	100.00	512	100.00	512	Real estate investor
UAB Naujoji Švara	Lithuania	100.00	1,501	100.00	1,501	Real estate investor
UAB Ekotra	Lithuania	100.00	500	100.00	500	Real estate investor
UAB IBC Logistika	Lithuania	100.00	1,400	100.00	1,400	Real estate investor
UAB Saistas	Lithuania	100.00	1,884	100.00	1,884	Real estate investor
Incredo TOV	Ukraine	100.00	254	100.00	27	Real estate investor
SIA Gravity	Latvia	100.00	766	100.00	766	Real estate investor
UAB Šimtamargis	Lithuania	100.00	300	100.00	300	Real estate investor
UAB Dizaino Institutas	Lithuania	100.00	2,677	100.00	2,677	Real estate investor
UAB INTF Investicija*	Lithuania	100.00	700	-	-	Real estate investor
UAB Žemvesta*	Lithuania	100.00	300	-	-	Real estate investor
UAB SAGO*	Lithuania	100.00	1,500	-	-	Real estate investor
UAB Nerijos Būstas	Lithuania	100.00	1,000	100.00	1,000	Real estate investor
UAB Riešės Investicija	Lithuania	100.00	1,500	100.00	1,500	Real estate investor
UAB Inreal	Lithuania	100.00	1,475	100.00	400	Intermediation in operation with real estate, property valuation
UAB Inred (former UAB Invalida Real Estate)	Lithuania	100.00	5,899	100.00	764	Real estate management and administration
SIA Inreal	Latvia	100.00	499	100.00	499	Intermediation in operation with real estate, property valuation
UAB Invalida Construction Management	Lithuania	100.00	367	100.00	367	Construction management
Inreal TOV	Ukraine	88.68	1,768	87.79	1,080	Intermediation in operation with real estate, property valuation
Inreal-Ocinka TOV*	Ukraine	88.68	117	-	-	Intermediation in operation with property valuation
UAB Aikstentis	Lithuania	75.00	8	75.00	8	Real estate investor
UAB Saulės Investicija	Lithuania	75.00	150	75.00	150	Real estate investor
UAB Broner	Lithuania	73.42	6,234	73.35	6,227	Real estate investor
UAB Wembley Neringa	Lithuania	63.39	400	63.39	400	Real estate investor

(cont'd in the next page)

*These companies were newly established in 2007.

AB INVALDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

Company	Registration country	31 December 2007		31 December 2006		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
Financial mediation segment:						
AB FMĮ Finasta	Lithuania	100.00	7,202	100.00	7,202	Financial mediation
AB Finasta Įmonių Finansai	Lithuania	100.00	20,150	100.00	150	Financial mediation
UAB Finasta Investicijų Valdymas	Lithuania	100.00	2,609	100.00	2,609	Financial mediation
Finasta Asset Management AS	Latvia	100.00	496	100.00	496	Financial mediation
UAB DB Voltera	Lithuania	-	-	69.42	62	Financial mediation
UAB Finansų Spektras	Lithuania	100.00	1,000	100.00	1,000	Financial mediation
UAB Finansų Spektro Investicija	Lithuania	100.00	703	100.00	703	Financial mediation
UAB Finasta Rizikos Valdymas	Lithuania	100.00	97	100.00	97	Financial mediation
Finasta TOV	Ukraine	95.00	1,033	100.00	322	Financial mediation
Furniture production segment:						
UAB Kelio Ženkloi	Lithuania	100.00	1,520	100.00	1,520	Road signs production, furniture manufacturing
ООО Bazilika	Russia	100.00	471	100.00	471	Furniture manufacturing
ООО Bazilika Invest	Russia	100.00	150	100.00	1	Furniture manufacturing
AB Vilniaus Baldai	Lithuania	69.60	11,978	68.90	11,133	Furniture manufacturing
UAB Ari-Lux	Lithuania	69.60	16	-	-	Furniture manufacturing
AB Minija	Lithuania	-	-	88.88	6,496	Furniture manufacturing
Hotels management segment:						
AB Valmeda	Lithuania	100.00	7,805	100.00	7,805	Hotel management
UAB Kelionių Viešbučiai	Lithuania	100.00	50	100.00	50	Hotel management

(cont'd in the next page)

AB INVALDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

Company	Registration country	31 December 2007		31 December 2006		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
<i>Other production and services segment:</i>						
VšĮ Iniciatyvos Fondas*	Lithuania	100.00	10	-	-	Social initiatives activities
UAB Positor*	Lithuania	80.00	403	-	-	Information technology solution
UAB Informatikos Pasaulis	Lithuania	80.00	836	-	-	Information technology solution
UAB Vitma	Lithuania	80.00	6,076	-	-	Information technology solution
UAB Baltic Amadeus	Lithuania	80.00	3,886	-	-	Information technology solution
UAB Hidroprojektas	Lithuania	97.99	2,274	97.99	2,274	Production and services
UAB Invalda Service	Lithuania	100.00	500	100.00	500	Facility management
UAB Ente*	Lithuania	100.00	10	-	-	Dormant
UAB 4IN*	Lithuania	100.00	10	-	-	Dormant
UAB Trakų Rekreacijos Centras*	Lithuania	75.00	10	-	-	Dormant
UAB Aktyvo*	Lithuania	100.00	10	-	-	Dormant
UAB Investicijų Tinklas*	Lithuania	100.00	10	-	-	Dormant
			194,644		75,398	
Less indirect ownership			(18,944)		(8,257)	
Less impairment			(1,630)		-	
Investments into subsidiaries (Company)			174,070		67,141	
Presented as:						
Investment into subsidiaries			163,991		67,141	
Non-current assets and assets of disposal group classified as held-for-sale			10,079		-	

*These companies were newly established in 2007.

(the end)

In 2007 the investment to SIA Gravity and UAB Finansų Spektras were impaired by LTL 1,630 thousand till the recoverable amounts which represent the equity amounts of these companies. Previously these companies have paid dividends to the Company which were recognised in the finance income and reimbursed the investments of the Company.

As at 31 December 2007 the Group investment to hotels management segment companies (100% subsidiary of the Company AB Valmeda and its 100% subsidiary UAB Kelionių Viešbučiai) and UAB Hidroprojektas are classified as non-current assets and assets of disposed group classified as held-for-sale (Note 7).

AB INVALDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

Associates of the Group as at 31 December 2007 were as follows (amounts stated relate to 100% of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year	Assets	Share-holders equity	Liabilities	Revenue	Main activities
AB Umea	21.37	2,684	1,795	16,509	4,278	12,231	35,819	Production and services
UAB Girių Bizonas	17.40	26,250	(9,799)	266,247	51,521	174,742	196,931	Furniture manufacturing
UAB VIPC Klaipėda	42.00	3,672	15,432	55,351	38,093	17,258	19,091	Real estate investor
UAB ŽVF Projektai	21.46	2	(46)	293	(41)	334	1	Investment property
AB Agrowill Group*	20.63	352	33,815	189,116	68,749	120,367	43,922	Agriculture
AB Sanitas**	42.75	184,672	37,290	769,154	367,149	402,005	345,498	Pharmacy
AB Kauno Tiltai	41.76	19,313	13,835	319,573	71,334	248,239	253,009	Roads and bridge construction
		236,945						
Less other than Company's interest		(26,250)						
Investment into associates (Company)		210,695						

Associates of the Group as at 31 December 2006 were as follows (amounts stated relate to 100% of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year	Assets	Share-holders equity	Liabilities	Revenue	Main activities
AB Umea	21.37	2,684	1,196	14,221	3,730	10,491	28,085	Production and services
UAB Panevėžio Melioracija	26.09	454	541	7,443	6,633	810	7,596	Production and services
UAB Girių Bizonas	17.34	26,250	(2,429)	264,489	56,321	172,068	108,459	Furniture manufacturing
UAB VIPC Klaipėda	42.00	3,672	343	36,230	22,662	13,568	1,193	Real estate investor
UAB ŽVF Projektai	21.46	2	(4)	37	5	32	-	Investment property
UAB Žemės Vystymo Fondas	21.46	161	190	8,030	3,156	4,874	712	Investment property
UAB Žemės Vystymo Fondas 11	21.46	21	5	7,769	2,058	5,711	1,007	Investment property
UAB Žemės Vystymo Fondas 12	21.46	21	(56)	4,927	25	4,902	371	Investment property
AB Agrowill Group*	21.46	355	4,856	92,426	41,774	50,652	36,379	Agriculture
UAB Žemės Vystymo Fondas 14	21.46	2	(88)	1,427	(78)	1,505	-	Investment property
UAB Žemės Vystymo Fondas 15	21.46	2	(21)	373	(11)	384	-	Investment property
UAB Žemės Vystymo Fondas 16	21.46	2	(2)	8	8	-	-	Investment property
UAB Žemės Vystymo Grupė 3	21.46	21	(109)	1,603	(10)	1,613	7	Investment property
UAB Žemės Vystymo Grupė 4	21.46	2	(2)	8	8	-	-	Investment property
UAB Žemės Vystymo Grupė 5	21.46	2	(2)	8	8	-	-	Investment property
UAB Žemės Vystymo Grupė 6	21.46	2	(2)	8	8	-	-	Investment property
AB Sanitas**	34.71	105,276	(7,335)	725,453	310,898	414,555	177,461	Pharmacy
AB Kauno Tiltai	38.59	12,625	7,552	138,491	41,427	97,064	158,607	Roads and bridge construction
		151,554						
Less other than Company's interest		(38,417)						
Investment into associates (Company)		113,137						

* Former AB Agrovaldymo Grupė

** The fair value of the Group's and the Company's investment to AB Sanitas as at 31 December 2007 amounted to LTL 397,568 thousand (LTL 146,827 thousand and LTL 133,162 thousand for the Group and the Company investment respectively as at 31 December 2006).

All investments into associates are above 20%. The amount of share of the stock held by the Group stated in the table for UAB Girių Bizonas is below 20% as this associate is held by AB Vilniaus Baldai which is not a fully owned subsidiary of the Company.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

The Group has a 50% interest in the following jointly controlled entities in 2007 and 2006:

Joint venture	Registration country	Description
SIA DOMMO GRUPA (former SIA Industrial and Logistics Centre Lapeples Group)	Latvia	Real estate investor, management and administration
SIA Ammo	Latvia	Real estate investor
UAB MBGK Group	Lithuania	Real estate investor
UAB Laikinosios Sostinės Projektai	Lithuania	Real estate investor
UAB DOMMO Nerija	Lithuania	Real estate investor

In year 2007 the Group had a 50% interest in dormant entity UAB RGJ Investicija (registered in Lithuania). In year 2006 the Group also had a 50% interest in Amber Viking Capital TOV (registered in Ukraine, production and services supplier). This entity was disposed in 2007.

The share of the assets, liabilities, income and expenses of the jointly controlled entities at 31 December 2007 and 2006 and for the years then ended are as follows (amounts stated relate to 100% of these entities):

	2007	2006
Current assets	72,628	27,807
Non-current assets	218,556	209,567
Total assets	291,184	237,374
Current liabilities	117,797	104,790
Non-current liabilities	128,346	83,066
Total liabilities	246,143	187,856
Revenue	28,334	64,724
Expenses	(27,351)	(18,737)
Profit before income tax	983	45,987
Income tax expenses	(196)	(12,657)
Net profit	787	33,330

The Company's interest in joint ventures as at 31 December 2007 and 2006 amounted to LTL 5,655 thousand and LTL 5,660 thousand, respectively.

Income and expenses for the year recognised directly in the consolidated Group equity represent associates and joint ventures income / expense items recognised directly in their equity movement.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year ended 31 December 2007 are as follows:

2.1. Basis of preparation

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

Statement of compliance

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Basis of consolidation

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

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

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. 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.

Functional and presentation currency

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

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Company (LTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. 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.

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.

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures:

- IFRS 7 Financial Instruments: Disclosures.
- Amendments to IAS 1 Capital Disclosures.
- IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies".
- IFRIC 8 Scope of IFRS 2.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures. This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. There has been no effect on the financial position or results and comparative information has not been changed.

IAS 1 Presentation of Financial Statements. This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 28.

IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies". This interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. The interpretation had no impact on the financial position or performance of the Group.

IFRIC 8 Scope of IFRS 2. This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are not issued to employees, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives. IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment. The Group adopted IFRIC Interpretation 10 as at 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

Standards issued but not yet effective

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

- IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group does not expect significant implications on its accounting for share-based payments.
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). 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 supersedes IAS 14 Segment Reporting.
- IAS 1 Revised Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group and the Company is still evaluating whether it will have one or two statements.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

- IAS 23 Borrowing Costs – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). 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. Currently the Group and the Company applies borrowing costs capitalisation option of effective IAS 23, therefore there will be no impact on the Group's and the Company's financial statements on the adoption of the revised standard.
- IAS 27 Consolidated and Separate Financial Statements – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). Revised standard requires that changes in ownership interest in a subsidiary are accounted for as equity transactions. Also, accounting for losses incurred by the subsidiary was changed: such losses will be allocated between the controlling and non-controlling interests even if the losses exceed the non-controlling equity investment in the subsidiary. On a loss of control of a subsidiary, any retained interest will be remeasured to fair value and will impact the gain or loss recognised on disposal. In addition, revised standard provides more guidance as to when multiple arrangements should be accounted for as a single transaction. These most significant changes introduced by the revised standard will be applied prospectively, except for the multiple arrangements that have been accounted for as a single transaction – these arrangements require retrospective assessment.
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.
- IFRS 3 Business Combinations – Revised (effective for annual periods beginning on or 1 January 2009 once adopted by the EU). The scope of IFRS 3 has been revised to include combinations of mutual entities and combinations without consideration (dual listed shares). Also a number of changes are introduced in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period when the acquisition occurs, and future revenues reported. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standard will not be restated.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007 once adopted by the EU). 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.
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008 once adopted by the EU). The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008 once adopted by the EU). 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.
- IFRIC 14 IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008 once adopted by the EU). This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan.

The Group will apply new standards and interpretations from respective effective date.

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group's financial statements in the period of initial application, except for IFRS 8 Operating Segments and IAS 1 Presentation of Financial Statements – Revised.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group has not decided what operating segments will be used by IFRS 8 Operating Segments yet.

IAS 1 Presentation of Financial Statements – Revised

This standard sets out new requirements on the presentation of the statement of changes in equity and introduces a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income" and requires a separate disclosure of all items reclassified from other comprehensive income to profit and loss as well as disclosure of the income tax relating to each component of other comprehensive income. Also, requirements related to the presentation of the financial statements in a case of their retrospective restatement are amended and new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows", although the titles are not obligatory, is introduced.

2.2. Property, plant and equipment

Hotels

Hotels are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing hotel at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of a hotel. Repair and exploitation expenses are not included to the carrying amount of the hotel. Subsequent to initial recognition, hotels are stated at revalued amount being its fair value at the date of revaluation less any subsequent depreciation and subsequent accumulated impairment losses. Gains or losses arising from changes in the fair values of hotels are included in the revaluation reserve in equity section in the year in which they arise.

Depreciation is calculated on a straight-line basis from the revaluated value over the 40 years estimated useful life.

Valuations are performed frequently enough to ensure that the fair value of a revaluated asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly off-setting a previous surplus on the same asset is directly off-set against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revaluated carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluated amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Other property, plant and equipment

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

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

2 Accounting principles (cont'd)**2.2. Property, plant and equipment (cont'd)**Other property, plant and equipment (cont'd)

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

Buildings	8-66 years
Machinery and equipment	3-10 years
Vehicles	3-10 years
Other non-current assets	2-12 years

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

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

2.3. Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

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

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

2.4. Intangible assets other than goodwill

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

2 Accounting principles (cont'd)

2.4. Intangible assets other than goodwill (cont'd)

Contracts

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

Contracts assured on the acquisition of subsidiaries are capitalised at the fair value established on acquisition and treated as an intangible asset. Following initial recognition, contracts are carried at cost less any accumulated impairment losses. Contracts are amortised during 5-6 years.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 3-5 years.

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

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised during 3-6 years.

2.5. Business combinations and goodwill

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

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.

2 Accounting principles (cont'd)

2.6. Investment in associates (the Group)

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

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

2.7. Investment in joint ventures (the Group)

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

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

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

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

2.9. Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revaluated where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

2 Accounting principles (cont'd)

2.9. Impairment of non-financial assets (cont'd)

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

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

Goodwill

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

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

2.10. Investments and other financial assets

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

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

All regular way purchases and sales of financial assets are recognised on the settlement date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in profit and loss. Interest income or expense are recognised in finance income or expense (gain / loss from financial asset held for trade) according to the terms of the contract or when right to the payment has been established.

Loans and receivables

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

Current receivables are subsequently carried at cost less impairment.

2 Accounting principles (cont'd)

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial instruments

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

Fair value

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

The Group and the Company do not have financial assets at fair value through profit or loss as at 31 December 2007 and 2006.

2.11. Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The Group assesses whether objective evidence of impairment exists individually for financial assets. The examples of objective evidence is a debtor is facing serious financial difficulties, it is highly probable that insolvency proceedings will be initiated against the debtor, an active market for the financial asset disappears, there is a substantial change in the technological, economic or legal environment and the market environment of the issuer, or there is a continuous decline in the fair value of the financial asset to a level below amortised cost. When financial asset are assessed as uncollectible the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to paid to creditors, the debtor could not be found.

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

2 Accounting principles (cont'd)

2.11. Impairment of financial assets (cont'd)

Assets carried at amortised cost (cont'd)

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

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.12. Inventories

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

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

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

2.13. Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with original term of less than 3 months.

2.14. Interest bearing loans and borrowings

Borrowings are initially recognised at the fair value less directly attributable transaction costs. 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 financial agreement before the balance sheet date provides evidence that the substance of the liability at the balance sheet date was long-term.

2 Accounting principles (cont'd)**2.15. Lease**

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

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

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Financial lease*Group as a lessee*

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

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

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

Operating lease*Group as a lessee*

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

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

Group as a lessor

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

2 Accounting principles (cont'd)

2.16. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

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

Sale of investment

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

Long-term contracts

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Interest income

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

Dividends income

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

2.17. Dividends distribution

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

2.18. Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2 Accounting principles (cont'd)

2.19. Income tax and deferred tax

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

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

The standard income tax rate in Latvia is 15% and in Ukraine – 25%.

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 reverse 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 recognised in the financial statements.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.20. Grants

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

2.21. Segments

In these financial statements the primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced.

In these financial statements secondary information is reported geographically. The Group's geographical segments are based on the location of the Group's assets.

2.22. Provisions

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

2 Accounting principles (cont'd)

2.23. Significant accounting judgements, estimates and assumptions

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

Fair value of investment properties

Investment properties have been valued on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics or on the sales comparison approach method which refers to the prices of the analogous transactions in the market and which are subjected to uncertainty. The fair value of the investment properties as at 31 December 2007 was LTL 402,933 thousand (as at 31 December 2006 – LTL 391,303 thousand) (in more details described in Note 12).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2007 and 2006 was LTL 4,831 thousand (in more details described in Note 13 and Note 14).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses (net of allowance) as at 31 December 2007 for the Group and the Company were LTL 2,571 thousand and LTL 337 thousand, respectively (as at 31 December 2006 - LTL 997 thousand and nil, respectively) (further details are contained in Note 6).

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

2.24. Contingencies

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

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

2.25. Derecognition of financial assets and liabilities

Financial assets

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

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

2 Accounting principles (cont'd)

2.25. Derecognition of financial assets and liabilities (cont'd)

Financial assets (cont'd)

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

Financial liabilities

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

2.26. Subsequent events

Post-balance sheet events that provide additional information about 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.

2.27. Comparative figures

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Business combinations and acquisition of minority interests

Acquisitions in 2007

Merger with AB Nenuorama

On 28 September 2007 the former shareholder of the Company AB Nenuorama was merged to the Company by the way of reorganisation. AB Nenuorama did not perform active business activities and was a holding company, therefore according to IFRS this transaction is not a business combination, but an acquisition of a group of assets (the investments to the other companies). The cost of the acquired asset group is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the acquisition date. AB Sanitas and the Company's shares fair value has been determined based on quoted market price as at 28 September 2007 (LTL 32.95 and LTL 19.67, respectively). AB Invalidos Nekilnojamojo Turto Fondas shares' fair value has been determined based on the valuation performed by V. Černiaus Turto Vertinimo Paslaugų Įmonė, an accredited independent valuer. The fair value was set using Income approach method. Income approach method is based on the assumption that defined correlation between net activity future income and fair value of the object exists. Capitalisation rate used to determine the fair value was 11.68% and yield used to evaluate real estate objects was decreased from 8% in 2007 till 6.5% in 2015.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

3 Business combinations and acquisition of minority interests (cont'd)Acquisitions in 2007 (cont'd)*Merger with AB Nenuorama (cont'd)*

The Company took over AB Nenuorama assets and liabilities and issued 19,866 thousand shares to the shareholders of AB Nenuorama.

	Carrying amount	Fair value recognised on acquisition
AB Sanitas shares (7.42%)	30,008	75,122
AB Invalidos Nekilnojamojo Turto Fondas shares (43.79%)	1,190	85,051
The Company's shares (49.56%)	195,916	433,346
Other investments	2	2
Trade and other receivables	39	39
Cash	2	2
Total assets	227,157	593,562
Liabilities	(204,945)	(202,797)
Total liabilities	(204,945)	(202,797)
Fair value of newly issued shares		390,765
Consideration		593,562

Assets and liabilities, taken over from AB Nenuorama, were recognised at fair value in the Company's financial statements. AB Nenuorama owned shares of the Company (22,305 thousand) were annulled, respectively the value of acquired own shares was annulled. The loss of LTL 40,141 thousand has been recognised in equity of the Company due to this transaction.

During the merger, the Group acquired additionally 43.79% shares of AB Invalidos Nekilnojamojo Turto Fondas. It was an acquisition of minority interest, so according to the Group accounting policy it was accounted using the Entity concept method. The value of the additional interest acquired was LTL 15,606 thousand at the acquisition day. The negative difference between the consideration and the value of the interest acquired equal to LTL 69,449 thousand has been recognised directly to the shareholders equity of the Group.

During the merger, the Group also acquired additional 7.42% AB Sanitas shares. The fair value of the additional interest in the net assets acquired directly attributable to the Group was LTL 5,689 thousand. The goodwill of LTL 69,433 thousand arising from this transaction was recognised in the value of the investment into associate.

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(all amounts are in LTL thousand unless otherwise stated)

3 Business combinations and acquisition of minority interests (cont'd)Acquisitions in 2007 (cont'd)*UAB Informatikos Pasaulis*

On 20 August 2007 the Group acquired 80% shares of information technology solution company UAB Informatikos Pasaulis. Based on preliminary assessment the fair and the carrying values of the identifiable assets and liabilities of UAB Informatikos Pasaulis at the acquisition date were:

	Carrying value	Provisional fair value recognised on acquisition
Intangible assets	1	780
Non-current assets	28	28
Inventories	34	34
Trade receivables	400	400
Cash	21	21
Liabilities	(427)	(427)
Net assets	57	836
Total consideration		836
Cash acquired		(21)
Cash outflow on acquisition		815

The management of the Group has performed a preliminary Purchase Price Allocation and preliminary assessed that the difference between the purchase price and the fair value of the acquired identifiable net assets largely comprises customers, suppliers and technology based contracts. Therefore the initial accounting for this acquisition is provisional and the purchase price allocation according to IFRS 3 *Business combinations* requirements will be performed by the management of the Group during the year 2008.

If the acquisition of UAB Informatikos Pasaulis had been performed as at 1 January 2007, the revenue of the Group in 2007 would be larger by LTL 2,419 thousand and the net result would be greater by LTL 46 thousand.

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(all amounts are in LTL thousand unless otherwise stated)

3 Business combinations and acquisition of minority interests (cont'd)Acquisitions in 2007 (cont'd)*UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos*

On 29 December 2007 the 80% owned Group company UAB Positor has acquired 100% shares of dormant company UAB Vitma, which at the same day has acquired 100% shares of UAB Baltic Amadeus Infrastruktūros Paslaugos. Based on the preliminary assessment the fair and the carrying values of the consolidated identifiable assets and liabilities of UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos at the acquisition date were:

	Carrying value	Provisional fair value recognised on acquisition
Intangible assets	-	9,914
Trade receivables	168	168
Other current assets	6	6
Cash	10	10
Liabilities	(136)	(136)
Net assets	48	9,962
Total consideration		9,962

The acquisition consideration is calculated as follows:

Cash paid at acquisition date	6,000
Costs related to acquisition	20
Cash payable in the future	4,000
Provisional adjustment to acquisition cost	271
Discount effect on consideration payable in the future	(329)
Total consideration	9,962
Purchase consideration settled in cash	6,020
Cash acquired	(10)
Cash outflow on acquisition	(6,010)

According to the share purchase agreements LTL 4,000 thousand for UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos acquisition are payable by the Group in the future: LTL 2,720 thousand (Note 27) in 2008 and LTL 1,280 thousand in 2009.

Besides, in the acquisition agreements it was agreed, that the Group will have to pay to the former owners of UAB Baltic Amadeus Infrastruktūros Paslaugos an additional payment if the revenue of this company will exceed the set in the agreement threshold during the year 2008. Provisional amount of LTL 271 thousand was accounted for by the Group as it is forecasted that the revenue will exceed the set threshold.

The management of the Group has performed a preliminary Purchase Price Allocation and preliminary assessed that the difference between the purchase price and the fair value of the acquired identifiable net assets largely comprises customers, suppliers and technology based contracts as the part of the former parent of UAB Baltic Amadeus Infrastruktūros Paslaugos business, operating for a long time in the information technology market, was carved-out and transferred to UAB Baltic Amadeus Infrastruktūros Paslaugos at its establishment date (1 December 2007). The initial accounting for this acquisition is provisional and the purchase price allocation according to IFRS 3 *Business combinations* requirements will be performed by the management of the Group during the year 2008.

If the acquisition of UAB Vitma and UAB Baltic Amadeus Infrastruktūros Paslaugos would have been performed as at 1 January 2007, the revenue and the net result of the Group would not differ materially.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

3 Business combinations and acquisition of minority interests (cont'd)Establishment of companies (increase of share capital)

Newly established Group companies are mentioned in Note 1. The Company increased share capital of Inreal TOV, Finasta TOV, Inredo TOV, UAB Inreal, UAB Inred and AB Finasta Įmoniq Finansai. The share capital of AB Finasta Įmoniq Finansai was increased by LTL 20,000 thousand in order to establish the bank (Note 19 and Note 31). Due to non-pro rata share capital's increase in Finasta TOV the Group had a deemed disposal of 5%. The gain on deemed disposal, amounting to LTL 17 thousand was recognised in the income statement.

Minority acquisition*AB Vilniaus Baldai*

In 2007 the Group acquired additional 0.7% shares of AB Vilniaus Baldai for LTL 491 thousand. The value of the additional interest of the net assets acquired was LTL 186 thousand. The negative difference equal to LTL 305 thousand between the consideration and the value of the interest acquired has been recognised directly in the shareholders equity.

Additional acquisition of associates*AB Sanitas*

In January 2007 the Group acquired additional 0.62% shares of AB Sanitas for LTL 2,498 thousand. The value of the additional interest of the net assets acquired was LTL 251 thousand. The goodwill of LTL 2,247 thousand was recognised in the value of the investment into associate.

AB Kauno Tiltai

The Group acquired 3.17% of net assets of AB Kauno Tiltai for LTL 6,688 thousand additionally during 2007. The goodwill of LTL 2,142 thousand was recognised in the value of the investment into associate.

Disposals in 2007*UAB DB Voltera*

UAB DB Voltera was sold on 7 December 2007. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	<u>Carrying values</u>
Intangibles assets	7
Property, plant and equipment	59
Trade receivables and other current assets	152
Cash	50
Total assets	268
Liabilities	(172)
Net assets	96
Group sold net assets	67
Profit on sale	333
Proceeds from sale	400
Cash sold	(50)
Net cash received	350

The revenues and net profit of UAB DB Voltera during 2007 until the date of disposal amounted to LTL 1,066 thousand and LTL 39 thousand, respectively.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

3 Business combinations and acquisition of minority interests (cont'd)Disposals in 2007 (cont'd)*AB Minija*

AB Minija was sold on 21 June 2007. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	<u>Carrying values</u>
Intangibles assets	37
Property, plant and equipment	5,520
Inventories	1,463
Trade and other receivables	920
Cash	25
Total assets	7,965
Trade and other liabilities	(1,370)
Bank borrowings	(8,065)
Total liabilities	(9,435)
Net assets	(1,470)
Group sold net assets	(1,307)
Profit on sale	1,307
Proceeds from sale	-
Cash sold	(25)
Net cash received	(25)

The revenues and net loss of AB Minija during 2007 until the date of disposal amounted to LTL 3,279 thousand and LTL 1,443 thousand, respectively. The Company has granted the loan to AB Minija with nominal value as at 31 December 2007 LTL 1,935 thousand which was impaired until its recoverable amount of LTL 735 thousand.

UAB Vilniaus Senamiesčio Restauravimo Direkcija

UAB Vilniaus Senamiesčio Restauravimo Direkcija was sold in 2007. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	<u>Carrying values</u>
Investment property	2,790
Trade receivables and other current assets	592
Cash	2
Total assets	3,384
Deferred tax liability	(38)
Interest bearing liabilities	(2,945)
Other liabilities	(4)
Total liabilities	(2,987)
Net assets	397
Profit on sale	8,729
Proceeds from sale	9,126
Cash sold	(2)
Net cash received	9,124

The revenues and net loss of UAB Vilniaus Senamiesčio Restauravimo Direkcija until the date of disposal amounted to LTL 249 thousand and LTL 216 thousand, respectively.

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(all amounts are in LTL thousand unless otherwise stated)**3 Business combinations and acquisition of minority interests (cont'd)**Disposals of associates and joint venture*UAB Panevėžio Melioracija*

In February 2007 UAB Panevėžio Melioracija was sold. The loss on the sale of LTL 1,271 thousand has been recognised in the income statement.

In March 2007 UAB Žemes Vystymo Fondas, UAB Žemes Vystymo Fondas 11, UAB Žemes Vystymo Fondas 12, UAB Žemes Vystymo Fondas 14, UAB Žemes Vystymo Fondas 15, UAB Žemes Vystymo Fondas 16, UAB Žemės Vystymo Grupė 3, UAB Žemės Vystymo Grupė 4, UAB Žemės Vystymo Grupė 5 and UAB Žemės Vystymo Grupė 6 were sold to the associate AB Agrowill Group in order to achieve more efficient management of the companies.

In May 2007 0.21% shares of AB Agrowill Group were sold. In September 2007 the Group had deemed disposals of 0.62% shares of AB Agrowill Group due to non-pro rata share capital increase in this company. The loss of the disposals of LTL 312 thousand has been recognised in the income statement.

Acquisitions in 2006*UAB Medicinos Banko Investicijų Valdymas*

On 28 September 2006 the Group acquired 100% shares of UAB Medicinos Banko Investicijų Valdymas. UAB Medicinos Banko Investicijų Valdymas was a fund management company. On the 29 December 2006 UAB Medicinos Banko Investicijų Valdymas was merged to 100% owned subsidiary of the Group UAB Finasta Investicijų Valdymas. The fair and the carrying values of the identifiable assets and liabilities of UAB Medicinos Banko Investicijų Valdymas at the acquisition date were:

	Carrying value	Fair value recognised on acquisition
Intangible assets	8	8
Current investment	824	824
Trade receivables	4	4
Other current assets	442	442
Total assets	1,278	1,278
Other current liabilities	(12)	(12)
Total liabilities	(12)	(12)
Net assets	1,266	1,266
Goodwill arising on acquisition		243
Total consideration		1,509
Cash acquired		(441)
Total purchase consideration, net of cash acquired		1,068

The goodwill comprises the fair value of expected synergies arising from acquisition and a customer list which is not separately recognised. Due to contractual terms imposed on acquisition, the customer list is not separable and therefore does not meet the criteria as an intangible asset under IAS 38 Intangible assets.

If the acquisition of UAB Medicinos Banko Investicijų Valdymas would have been performed as at 1 January 2006, the revenue and the net result of the Group in 2006 would not differ materially.

AB INVALDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

3 Business combinations and acquisition of minority interests (cont'd)Acquisitions in 2006 (cont'd)*UAB Dizaino Institutas*

On 30 June 2006 the Group acquired 100% of shares in UAB Dizaino Institutas. UAB Dizaino Institutas is a real estate investor. The fair and the carrying values of the identifiable assets and liabilities of UAB Dizaino Institutas as at the date of acquisition were:

	Carrying value	Fair value recognised on acquisition
Investment property	381	3,800
Intangible assets	1	1
Other non-current assets	7	7
Trade receivables	105	105
Other current assets	150	150
Total assets	644	4,063
Trade creditors	(5)	(5)
Other current liabilities	(493)	(493)
Total liabilities	(498)	(498)
Net assets	146	3,565
Goodwill arising on acquisition		(909)
Total consideration		2,656
Cash acquired		(148)
Total purchase consideration, net of cash acquired		2,508

If the acquisition UAB Dizaino Institutas would have been performed as at 1 January 2006, the revenue and the net result of the Group in 2006 would not differ materially.

SIA Gravity

On 3 May 2006 the Group acquired 100% of shares in SIA Gravity. The negative goodwill, arising on acquisition, amounted to LTL 40 thousand. Cash paid, net of cash received, amounted to LTL 638 thousand.

Negative goodwill on SIA Gravity acquisition, together with the amount of negative goodwill derived from the investment into UAB Dizaino Institutas, mentioned above, was accounted for in the income statement as an excess of subsidiary's net assets acquired.

Other

In the beginning of 2006 the joint venture of the Group UAB Kelesta acquired and later was merged to AB Kauno Tiltai, a roads and bridge construction company. On the transaction the Company share decreased to 38.59%. On the decrease the gain amounting to LTL 806 thousand was recognised directly in shareholders equity following the Entity approach.

On 14 June 2006 the Group acquired additional 22.72% of the voting shares of a subsidiary AB Minija, taking its ownership to 88.88%. Cash consideration of LTL 1,665 thousand was paid. The value of the net assets of AB Minija at this date was LTL 1,990 thousand and the value of the additional interest acquired was LTL 452 thousand. The negative difference of LTL 1,213 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

On 30 June 2006 AB Pozityvios Investicijos which owned certain companies of the Group merged to the Company. During this merger the effective minority of these companies was acquired, amounting to LTL 13,520 thousand. The biggest minority acquired were as follows: UAB Aikstentis – LTL 2,423 thousand, UAB IBC Logistika – LTL 4,515 thousand, UAB Ineturas – LTL 1,662 thousand, UAB Naujoji Švara – LTL 2,543 thousand. On the merger the loss amounting to LTL 8,237 thousand was recognised directly in shareholders equity following the Entity approach.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**3 Business combinations and acquisition of minority interests (cont'd)**Acquisitions in 2006 (cont'd)

On 16 October 2006 the Group acquired an additional 34.98% of the voting shares of UAB Saistas, taking its ownership to 100%. Cash consideration of LTL 665 thousand was paid. The fair value of the net assets of UAB Saistas at this date was LTL 3,075 thousand and the value of the additional interest acquired was LTL 1,075 thousand. The difference of LTL 410 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders' equity.

Disposals in 2006*AB Sanitas*

In April 2006 AB Sanitas issued new shares emission designated to finance the acquisition of Jelfa S.A. Due to the fact that other investors acquired bigger share, the share of the Company and related parties effectively was diluted. Consequently, AB Sanitas group was deemed as partly disposed, retaining significant influence since the issue of new shares and became an associate. The gain on deemed disposal, amounting to LTL 3,174 thousand was recognised in the income statement.

Net assets of AB Sanitas group as at the date of deemed partial disposal:

	Carrying values
Intangible assets	832
Property, plant and equipment	50,250
Other non-current assets	53,219
Inventories	12,752
Trade receivables	13,211
Non-current assets classified as held-for-sale	22,466
Other current assets	5,847
Total assets	158,577
Non-current liabilities	(18,597)
Current financial liabilities	(40,400)
Trade and other creditors	(42,661)
Equity minority interest	(32,266)
Total liabilities	(133,924)
Net assets	24,653
Equity after shares issue	307,558
Group's portion of net assets after shares issue and partial disposal	106,746
Net assets change	82,093
Consideration paid	(78,919)
Gain on partial disposal	3,174

The revenues and net gain of AB Sanitas during 2006 until the date of deemed disposal amounted to LTL 16,171 thousand and LTL 904 thousand, respectively. The revenues and net loss of AB Sanitas during the whole 2006 year amounted to LTL 161,721 thousand and LTL 7,335 thousand, respectively.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

3 Business combinations and acquisition of minority interests (cont'd)Disposals in 2006 (cont'd)*AB Klaipėdos Konditerija*

AB Klaipėdos Konditerija was sold on 31 August 2006. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	<u>Carrying values</u>
Property, plant and equipment	6,981
Inventories	787
Trade and other receivables	801
Cash	778
Total assets	9,347
Trade and other liabilities	(713)
Bank borrowings	(2,100)
Total liabilities	(2,813)
Net assets	6,534
Proceeds from sale	6,757
Profit on sale	223
Cash sold	(778)
Net cash received	5,979

The revenues and net loss of AB Klaipėdos Konditerija during 2006 until the date of disposal amounted to LTL 2,641 thousand and LTL 161 thousand, respectively.

UAB Apželdinimas

UAB Apželdinimas was sold on 28 September 2006. The carrying values of identifiable assets and liabilities as at the date of disposal were:

	<u>Carrying values</u>
Investment property	30,000
Property, plant and equipment	31
Inventories	7
Trade and other receivables	419
Cash	29
Total assets	30,486
Trade and other liability	(364)
Deferred tax liabilities	(5,557)
Liabilities	(5,921)
Net assets	24,565
Proceeds from sale	31,747
Profit on sales	7,182
Cash sold	(29)
Liabilities extinguished	(14,000)
Net cash received	17,718

The revenues and net income of UAB Apželdinimas during 2006 until the date of disposal amounted to LTL 335 thousand and LTL 312 thousand, respectively.

4 Segment information

The operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

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

Real estate

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

Financial mediation

The financial mediation segment is involved in financial brokerage, corporate finance services, investment and pension fund management.

Pharmacy

The pharmacy segment produces injections preparations, tablets, ointments.

Furniture production

The furniture segment includes furniture design, production and sale.

Hotels management

The hotels management segment renders room revenue, restaurant revenue, conference facilities revenue. The segment was sold in 2008 and in these financial statements it is presented as discontinued operations (Note 7 and Note 31).

Roads and bridge construction

The roads and bridge construction segment is involved in building bridges and high quality highway construction.

Other production and service segments

The other production and service segment is involved in designing water management objects, agricultural investment, hardware articles production, information technology solution services and other.

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

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

4 Segment information (cont'd)

The following table present revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2007:

Year ended 31 December 2007	Continuing operations							Discontinued operation		
	Real estate	Financial mediation	Pharmacy	Furniture production	Roads and bridge construction	Other production and service	Elimination and other	Total	Hotels management	Total operations
Revenue										
Sales to external customers	35,097	33,769	-	169,865	-	14,864	-	253,595	14,581	268,176
Inter-segment sales	2,251	229	-	134	-	2	(2,616)	-	-	-
Total revenue	37,348	33,998	-	169,999	-	14,866	(2,616)	253,595	14,581	268,176
Results										
Other income	72,313	19,954	-	2,714	-	25	879	95,885	14	95,899
Segment expenses	(56,383)	(36,210)	-	(169,289)	-	(13,756)	9,149	(266,489)	(12,412)	(278,901)
Unallocated expenses	-	-	-	-	-	-	(15,252)	(15,252)	-	(15,252)
Operating profit (loss)	53,278	17,742	-	3,424	-	1,135	(7,840)	67,739	2,183	69,922
Share of profit (loss) of the associates and joint ventures	6,866	-	13,203	(2,361)	5,675	6,691	-	30,074	-	30,074
Profit (loss) before income tax	60,144	17,742	13,203	1,063	5,675	7,826	(7,840)	97,813	2,183	99,996
Income tax expenses	(7,299)	(3,690)	-	(988)	-	(264)	-	(12,241)	(195)	(12,436)
Net profit for the year	52,845	14,052	13,203	75	5,675	7,562	(7,840)	85,572	1,988	87,560
As at 31 December 2007										
Assets and liabilities										
Segment assets	600,496	151,951	-	117,034	-	18,004	(67,543)	819,942	63,247	883,189
Investment in associate	36,191	-	206,545	15,796	28,090	11,675	-	298,297	-	298,297
Unallocated assets	-	-	-	-	-	-	23,041	23,041	-	23,041
Total assets	636,687	151,951	206,545	132,830	28,090	29,679	(44,502)	1,141,280	63,247	1,204,527
Segment liabilities	449,872	100,919	-	86,157	-	15,417	(49,110)	603,255	51,538	654,793
Unallocated liabilities	-	-	-	-	-	-	244,534	244,534	-	244,534
Total liabilities	449,872	100,919	-	86,157	-	15,417	195,424	847,789	51,538	899,327
Other segment information										
Capital expenditure:										
Property, plant and equipment	53,203	1,729	-	3,362	-	377	-	58,671	197	58,868
Investment properties	53,144	-	-	5,361	-	-	-	58,505	-	58,505
Intangible assets	18	7,584	-	176	-	82	-	7,860	-	7,860
Depreciation and amortisation	(566)	(591)	-	(10,020)	-	(539)	-	(11,716)	(1,713)	(13,429)
Fair value loss on investment properties	(155)	-	-	(519)	-	-	-	(674)	-	(674)
Impairment losses recognised in income statement	(1,102)	(427)	-	(593)	-	-	-	(2,122)	-	(2,122)

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CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

4 Segment information (cont'd)

The following table present revenues and profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2006:

Year ended 31 December 2006	Continuing operations								Discontinued operation	
	Real estate	Financial mediation	Pharmacy	Furniture production	Roads and bridge construction	Other production and service	Elimination and other	Total	Hotels management	Total operations
Revenue										
Sales to external customers	35,702	24,825	16,171	133,539	-	14,111	-	224,348	14,114	238,462
Inter-segment sales	2,091	5,650	-	70	-	110	(7,921)	-	-	-
Total revenue	37,793	30,475	16,171	133,609	-	14,221	(7,921)	224,348	14,114	238,462
Results										
Other income	54,934	4,585	4,314	1,795	-	1,474	-	67,102	10	67,112
Unallocated income	-	-	-	-	-	-	8,959	8,959	-	8,959
Segment expenses	(44,109)	(25,135)	(16,077)	(142,318)	-	(8,620)	482	(235,777)	(11,687)	(247,464)
Operating profit	48,618	9,925	4,408	(6,914)	-	7,075	(3,747)	59,365	2,437	61,802
Unallocated expenses	-	-	-	-	-	-	(5,267)	(5,267)	-	(5,267)
Share of profit (loss) of the associates and joint ventures	27,012	-	(4,277)	(987)	2,915	3,023	-	27,686	-	27,686
Profit (loss) before income tax	75,630	9,925	131	(7,901)	2,915	10,098	(3,747)	87,051	2,437	89,488
Income tax expenses	(7,787)	(2,007)	(330)	197	-	(3,574)	-	(13,501)	(435)	(13,936)
Net profit for the year	67,843	7,918	(199)	(7,704)	2,915	6,524	(3,747)	73,550	2,002	75,552
As at 31 December 2006										
Assets and liabilities										
Segment assets	499,679	112,949	-	102,546	-	4,204	(50,670)	668,708	62,173	730,881
Investment in associate	41,621	-	107,905	17,265	15,988	3,730	-	186,509	-	186,509
Unallocated assets	-	-	-	-	-	-	20,616	20,616	-	20,616
Total assets	541,300	112,949	107,905	119,811	15,988	7,934	(30,054)	875,833	62,173	938,006
Segment liabilities	326,529	81,596	-	97,207	-	1,603	(34,722)	472,213	34,147	506,360
Unallocated liabilities	-	-	-	-	-	-	63,148	63,148	-	63,148
Total liabilities	326,529	81,596	-	97,207	-	1,603	28,426	535,361	34,147	569,508
Other segment information										
Capital expenditure:										
Property, plant and equipment	43,368	610	819	3,202	-	281	-	48,280	67	48,347
Investment properties	90,259	-	-	-	-	-	-	90,259	-	90,259
Intangible assets	25	134	14	240	-	128	-	541	10	551
Depreciation and amortisation	(521)	(645)	(2,318)	(10,443)	-	(150)	-	(14,077)	(1,899)	(15,976)
Fair value loss on investment properties	(4,601)	-	-	-	-	-	-	(4,601)	-	(4,601)
Impairment losses recognised in income statement	(852)	-	-	(2,128)	-	-	-	(2,980)	-	(2,980)

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

4 Segment information (cont'd)

The Group's geographical segments are based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding Group's geographical segments for the years ended 31 December 2007 and 2006:

Year ended 31 December 2007**Revenue**

	Lithuania	Latvia	Ukraine	Total
Sales to external customers	266,851	735	590	268,176
Discontinued operations	(14,581)	-	-	(14,581)
Segment revenue	252,270	735	590	253,595

Other segment information

Segment assets	903,674	1,088	1,468	906,230
Investment in an associate	298,297	-	-	298,297
Total assets	1,201,971	1,088	1,468	1,204,527

Capital expenditure:

Tangible assets	58,561	18	107	58,868
Investment properties	58,505	-	-	58,505
Intangible assets	7,851	2	7	7,860

Year ended 31 December 2006**Revenue**

	Lithuania	Slovakia	Latvia	Ukraine	Total
Sales to external customers	232,875	2,483	2,897	207	238,462
Discontinued operations	(14,114)	-	-	-	(14,114)
Segment revenue	218,761	2,483	2,897	207	224,348

Other segment information

Segment assets	748,119	-	2,242	1,136	751,497
Investment in an associate	186,509	-	-	-	186,509
Total assets	934,628	-	2,242	1,136	938,006

Capital expenditure:

Tangible assets	47,983	-	111	253	48,347
Investment properties	90,259	-	-	-	90,259
Intangible assets	548	-	1	2	551

There were no material inter-segment sales in 2007 and 2006.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

5 Other revenues and expenses**5.1. Other income**

	Group		Company	
	2007	2006	2007	2006
Gain from sales of available-for-sale investments	3,075	1,221	-	600
Gain from sales of held for trade investments	6,393	1,681	-	-
Gain on sale of subsidiaries, associates and joint venture	10,393	7,405	7,711	17,079
Gain on sale of investment properties	12,880	6,563	-	-
Excess of subsidiary's net assets acquired over the cost of acquisition (Note 3)	-	949	-	-
Gain on deemed partial disposal of AB Sanitas	-	3,174	-	-
Other	3,420	3,740	15	40
	<u>36,161</u>	<u>24,733</u>	<u>7,726</u>	<u>17,719</u>

5.2. Other operating expenses

	Group		Company	
	2007	2006	2007	2006
Loss on sales of subsidiaries and associates	(2,346)	-	(6,498)	-
Loss on sales of available-for-sale investments	(65)	-	-	-
Loss on sales of held for trade investments	(1,683)	(965)	-	-
Impairment of investments	-	-	(1,630)	-
Impairment of short term-loans granted	(2,750)	-	(1,200)	-
Impairment of trade receivables	(579)	(1,286)	-	-
Change in allowance for inventories	352	(643)	-	-
Other	(13,516)	(12,082)	(680)	(695)
	<u>(20,587)</u>	<u>(14,976)</u>	<u>(10,008)</u>	<u>(695)</u>

5.3. Finance income

	Group		Company	
	2007	2006	2007	2006
Interest income	8,391	4,928	7,126	2,412
Gain from financial assets held for trade	1,348	20	-	-
Dividend income	-	-	92,877	18,302
Foreign currency exchange gain, net	-	-	111	-
Other finance income	498	484	-	-
	<u>10,237</u>	<u>5,432</u>	<u>100,114</u>	<u>20,714</u>

5.4. Finance expenses

	Group		Company	
	2007	2006	2007	2006
Interest expenses	(27,467)	(16,132)	(9,053)	(4,225)
Foreign currency exchange loss, net	(375)	(352)	-	(4)
Loss from financial assets held for trade	(2,410)	(326)	-	-
Other finance expenses	(101)	(1,224)	(11)	-
	<u>(30,353)</u>	<u>(18,034)</u>	<u>(9,064)</u>	<u>(4,229)</u>

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(all amounts are in LTL thousand unless otherwise stated)

6 Income tax

	Group		Company	
	2007	2006	2007	2006
Income tax expenses				
Current year income tax	(7,645)	(6,680)	-	(2,444)
Prior year current income tax correction	(20)	149	-	3
Deferred tax income (expenses)	(4,576)	(6,970)	708	-
Income tax (expenses) income charged to the income statement	<u>(12,241)</u>	<u>(13,501)</u>	<u>708</u>	<u>(2,441)</u>
	Group		Company	
	2007	2006	2007	2006
Deferred tax asset				
Losses available for offset against future taxable income	3,321	1,336	337	-
Property, plant and equipment	123	302	-	-
Fair value adjustment on investments	250	95	244	-
Receivables	328	179	207	-
Inventories	734	277	-	-
Accruals	79	219	4	-
Intangibles	78	-	-	-
Other	100	164	-	-
Deferred tax asset before valuation allowance	5,013	2,572	792	-
Less: valuation allowance	(750)	(339)	-	-
Deferred income tax asset, net	<u>4,263</u>	<u>2,233</u>	<u>792</u>	<u>-</u>
Asset netted with liability	(2,975)	(1,102)	(84)	-
Deferred income tax asset, net	<u>1,288</u>	<u>1,131</u>	<u>708</u>	<u>-</u>
Deferred tax liability				
Property, plant and equipment	(8,444)	(6,130)	-	-
Investment properties	(32,478)	(27,814)	-	-
Investments	(2,232)	(3,132)	-	-
Inventories	(658)	-	-	-
Other	(921)	(2)	(84)	-
Deferred income tax liability	<u>(44,733)</u>	<u>(37,078)</u>	<u>-</u>	<u>-</u>
Liability netted with asset	2,975	1,102	84	-
Deferred income tax liability, net	<u>(41,758)</u>	<u>(35,976)</u>	<u>-</u>	<u>-</u>
Reflected in the balance sheet as follows				
Deferred tax asset – continuing operations	809	1,131		
Deferred tax asset – discontinuing operations	479	-		
Deferred income tax liability – continuing operations	(35,356)	(35,976)		
Deferred income tax liability – discontinued operations	(6,402)	-		
Deferred income tax liabilities, net	<u>(40,470)</u>	<u>(34,845)</u>		

AB INVALDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007***(all amounts are in LTL thousand unless otherwise stated)***6 Income tax (cont'd)**

Deferred income tax asset and liability were estimated at 15% and 18% rates. Movements in pre-tax components of temporary differences for the Group are as follows in year 2007:

	Balance as at 31 December 2006	Recognised in income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2007
Tax loss carry forward	8,378	13,490	-	(133)	21,735
Property, plant and equipment – asset	2,015	(1,790)	-	-	225
Property, plant and equipment – liability	(44,795)	(7,126)	(11,098)	-	(63,019)
Investment property	(180,915)	(37,914)	-	386	(218,443)
Investments	(14,104)	(4,481)	3,702	-	(14,883)
Fair value adjusted on investments	472	1,181	-	-	1,653
Receivables	1,195	990	-	-	2,185
Accruals	1,443	(1,123)	-	-	320
Inventories	1,845	3,645	-	-	5,490
Other assets	519	234	-	-	753
Other liabilities	(7)	(550)	-	-	(557)
Temporary differences before valuation allowance	(223,954)	(33,444)	(7,396)	253	(264,541)
Less: valuation allowance	(2,260)	(2,405)	-	-	(4,665)
Total temporary differences	(226,214)	(35,849)	(7,396)	253	(269,206)
Deferred income tax, net	(34,845)	(4,576)	(1,087)	38	(40,470)

The balance of tax loss carry forward as at 31 December 2007 can be carried till 2012.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% and 18% rates. Movements in pre-tax components of temporary differences for the Group are as follows in year 2006:

	Balance as at 31 December 2005	Recognised in income statement	Recognised in equity	Acquired subsidiaries	Balance as at 31 December 2006
Tax loss carry forward	3,317	4,303	-	(247)	7,373
Property, plant and equipment – asset	8,511	2,015	-	(8,511)	2,015
Property, plant and equipment – liability	(29,781)	(1,534)	-	-	(31,315)
Investment property	(155,228)	(51,512)	-	25,825	(180,915)
Investments	(1,964)	(788)	(1,171)	(10,181)	(14,104)
Fair value adjusted on investments	3,756	472	-	(3,756)	472
Receivables	233	40	-	48	321
Accruals	926	(111)	-	(384)	431
Inventories	728	217	-	-	945
Provisions	1,049	-	-	(1,049)	-
Other assets	519	-	-	-	519
Other liabilities	-	(7)	-	-	(7)
Temporary differences before valuation allowance	(167,934)	(46,905)	(1,171)	1,745	(214,265)
Less: valuation allowance	(1,067)	(321)	-	1,067	(321)
Total temporary differences	(169,001)	(47,226)	(1,171)	(2,812)	(214,586)
Deferred income tax, net	(28,458)	(6,970)	(239)	822	(34,845)

Movements in pre-tax components of temporary differences for the Company are as follows in year 2007:

	Balance as at 31 December 2006	Recognised in income statement	Balance as at 31 December 2007
Tax loss carry forward	-	2,245	2,245
Investments	-	1,630	1,630
Receivables	-	1,377	1,377
Accruals	-	26	26
Other liabilities	-	(557)	(557)
Temporary differences before valuation allowance	-	4,721	4,721
Less: valuation allowance	-	-	-
Total temporary differences	-	4,721	4,721
Deferred income tax, net	-	708	708

AB INVALDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**6 Income tax (cont'd)**

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

	Group		Company	
	2007	2006	2007	2006
Accounting profit before tax from continuing operations	97,813	87,051	86,096	31,257
Profit / (loss) before tax from a discontinued operations	2,183	2,437	-	-
Profit before income tax	99,996	89,488	86,096	31,257
Tax calculated at the tax rate of 18% (2006 – 19%)	(17,999)	(17,003)	(15,497)	(5,939)
Tax non-deductible (expenses) / non taxable income	7,784	1,813	16,400	3,495
Change in allowance for deferred tax	(1,090)	136	-	-
Tax loss carry forward expiry (recognition)	(899)	(753)	-	-
Correction of prior year current income tax	(20)	149	-	3
Differences of tax rates to subsidiaries	(6)	52	-	-
Change in tax rate	(206)	1,670	(195)	-
Income tax (expenses) recorded in the income statement	(12,436)	(13,936)	708	(2,441)
Income tax attributable to a discontinued operation	195	435	-	-
	(12,241)	(13,501)	708	(2,441)

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

	Group 2007	Company 2007
Non-current assets and assets of disposal group classified as held-for-sale		
Investment properties held-for-sale	18,553	-
Assets of investment classified as held-for-sale	5,869	2,274
Discontinued operation	63,247	7,805
	87,669	10,079
Liabilities directly associated with the assets classified as held-for-sale		
Liabilities of investment classified as held-for-sale	3,630	-
Discontinued operation	51,538	-
	55,168	-

The Company and the Group had no non-current assets classified as held-for-sale in 2006, therefore there are no comparative balances in 2006.

Investment properties held-for-sale

In August 2007 AB Invaldos Nekilnojamojo Turto Fondas has signed the preliminary sales agreements of two investment properties objects at Vytenio str. and J. Jasinskio str. in Vilnius. These investment properties were evaluated at disposal price equal to LTL 18,553 thousand as at 31 December 2007 and were classified as investment properties classified as held-for-sale. The prepayments in the amount of LTL 18,442 thousand were received according to the preliminary sales agreements in year 2007. The investment properties were disposed in February 2008 (Note 31).

AB INVALDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**7 Discontinued operations and non-current assets classified as held-for-sale (cont'd)**Investment classified as held-for-sale

On 13 December 2007 the Company has signed the agreement for 97.99% shares of UAB Hidroprojektas sale, therefore the Company's investment to this subsidiary (LTL 2,274 thousand) was classified as held-for sale. In Group financial statements total assets (LTL 5,869 thousand) and total liabilities (LTL 3,630 thousand) of UAB Hidroprojektas were classified as assets and liabilities held-for-sale. The sale completed on 10 January 2008 (Note 31).

Discontinued operation

In February 2007 the Group management publicly announced searching for the investor to the Group's hotels management segment (100% subsidiary of the Company AB Valmeda and its 100% subsidiary UAB Kelionių Viešbučiai). The potential investor was found and on 16 August 2007 the Letter of intent with investor Triangle Investments and Development limited for the sale and purchase of AB Valmeda shares was signed. The disposal of Group hotels management segment was completed on 13 March 2008 (Note 31). As at 31 December 2007 the Company's investment to AB Valmeda (LTL 7,805 thousand) in the stand-alone financial statements and the total hotels management segment assets (LTL 63,247 thousand) and total segment liabilities (LTL 51,538 thousand) were classified as a disposal group held-for-sale.

The results of the hotel management segment for the year 2007 and 2006 are presented below:

	<u>2007</u>	<u>2006</u>
Revenue	14,581	14,114
Expenses	<u>(10,584)</u>	<u>(10,602)</u>
Operating profit	3,997	3,512
Finance revenue	14	10
Finance expenses	<u>(1,828)</u>	<u>(1,085)</u>
Loss before tax from a discontinued operation	2,183	2,437
Income tax expenses	<u>(195)</u>	<u>(435)</u>
Profit for the year from a discontinued operation	<u>1,988</u>	<u>2,002</u>

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

7 Discontinued operations and non-current assets classified as held-for-sale (cont'd)

The major classes of assets and liabilities of the hotel management segment classified as held-for-sale as at 31 December are as follows:

	<u>2007</u>
Assets	
Intangible assets	56
Property, plant and equipment	60,096
Deferred tax asset	479
Inventories	1,200
Trade and other receivables	1,325
Cash	91
	<u>63,247</u>
Liabilities	
Deferred tax liabilities	(6,402)
Interest-bearing liabilities	(44,132)
Income tax payable	(27)
Advances received	(164)
Trade and other payables	(813)
	<u>(51,538)</u>
Net assets directly associated with disposal group	<u>11,709</u>
Asset revaluation reserve	<u>32,744</u>
Deferred tax on asset revaluation reserve	<u>(4,912)</u>
Reverse of disposal group classified as held-for-sale	<u>27,832</u>

The net cash flows incurred by hotel management segment are as follows:

	<u>2007</u>	<u>2006</u>
Operating	4,532	(1,460)
Investing	(16,452)	460
Financing	11,492	1,295
Net cash (outflow)/inflow	<u>(428)</u>	<u>295</u>

Earnings per share:

Basic and diluted, from discontinued operation	0.05	0.05
--	------	------

Diluted earnings per share equal to basic earnings per share as there were no potential shares issued as at 31 December 2007 and 2006.

Interest-bearing liabilities comprise LTL 44,132 thousand bank loan denominated in EUR having an variable interest rate (effective interest rate in 2007 4.79%). Loan is repayable in full in 2013.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**7 Discontinued operations and non-current assets classified as held-for-sale (cont'd)**

As at 31 December 2007, trade receivables at a nominal value of LTL 20 thousand (as at 31 December 2006 LTL 17 thousand) were impaired and fully provided for. Movements of in the provision for impairment of receivables (assessed individually) were as follows:

	Individually impaired
As at 1 January 2006 and 31 December 2006	17
Charge for the year	7
Utilised	(4)
	<u>20</u>

As at 31 December 2007 and 2006, the ageing analysis of trade receivables is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 90 days	90 – 180 days	More than 180 days	Total
2006	-	-	-	-	-	-
2007	452	154	293	117	82	1,098

The table below summarises the maturity profile to the discontinued operation's financial liabilities at 31 December 2007 based on contractual undiscontinued payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing loans and borrowings	-	952	3,040	15,273	36,396	55,661
Trade and other payables	-	383	-	-	-	383
	<u>-</u>	<u>1,335</u>	<u>3,040</u>	<u>15,273</u>	<u>36,396</u>	<u>56,044</u>

8 Earnings per share

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

The weighted average number of shares for 2007 and 2006 were as follows:

Calculation of weighted average for 2007	Number of shares (thousand)	Par value (LTL)	Issued/365 (days)	Weighted average (thousand)
Shares issued as at 31 December 2006	45,008	1	365/365	45,008
28 September 2007	19,866	1	94/365	5,116
Shares annulled on 28 September 2007	(22,305)	1	94/365	(5,745)
Shares issued as at 31 December 2007	<u>42,569</u>	<u>1</u>	<u>-</u>	<u>44,379</u>

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**8 Earnings per share (cont'd)**

Calculation of weighted average for 2006	Number of shares (thousand)	Par value (LTL)	Issued/365 (days)	Weighted average (thousand)
Shares issued as at 31 December 2005	41,735	1	365/365	41,735
30 June 2006	3,273	1	184/365	1,650
Shares issued as at 31 December 2006	45,008	1	-	43,385

Diluted earnings per share equal basic earnings per share as there were no potential shares issued as at 31 December 2007 and 2006.

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

	2007	2006
Net profit (LTL thousand), attributable to the equity holders of the parent from continuing operations	76,976	63,531
Net profit (LTL thousand), attributable to the equity holders of the parent from discontinued operation	1,988	2,002
Net profit (LTL thousand), attributable to equity holders of the parent for basic earnings	78,964	65,533
Weighted average number of ordinary shares (thousand)	44,379	43,385
Earnings per share (LTL)	1.78	1.51

9 Dividends per share

	2007	2006
Dividends approved (LTL thousand)	11,252	8,347
Number of ordinary shares at the date when dividends were declared (thousand)	45,008	41,735
Dividends per share (in LTL)	0.25	0.20

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**10 Hotels**

	Group	
	2007	2006
Cost:		
Balance at the beginning of the year	53,558	53,558
Transfer to investment property	(612)	-
Fair value adjustment	11,685	-
Transfer*	(4,911)	-
Discontinued operations	(59,720)	-
Balance as the end of the year	-	53,558
Accumulated depreciation:		
Balance at the beginning of the year	3,737	2,364
Charge for the year	1,350	1,373
Transfer to investment property	(176)	-
Transfer*	(4,911)	-
Balance as the end of the year	-	3,737
Net book value	-	49,821

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued hotels asset.

Hotels assets were evaluate at fair value as at 31 December 2007, which has been determined based on the valuation performed by UAB OBER-HAUS Nekilnojamas Turtas, an accredited independent valuer. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using Income approach method, which is based on the assumption that defined correlation between net activity future income and fair value of the object exists. Capitalisation rate used to determine fair value as at 31 December 2007 was 8% - 8.5%.

As described in more details in Note 7, in the year 2007 the Group management has decided to sell the whole hotel management segment, therefore the hotels asset were transferred to assets of disposal group classified as held-for-sale as at 31 December 2007.

As at 31 December 2007 hotels with the carrying value of LTL 59,720 (as at December 2006 LTL 49,377 thousand) were pledged to the banks as collaterals for the loans (Note 24).

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
 (all amounts are in LTL thousand unless otherwise stated)

11 Other property, plant and equipment

Group	Land	Buildings	Machinery and equipment	Vehicles	Construction in progress	Other assets	Total
Cost:							
Balance as at 31 December 2005	848	69,427	85,115	4,688	32,080	13,294	205,452
Additions	-	63	1,972	627	43,762	1,923	48,347
Acquisition of subsidiaries	-	3,800	-	-	-	7	3,807
Deemed partial disposal of AB Sanitas	(851)	(25,249)	(17,956)	(825)	(9,736)	(1,242)	(55,859)
Disposals and write-offs	-	(5,340)	(2,602)	(772)	(121)	(2,205)	(11,040)
Transfers	-	421	111	-	(491)	(41)	-
Transfer from/to investment properties	-	(6,322)	-	-	6,012	-	(310)
Foreign currency exchange difference	3	10	13	4	-	5	35
Balance as at 31 December 2006	-	36,810	66,653	3,722	71,506	11,741	190,432
Additions	-	31	2,159	331	53,791	2,556	58,868
Acquisition of subsidiaries	-	-	25	12	-	33	70
Disposals and write-offs	-	(1,064)	(1,778)	(741)	-	(1,150)	(4,733)
Disposals of subsidiaries	-	(4,867)	(2,104)	(511)	-	(1,063)	(8,545)
Transfers	-	2,498	(1,396)	(110)	(756)	(236)	-
Foreign currency exchange difference	-	(14)	-	(4)	-	(41)	(59)
Transfer to inventories	-	-	-	-	(105,333)	-	(105,333)
Reclassified to held-for-sale assets	-	-	(515)	(670)	-	(3,746)	(4,931)
Balance as at 31 December 2007	-	33,394	63,044	2,029	19,208	8,094	125,769
Accumulated depreciation:							
Balance as at 31 December 2005	-	7,213	24,420	1,559	-	5,524	38,716
Charge for the year	-	2,167	9,291	551	-	2,086	14,095
Disposals and write-offs	-	(212)	(2,208)	(467)	-	(1,332)	(4,219)
Deemed partial disposal of AB Sanitas	-	(1,728)	(3,458)	(246)	-	(177)	(5,609)
Balance as at 31 December 2006	-	7,440	28,045	1,397	-	6,101	42,983
Charge for the year	-	1,527	7,732	480	-	1,845	11,584
Disposals and write-offs	-	(247)	(975)	(425)	-	(786)	(2,433)
Disposals of subsidiaries	-	(748)	(1,359)	(296)	-	(563)	(2,966)
Transfers	-	1,053	(950)	(62)	-	(41)	-
Foreign currency exchange difference	-	(4)	-	(1)	-	(3)	(8)
Reclassified to held-for-sale assets	-	-	(393)	(325)	-	(3,097)	(3,815)
Balance as at 31 December 2007	-	9,021	32,100	768	-	3,456	45,345
Net book value as at 31 December 2007	-	24,373	30,944	1,261	19,208	4,638	80,424
Net book value as at 31 December 2006	-	29,370	38,608	2,325	71,506	5,640	147,449

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**11 Other property, plant and equipment (cont'd)**

Company	Vehicles	Other property, plant and equipment	Total
Cost:			
Balance as at 31 December 2005	501	117	618
Additions	228	210	438
Disposals	(117)	(7)	(124)
Balance as at 31 December 2006	612	320	932
Additions	-	58	58
Balance as at 31 December 2007	612	378	990
Accumulated depreciation:			
Balance as at 31 December 2005	193	101	294
Charge for the year	89	36	125
Disposals	(111)	(6)	(117)
Balance as at 31 December 2006	171	131	302
Charge for the year	92	61	153
Balance as at 31 December 2007	263	192	455
Net book value as at 31 December 2007	349	186	535
Net book value as at 31 December 2006	441	189	630

The depreciation charge of the Group's and the Company's other property, plant and equipment for the year 2007 amounts to LTL 11,584 thousand and LTL 153 thousand, respectively (in the year 2006 LTL 14,095 thousand and LTL 125 thousand, respectively). Amounts of LTL 11,218 thousand and LTL 153 thousand for the year 2007 (LTL 13,184 thousand and LTL 125 thousand for the year 2006) have been included into operating expenses in the Group's and the Company's income statement, respectively. The remaining amounts have been included into discontinued operations (Note 7).

Other property, plant and equipment of the Group with a net book value of LTL 62,204 thousand as at 31 December 2007 (LTL 104,427 thousand as at 31 December 2006) was pledged to the banks as a collateral for the loans (Note 24).

Borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset amounted to LTL 3,258 thousand for the year 2007 (LTL 1,022 thousand for the year 2006).

AB INVALDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

12 Investment properties

	2007	2006
Balance at the beginning of the year	391,303	296,038
Additions	58,505	90,259
Disposals	(75,455)	(11,200)
Disposals of subsidiaries	(2,790)	(30,000)
Transfer from hotels	436	-
Transfer from other property, plant and equipment	-	310
Transfer to non-current assets held-for-sale	(18,553)	-
Gain from fair value adjustment	50,161	50,497
Loss from fair value adjustment	(674)	(4,601)
Balance at the end of the year	402,933	391,303

Investment properties of the Group include office buildings, warehouses, land and flats. Majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 20,528 thousand in 2007 (LTL 15,394 thousand in 2006). The direct operating expenses arising from investment properties that generated rental income during the year 2007 amounted to LTL 8,230 thousand (LTL 7,213 thousand in 2006).

Investment properties are stated at fair value, which has been determined based on the joint valuations performed by the accredited valuers: independent valuer UAB OBER-HAUS Nekilnojamas Turtas and UAB Inreal (the Group company) as at 31 December 2007 and UAB OBER-HAUS Nekilnojamas Turtas as at 31 December 2006. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using Sales comparison approach and Income approach methods. Income approach method is based on the assumption that defined correlation between net activity future income and fair value of the object exists. Capitalisation rate used to determine fair value as at 31 December 2007 was 9.65% - 10.9% (as at 31 December 2006 was 8% - 9%). Sales comparison approach method refers to the prices of the analogous transactions in the market.

In 2007 UAB INTF Investicija acquired investment property at Visorių str., Vilnius for LTL 22,051 thousand and UAB Sago acquired investment property at Pylimo str., Vilnius for LTL 23,000 thousand. The biggest investment properties additions in 2006 amounting to LTL 50,700 thousand are related to investment properties acquisition from AB Teo group companies.

In 2007 three office buildings and two logistics centres in Vilnius and Kaunas were sold to Irish private investors owned company by AB Invaldos Nekilnojamojo Turto Fondas and UAB Naujoji Švara for LTL 78,852 thousand (carrying amount was LTL 66,397 thousand). This sold Group investment properties were leased back by AB Invaldos Nekilnojamojo Turto Fondas (Note 29). In 2006 major part of disposals relate to disposal of the subsidiary UAB Apželdinimas (Note 3).

In August 2007 AB Invaldos Nekilnojamojo Turto Fondas has signed the preliminary sales agreements of two investment properties at Vytenio str. and J. Jasinskio str. in Vilnius. These investment properties were evaluated at disposal price equal to LTL 18,553 thousand as at 31 December 2007 and were classified as investment properties classified as held-for-sale (see Note 7).

As at 31 December 2007 investment properties with carrying amount of LTL 349,072 thousand were pledged to the banks as collateral for the loans. As at 31 December 2006 almost all investment properties were pledged to the banks as collateral for the loans (Note 24) but their fair value can not be defined as pledged items were not evaluated on a separate basis.

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2007 and 2006. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end except as stated above.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

13 Intangible assets

Group	Goodwill	Contracts	Software	Other intangible assets	Total
Cost:					
Balance as at 31 December 2005	7,568	-	3,232	431	11,231
Additions	-	-	544	7	551
Acquisition of subsidiaries	243	-	-	-	243
Disposals and write-offs	-	-	(65)	(13)	(78)
Deemed partial disposal of AB Sanitas	-	-	(820)	(178)	(998)
Foreign currency exchange difference	-	-	3	-	3
Balance as at 31 December 2006	7,811	-	2,894	247	10,952
Additions	-	6,000	1,848	12	7,860
Acquisition of subsidiaries	-	10,694	5	-	10,699
Disposals and write-offs	-	-	(274)	(15)	(289)
Disposals of subsidiaries	(1,790)	-	(84)	-	(1,874)
Transfer	-	-	1	(1)	-
Reclassified to held-for-sale assets	-	-	(737)	(165)	(902)
Foreign currency exchange difference	-	-	(1)	-	(1)
Balance as at 31 December 2007	6,021	16,694	3,652	78	26,445
Accumulated amortisation:					
Balance as at 31 December 2005	-	-	1,621	207	1,828
Charge for the year	-	-	625	59	684
Impairment	2,980	-	-	-	2,980
Disposals and write-offs	-	-	(32)	(1)	(33)
Deemed partial disposal of AB Sanitas	-	-	(128)	(38)	(166)
Balance as at 31 December 2006	2,980	-	2,086	227	5,293
Charge for the year	-	-	480	15	495
Disposals and write-offs	-	-	(273)	(15)	(288)
Disposals of subsidiaries	(1,790)	-	(41)	-	(1,831)
Reclassified to held-for-sale assets	-	-	(605)	(165)	(770)
Balance as at 31 December 2007	1,190	-	1,647	62	2,899
Net book value as at 31 December 2007	4,831	16,694	2,005	16	23,546
Net book value as at 31 December 2006	4,831	-	808	20	5,659

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

13 Intangible assets (cont'd)

Company	Software	Other intangible assets	Total
Cost:			
Balance as at 31 December 2005	5	2	7
Additions	10	-	10
Balance as at 31 December 2006	15	2	17
Additions	7	-	7
Balance as at 31 December 2007	22	2	24
Accumulated amortisation:			
Balance as at 31 December 2005	5	2	7
Charge for the year	2	-	2
Balance as at 31 December 2006	7	2	9
Charge for the year	5	-	5
Balance as at 31 December 2007	12	2	14
Net book value as at 31 December 2007	10	-	10
Net book value as at 31 December 2006	8	-	8

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

14 Impairment testing of goodwill

For the year ended 31 December 2006 the impairment of goodwill amounting to LTL 2,980 thousand was recognised in the income statement. The impairment loss was accounted for goodwill in the amount of LTL 1,781 thousand arising from AB Minija acquisition as this company experienced losses during the past few years (LTL 2,200 thousand during the year 2006, LTL 1,400 thousand during the year 2005). As Bazilika OOO incurred constant losses during the past years, too, the goodwill arising from its acquisition in the amount of LTL 348 thousand was also impaired. Other immaterial goodwill amounts from other companies acquisition in total amount of LTL 851 were impaired as failed the impairment testing of goodwill.

The goodwill acquired through business combinations of other five companies has been allocated to two cash-generating units for impairment testing. LTL 1,176 thousand were allocated to financial mediation cash-generating unit, LTL 3,655 thousand were allocated to real estate cash-generating unit. The recoverable amount of each unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Group management covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the 5-year period are extrapolated using 3% growth rate, which reflects the expected average rate of economic growth. As at 31 December 2007 and 2006 there were no other indications of goodwill impairment.

15 Investments available-for-sale

	Group		Company	
	2007	2006	2007	2006
Ordinary shares – quoted	2,581	6,606	-	-
Ordinary shares – unquoted	2,454	10,231	1,821	1,771
Investment funds	885	1,010	-	-
Bonds	-	866	-	-
	<u>5,920</u>	<u>18,713</u>	<u>1,821</u>	<u>1,771</u>

The fair value of the quoted ordinary shares is determined by reference to published price quotations in an active market. The unquoted shares are measured at cost.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**16 Loans granted**

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

	Group		Company	
	2007	2006	2007	2006
Loans granted to third parties	19,283	5,992	5,524	1,089
Repurchasing agreements	41,843	31,793	-	-
Loans granted to related parties	33,813	22,527	125,191	46,242
	94,939	60,312	130,715	47,331
Less: short-term loans	(77,977)	(44,974)	(108,754)	(16,981)
	16,962	15,338	21,961	30,350

As at 31 December 2007 and 2006 the Group and the Company had loans granted to third parties and repurchasing agreement with the maturity term till 2009. The annual interest rate of loans granted to third parties and repurchasing agreements is fixed and varies from 5.5% to 12%. Loans granted for related parties are disclosed in more details in Note 30.

As at 31 December 2007, the Group's and the Company's loans granted at nominal value of LTL 3,485 thousand and LTL 1,935 thousand, respectively, were impaired. The net amount of LTL 735 thousand is outstanding in the balance sheet of the Group and the Company.

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

	Individually impaired	
	Group	Company
Balance as at 31 December 2005	-	-
Charge for the year	-	-
Balance as at 31 December 2006	-	-
Charge during the year	2,750	1,200
Balance as at 31 December 2007	2,750	1,200

Changes in allowance for doubtful loans granted for the year 2007 have been included into other operating expenses in the income statement.

The ageing analysis of loans granted of the Group as at 31 December 2007 and 2006 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired				Total
		Less than 30 days	30 – 90 days	90 – 180 days	More than 180 days	
2006	55,881	1,066	205	789	2,371	60,312
2007	89,909	2,180	533	998	584	94,204

The ageing analysis of loans granted of the Company as at 31 December 2007 and 2006 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired				Total
		Less than 30 days	30 – 90 days	90 – 180 days	More than 180 days	
2006	47,331	-	-	-	-	47,331
2007	129,876	-	-	-	104	129,980

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**16 Loans granted (cont'd)**

The fair value of collaterals received as at 31 December 2007 and 2006 by the Group and the Company for loans granted:

	Group		Company	
	2007	2006	2007	2006
Received collaterals which can be repledged or sold, total	180,070	67,066	-	-
Out of total repledged or sold collaterals	69,143	33,804	-	-

17 Inventories

	Group	
	2007	2006
Raw materials	10,772	13,254
Work in progress	2,746	3,438
Finished goods	1,497	2,838
Constructed apartments for sale	105,333	-
Goods for resale	150	92
	120,498	19,622
Less: net realisable value allowance	(548)	(1,123)
	119,950	18,499

The acquisition cost of the Group's inventories accounted for at net realisable value as at 31 December 2007 amounted to LTL 548 thousand (LTL 1,123 thousand as at 31 December 2006). Changes in the allowance for inventories for the years 2007 and 2006 have been included into operating expenses. Inventories allowance in amount of LTL 223 thousand was reduced due to disposal of AB Minija.

As at 31 December 2007 the Group has transferred the constructed for sale apartments, which are in the selling process from other property plant and equipment (Note 11). The advance payments received for these apartments as at 31 December 2007 amounted to LTL 26,632 thousand (as at 31 December 2006 LTL 15,457 thousand). The Group expects to realise these apartments within the year.

As disclosed in Note 24, inventories of the Group with the acquisition cost of LTL 114,333 thousand as at 31 December 2007 (LTL 10,400 thousand as at 31 December 2006) were pledged to banks as collateral for the loans.

18 Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
Trade and other receivables, gross	22,228	22,801	239	-
Taxes receivable, gross	5,527	3,075	-	-
Less: allowance for doubtful trade and other receivables	(390)	(1,529)	-	-
	27,365	24,347	239	-

Changes in allowance for doubtful trade and other receivables for the year 2007 and 2006 have been included into other operating expenses in the income statement.

Trade and other receivables are non-interest bearing and are generally on 10 – 60 days terms.

Receivables from subsidiaries in more details are described in Note 30.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

18 Trade and other receivables (cont'd)

Movements in the provision for impairment of receivables of the Group (assessed individually) were as follows:

	Individually impaired
Balance as at 31 December 2005	297
Charge for the year	1,430
Write-offs charged against the allowance	(54)
Recoveries of amounts previously written-off	(144)
Balance as at 31 December 2006	1,529
Charge during the year	627
Write-offs charged against the allowance	(1,293)
Disposals of subsidiaries	(425)
Recoveries of amounts previously written-off	(48)
Balance as at 31 December 2007	390

The Company did not have the provision for impairment of receivables in 2007 and 2006.

The ageing analysis of trade and other receivables of the Group as at 31 December 2007 and 2006 is as follows:

		Trade receivables past due but not impaired				Total
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 90 days	90 – 180 days	More than 180 days	
2006	15,988	2,618	1,299	876	450	21,231
2007	18,905	1,277	826	618	182	21,808

The ageing analysis of trade and other receivables of the Company as at 31 December 2007 and 2006 is as follows:

		Trade receivables past due but not impaired				Total
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 90 days	90 – 180 days	More than 180 days	
2006	-	-	-	-	-	-
2007	230	-	9	-	-	239

Credit quality of financial assets neither past due nor impaired

With respect to trade and other receivables that are neither impaired nor past due, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group and the Company trades only with recognised, creditworthy third parties.

19 Prepayments and deferred charges

The Group company AB Finasta Įmonių Finansai paid LTL 20,000 thousand of prepayments for establishment of the bank. The bank was established on 2 January 2008 (Note 31).

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

20 Financial assets held for trade

	Group		Company	
	2007	2006	2007	2006
Ordinary shares – quoted	21,925	17,188	-	-
Bonds	1,061	1,900	-	-
Investment funds	1,220	9	-	-
	<u>24,206</u>	<u>19,097</u>	<u>-</u>	<u>-</u>

21 Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
Cash at bank	4,170	8,141	30	82
Cash on hand	78	1,020	-	-
Cash at bank and short-term deposits attributable to disposal group (Note 7)	1,858	-	-	-
	<u>6,106</u>	<u>9,161</u>	<u>30</u>	<u>82</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 December 2007 of the Group and the Company is LTL 6,106 thousand and LTL 30 thousand, respectively (LTL 9,161 thousand and LTL 82 thousand as at 31 December 2006).

The Group's foreign and local currency accounts in banks amounting to LTL 653 thousand as at 31 December 2007 (LTL 887 thousand as at 31 December 2006 the Group's) are pledged to the banks as collateral in relation to the loan (Note 24).

22 Share capital

On 30 June 2006 the share capital of the Company was increased to LTL 45,008,376 by issuing 3,273,714 ordinary shares with the par value of LTL 1 each. The Company exchanged these shares for LTL 10.40 each. Proceeds from the share capital increase were LTL 34,046 thousand, including the share premium amounting to LTL 30,773 thousand.

The newly issued Company's shares were exchanged to the remaining 25% of AB Pozityvios Investicijos shares owned by Mr. Darius Šulnis according to the reorganisation conditions. AB Pozityvios Investicijos was merged to the Company by transferring all its assets and liabilities at the carrying values accounted in the balance sheet of AB Pozityvios Investicijos. The difference arising from the Company's investment to AB Pozityvios Investicijos and the net assets acquired amounting to LTL 8,442 thousand was accounted for in shareholders' equity.

On 28 September 2007 during the merger of the Company and AB Nenuorama 22,305,587 ordinary shares of the Company was annulled and 19,866,060 ordinary shares with par value of LTL 1 each were issued. After that the share capital of the Company was decreased to LTL 42,568,849. The newly issued Company's shares were exchanged for LTL 19.67 each and difference between proceeds and par value of shares amounting to LTL 370,899 thousand was accounted for as share premium. Subsequently, the same share premium was decreased by following annulment of shares.

The newly issued Company's shares were exchanged to AB Nenuorama shares owned by Mr. Darius Šulnis, Mr. Alvydas Banys, Mr. Algirdas Bučas, Mr. Vytautas Bučas, Mr. Dailius Juozapas Mišeikis, Mrs. Daiva Baniienė and UAB Lucrum Investicija according to the reorganisation conditions. Assets and liabilities, taken over from AB Nenuorama, were recognised at fair value in the Company's financial statements. AB Nenuorama owned shares of the Company (22,305 thousand) were annulled, respectively the value of the acquired own shares was annulled. The loss of LTL 40,141 thousand has been recognised in equity due to this transaction.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**23 Reserves**

The Group	Revaluation reserve	Fair value reserve	Legal reserve	Own shares reserve	Translation reserve	Total
At 1 January 2006	19,716	3,273	9,463	-	472	32,924
Currency translation differences	-	-	-	-	(520)	(520)
Net unrealised gains on available-for-sale investments	-	2,078	-	-	-	2,078
Net realised gains on available-for-sale investments reclassified to the income statement	-	(1,681)	-	-	-	(1,681)
Tax effect of net gains on available-for-sale investments	-	(238)	-	-	-	(238)
Depreciation transfer	(1,325)	-	-	-	-	(1,325)
Transfer to reserves	-	-	(2,603)	-	-	(2,603)
At 31 December 2006	18,391	3,432	6,860	-	(48)	28,635
Revaluation of land and buildings	11,685	-	-	-	-	11,685
Tax effect of revaluation of land and buildings	(1,752)	-	-	-	-	(1,752)
Depreciation transfer	(492)	-	-	-	-	(492)
Discontinued operations	(32,744)	-	(245)	-	-	(32,989)
Tax effect of discontinued operations	4,912	-	-	-	-	4,912
Currency translation differences	-	-	-	-	(25)	(25)
Net unrealised gains on available-for-sale investments	-	3,095	-	-	-	3,095
Net realised gains on available-for-sale investments reclassified to the income statement	-	(6,618)	-	-	-	(6,618)
Tax effect of net gains on available-for-sale investments	-	643	-	-	-	643
Transfer to reserves	-	-	185	34,500	-	34,685
At 31 December 2007	-	552	6,800	34,500	(73)	41,779

Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries.

Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

23 Reserves (cont'd)Fair value reserves

Fair value reserves comprise changes in fair value of available-for-sale investments.

Revaluation reserve

Revaluation reserve reflects the result of the revaluation of the hotels assets.

Other reserves

Other reserves of the Group comprise the legal reserve and own shares reserve. Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10% of the share capital. The reserve can be used only to cover the accumulated losses. Own shares reserve is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations.

24 Borrowings

	Group		Company	
	2007	2006	2007	2006
Non-current				
Long-term bank borrowings	265,391	246,270	60,193	-
Other borrowings	5,004	77	-	-
Borrowings from subsidiaries	-	-	18,396	2,901
	<u>270,395</u>	<u>246,347</u>	<u>78,589</u>	<u>2,901</u>
Current				
Current portion of long-term borrowings	134,830	80,104	-	-
Current portion of long-term borrowings from related parties	-	-	1,350	1,350
Short-term bank borrowings	112,288	118,942	64,500	60,193
Other borrowings	59,218	19,877	39,028	-
Borrowings from related parties	15,315	-	40,716	21,577
	<u>321,651</u>	<u>218,923</u>	<u>145,594</u>	<u>83,120</u>
Total borrowings	<u>592,046</u>	<u>465,270</u>	<u>224,183</u>	<u>86,021</u>

The significant amount of the Company's borrowings are from related parties. Please refer to Note 30 for more details.

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

	Group		Company	
Borrowings denominated in:	2007	2006	2007	2006
EUR	412,842	337,433	93,844	60,193
LTL	179,204	127,837	130,339	25,828
	<u>592,046</u>	<u>465,270</u>	<u>224,183</u>	<u>86,021</u>

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

24 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group	
	2007	2006
Property, plant and equipment	62,204	104,427
Hotels (discontinued operations)	59,720	49,377
Assets held-for-sale	5,784	-
Investment properties	349,072	391,303
Inventories	114,333	10,400
Cash	653	887
Securities (major received by repurchase agreement) at fair value	7,774	-

The shares pledged to the banks held by the Company as at 31 December 2007 are the following:

- Shares of AB Sanitas – 7,152 thousand shares from 13,297 thousand of owned shares (the acquisition value of LTL 99,329 thousand).
- Shares of AB Vilniaus Baldai – 2,551 thousand shares from 2,705 thousand of owned shares (the acquisition value of LTL 11,296 thousand).
- Shares of AB Kauno Tiltai – 36 thousand shares from 64 thousand of owned shares (the acquisition value of LTL 10,864 thousand).

The terms of repayments of non-current and current borrowings are as follows:

	Group		Company	
	2007	2006	2007	2006
Within one year	321,651	218,923	145,594	83,120
From one to five years	191,663	114,052	61,744	2,901
After five years	78,732	132,295	16,845	-
	<u>592,046</u>	<u>465,270</u>	<u>224,183</u>	<u>86,021</u>

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

	Group		Company	
	2007	2006	2007	2006
Borrowings	5.90%	4.81%	6.28%	4.00%

Some Group companies in the real estate segment did not comply with few covenants set in the non-current borrowings agreements as at 31 December 2007 and 2006 but the lenders confirmed before the balance sheet date it would not demand earlier loan repayment.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**25 Financial lease**

The assets leased by the Group under financial lease contracts consist of buildings, investment properties, machines and equipment, vehicles and other fixtures, fittings, tools and equipment. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The terms of financial lease are from 27 to 60 months. The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group	
	2007	2006
Buildings	-	501
Investment properties	12,600	12,750
Machines and equipment	254	426
Other fixtures, fittings, tools and equipment	-	5
Vehicles	168	369
	<u>13,022</u>	<u>14,051</u>

All financial lease payables at the year end of 2007 and 2006 are denominated in EUR.

As at 31 December 2007 the interest rate on the financial lease liabilities in EUR varies depending on the 6-months EUR LIBOR and EURIBOR and the margin varying from 1.2% to 2%. As at 31 December 2006 the interest rate on the financial lease liabilities in EUR varies depending on the 6-months EUR LIBOR and EURIBOR and the margin varying from 1.2% to 2.3%. The interest rate for the remaining financial liabilities in EUR is fixed 6%.

Future minimal lease payments under the above mentioned financial lease contracts as at 31 December 2007 are as follows:

	Group	
	2007	2006
Within one year	6,211	1,788
From one to five years	244	6,321
After five years	-	47
Total financial lease obligations	<u>6,455</u>	<u>8,156</u>
Interest	<u>(123)</u>	<u>(422)</u>
Present value of financial lease obligations	<u>6,332</u>	<u>7,734</u>

Financial lease obligations are accounted for as:

- current	6,102	1,467
- non-current	230	6,267

26 Trade payables

Trade payables are non-interest bearing and are normally settled on 14 - 60 day terms. For terms and conditions relating to related parties, refer to Note 30.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**27 Other current liabilities**

	Group		Company	
	2007	2006	2007	2006
Payable to minority shareholders after AB Nenuorama merger	117,808	-	117,808	-
Payable related to salaries and social security	5,199	5,055	144	168
Dividends payable	2,929	3,851	1,778	1,367
Payable after business combination	2,720	-	-	-
Tax payable	1,006	1,891	-	7
Other amounts payable	1,028	2,468	173	92
	<u>130,690</u>	<u>13,265</u>	<u>119,903</u>	<u>1,634</u>

28 Financial assets and liabilities and risk management

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

The Group and Company the also may enter into derivative transactions, such as interest rate swaps and forward currency contracts. The purpose of them is to manage the interest rate and currency risks arising from the operations and its sources of finance. The Group and the Company have not used any of derivative instruments so far, as management considered that there is no demand for them.

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

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

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

Credit risk

The Group estimates the credit risk separately by the segments. The sole furniture production segment has significant concentration of trading counterparties. The main customer of AB Vilniaus Baldai – IKEA Supply AG – on 31 December 2007 accounts for approximately 41% (15% as of 31 December 2006) of the total Group's trade receivables.

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables, which are not overdue and not impaired, due to constant control of the Group for receivable balances.

The Group and the Company trade only with recognised, creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances of subsidiary companies are monitored on a monthly basis. The maximum exposure in the carrying amount is disclosed in Note 16 and Note 18. There are no significant Group's or Company's transactions that do not occur in the country of the relevant operating unit. In financial sector most receivable amounts are guaranteed by listing securities received from repurchase transactions.

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

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**28 Financial assets and liabilities and risk management (cont'd)**Interest rate risk

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. Current environment is not attractive to target fixed interest rates (fixed interest rate is significantly higher than the float, and due to the volatility in the market fixed interest rates are offered for short period of time only). In real estate sector some credits are associated with the projects which last 2-3 years, therefore, the risk related to increase of the interest rate cannot be considered as high. A fixed interest rate is applicable to short-term obligations related to repurchase agreements (3 - 6 months duration).

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

	Increase/decrease in basis points	Group	Company
		Effect on profit before tax	
2007			
EUR	+ 100	(3,804)	(600)
LTL	+ 100	(246)	-
EUR	- 200	7,608	1,200
LTL	- 200	492	-
2006			
EUR	+ 100	(3,374)	(600)
LTL	+ 100	(529)	-
EUR	- 200	6,748	1,200
LTL	- 200	1,058	-

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The liquidity risk of the Group and the Company is controlled on an overall Group level and is evaluated at the loans received and the fair value of the total assets with the target of not more than 50 %. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity management is to meet daily needs for funds. Each business segment is independently planning its internal cash flows. A more intense liquidity management is performed in the financial sector in which the liquidity is monitored on a daily basis. Short-term liquidity for the Group and the Company is controlled through weekly monitoring of the liquidity status and needs of funds according to the Group's business segments.

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

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(all amounts are in LTL thousand unless otherwise stated)**28 Financial assets and liabilities and risk management (cont'd)**Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2007 and as at 31 December 2006 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	-	158,273	184,800	223,377	90,472	656,922
Financial lease obligations	-	5,647	564	244	-	6,455
Trade and other payables	1,267	22,438	2,466	-	-	26,171
Other liabilities	2,929	98,392	29,018	1,408	-	131,747
Balance as at 31 December 2007	4,196	284,749	216,848	225,029	90,472	821,294
Interest bearing loans	74	116,660	111,466	152,280	150,369	530,849
Financial lease obligations	-	447	1,341	6,321	47	8,156
Trade and other payables	-	24,071	636	-	-	24,707
Other liabilities	3,851	2,289	179	152	121	6,592
Balance as at 31 December 2006	3,925	143,467	113,622	158,753	150,537	570,304

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2007 and as at 31 December 2006 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans	7,236	94,801	51,489	70,636	17,063	241,225
Financial lease obligations	-	-	-	-	-	-
Trade and other payables	-	22	868	-	-	890
Other current liabilities	1,778	97,649	25,987	-	-	125,414
Balance as at 31 December 2007	9,014	192,472	78,344	70,636	17,063	367,529
Interest bearing loans	-	62,081	22,350	3,106	-	87,537
Financial lease obligations	-	-	-	-	-	-
Trade and other payables	-	228	324	-	-	552
Other current liabilities	1,367	65	27	-	-	1,459
Balance as at 31 December 2006	1,367	62,374	22,701	3,106	-	89,548

The numbers presented in the tables above are based on the appropriate agreements' conditions being valid as at 31 December 2007 and 2006. The Group's liquidity ratio ((total current assets plus assets of disposal group classified as held-for-sale) / total current liabilities plus liabilities of disposal group directly associated with the assets classified as held-for-sale) for 31 December 2007 was approximately 0.62 (0.44 – 31 December 2006), the quick ratio ((total current assets – inventories) / total current liabilities) – 0.30 (0.37 for 2006 year end), Company's liquidity ratio – 0.45 (0.2 for 2006 year end). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes active actions to improve the situation.

The management of the Company has prepared a plan of the Company's and the Group's operations for 2008, where less aggressive investment targets are forecasted and there are plans to dispose some of assets. Some investments and the real estate objects have been already sold during the year 2008 until the date of the authorization for issue of these financial statements, e.g. hotels segment, investment properties objects (Note 7). More objects are expected to be sold within a year - the Group forecasts to receive approximately LTL 164,000 thousand of cash inflows from construction for sale objects during the year (Note 17).

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

28 Financial assets and liabilities and risk management (cont'd)Liquidity risk (cont'd)

The Company has already received LTL 38,061 thousand of cash from disposal of hotels segment in 2008. Moreover, the Company's liabilities to AB Valmeda in the total amount of LTL 26,149 thousand as at 31 December 2007 were transferred to the new owner of AB Valmeda after the investment disposal. In addition, the Group's and the Company's management does not discount the possibility to dispose other non-current assets of the Group and the Company during the year 2008 if reasonable price is proposed, as the Group and the Company always have the assets (the investments, the real estate objects) which are ready and available-for-sale, if the cash is urgently needed. However, there are no firm decisions taken yet other than those as disclosed in these financial statements.

Furthermore, while borrowings from any specific bank are not exclusive or restrictive, the management of the Company and companies of the Group are in constant contact with banks exploring opportunities for additional financing or refinancing of the existing borrowings. Having invested in liquid shares of traded companies financing opportunities in the form of repurchase transaction is open to the Group as well.

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

Foreign exchange risk

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

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

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

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2007			
LTL/LVL	+1%	14	10
LTL/UAH	+10%	(85)	(86)
LTL/SEK	+10%	(128)	-
RUB/EUR	+10%	(140)	-
LTL/LVL	-1%	(14)	(10)
LTL/UAH	-10%	85	86
LTL/SEK	-10%	128	-
RUB/EUR	-10%	140	-

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

28 Financial assets and liabilities and risk management (cont'd)Foreign exchange risk (cont'd)

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2006			
LTL/LVL	+1%	13	11
LTL/UAH	+10%	(30)	(33)
LTL/SEK	+10%	(132)	-
RUB/EUR	+10%	81	-
LTL/UAH	-1%	(13)	(11)
LTL/LVL	-10%	30	33
LTL/SEK	-10%	132	-
RUB/EUR	-10%	(81)	-

Fair value of financial instruments

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

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

The carrying amount of the financial assets and financial liabilities of the Company and the Group as at 31 December 2007 and 2006 approximated their book value.

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets has been calculated using market interest rates.

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

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

Capital management

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

The Group's and the Company's capital comprise share capital, share premium, reserves and retained earnings. The Company and the Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2007 and 2006.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

28 Financial assets and liabilities and risk management (cont'd)Capital management (cont'd)

The Company is obliged to upkeep its equity ratio at not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. Latvian laws require that companies' authorised capital to be not negative. If subsidiaries, based on results of the current year, violate requirements required by laws, according to the order and terms provided for in laws the Company shall apply the appropriate means so that the aforementioned requirements to capital would be met.

The Company subsidiaries AB FMĮ Finasta and UAB Finasta Investicijų Valdymas are managing their capital and all relevant risks in accordance with the normative acts and resolutions of the Securities Commission of the Republic of Lithuania. There was approved a common risk level – to what extent the minimal capital adequacy requirement would not be violated and there would not be a real threat of its violation. Subsidiaries ensure that the capital adequacy ratio calculated according to Securities Commission's requirements would be at least 1.1. The capital adequacy ratios in these subsidiaries were:

	2007	2006
AB FMĮ Finasta	4.94	2.87
UAB Finasta Investicijų Valdymas	9.40	1.67

Besides, some Group subsidiaries have obligations arising out of credit agreements concluded with banks, including capital. For the purpose of ensuring of bank credits it is required that the ratio of equity plus subordinated borrowings divided by total assets would be not less than specified in the appropriate agreements. Some banks, when calculating this ratio do not include in equity the revaluation reserve. Depending on risks related to projects and activities under development the ratio amount required by banks is 0.14 - 0.4. The Company, when subordinating credits, seeks to ensure that this ratio would be obeyed by the appropriate subsidiaries.

29 Commitments and contingenciesOperating lease commitments – Group as a lessee

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

The majority of the Group's operating lease expenses include investment properties lease after the sale of investment property in 2007 (Note 12). The Group's company AB Invalidos Nekilnojamojo Turto Fondas concluded the operating lease back agreement with an Irish private investor for the sold Group investment properties. Lease payments and the sale price of the investment properties are accounted for at fair value, therefore the profit of this transaction was recognised immediately at the transaction date. Operating lease back term – 10 years, but the agreement might be unilaterally terminated by the parties. AB Invalidos Nekilnojamojo Turto Fondas paid a one time deposit in the amount of LTL 2,848 thousand corresponding to the 6 months amount of the lease fee which will be set-off against the last part of lease fee at the termination of the lease. In 2007, the lease expenses for investment properties lease of the Group amounted to LTL 1,913 thousand. In 2007, the lease expenses of the Group and the Company other assets amounted to LTL 1,999 thousand and LTL 317 thousand, respectively (LTL 662 thousand and LTL 173 thousand, respectively, in 2006).

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

29 Commitments and contingencies (cont'd)Operating lease commitments – Group as a lessee (cont'd)

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

		Group		Company	
		2007	2006	2007	2006
Within one year					
	- investment properties lease	5,705	-	-	-
	- other lease	1,359	880	293	259
		7,064	880	293	259
From one to five years					
	- investment properties lease	23,125	-	-	-
	- other lease	1,528	1,158	712	884
		24,653	1,158	712	884
After five years					
	- investment properties lease	27,160	-	-	-
	- other lease	-	2	-	-
		27,160	2	-	-
		58,877	2,040	1,005	1,143
Denominated in:					
	- EUR	56,038	12	-	-
	- LTL	2,588	2,028	1,005	1,143
	- Other currencies	251	-	-	-

Operating lease commitments – Group as a lessor

The Group companies AB Invalidos Nekilnojamojo Turto Fondas, UAB Naujoji Švara, UAB IBC Logistika, UAB Saistas, UAB Ineturas, UAB Dizaino Institutas have entered into commercial property leases of the Group's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 2 and 11 years.

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

		2007	2006
Within one year			
	- non-cancellable	3,027	3,690
	- cancellable	8,158	9,658
		11,185	13,348
From one to five years			
	- non-cancellable	4,582	8,756
	- cancellable	12,801	20,395
		17,383	29,151
After five years			
	- non-cancellable	337	2,809
	- cancellable	502	19,998
		839	22,807
		29,407	65,306

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

29 Commitments and contingencies (cont'd)Operating lease commitments – Group as a lessor (cont'd)

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

		<u>2007</u>	<u>2006</u>
Within one year			
	- non-cancellable	4,630	-
	- cancellable	684	-
		<u>5,314</u>	<u>-</u>
From one to five years			
	- non-cancellable	12,842	-
	- cancellable	276	-
		<u>13,118</u>	<u>-</u>
After five years			
	- non-cancellable	6,939	-
	- cancellable	6	-
		<u>6,945</u>	<u>-</u>
		<u>25,377</u>	<u>-</u>

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

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

30 Related party transactions

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

The related parties of the Group in 2007 and 2006 were associates, joint ventures and Company's shareholders (Note 1) and key management personnel.

Transactions of the Group with related parties in 2007 and balances as of 31 December 2007 were as follows:

2007 Group	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Loans and borrowings	2,006	104	33,813	15,315
Rent and utilities	710	686	-	-
Other real estate income	910	-	118	-
Apartments construction by UAB Laikinosios Sostinės Projektai	1,662		168	-
Roads and bridges construction segment	326	1,546	59	369
Raw materials purchased by AB Vilniaus Baldai from UAB Girių Bizonas	-	14,706	-	2,002
Other	70	22	144	-
	<u>5,684</u>	<u>17,064</u>	<u>34,302</u>	<u>17,686</u>
Liabilities to shareholders	225	106	3,002	117,880

For granted loan maturity is from 2008 till 2016, effective interest rate 6% - 12.29%, for borrowings received maturity is 2008, effective interest rate 6.9% - 8.5%.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

30 Related party transactions (cont'd)

Transactions of the Group with related parties in 2006 and balances as at 31 December 2006 were as follows:

2006 Group	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Loans and borrowings	1,135	56	22,527	-
Rent and utilities	315	233	841	55
Construction	370	594	837	-
Purchased premises	695	1,981		2,117
Commissions for acquisition of Jelfa S.A.	-	-	1,518	-
Other	224	-	94	4
	<u>2,739</u>	<u>2,864</u>	<u>25,817</u>	<u>2,176</u>
Liabilities to shareholders	1.313	391	380	

For granted loan maturity is from 2008 till 2017, effective interest rate 5% - 10.5%.

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

Transactions of the Company with related parties in 2007 and balances as at 31 December 2007 were as follows:

2007 Company	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Loans and borrowings	6,789	3,409	125,191	60,462
Rent and utilities	-	315	-	-
Fees for securities	-	23	-	-
Payables for share capital in subsidiaries in Ukraine	-	-	-	863
Shares transactions	378	17,968	-	-
Other	5	172	86	12
	<u>7,172</u>	<u>21,887</u>	<u>125,277</u>	<u>61,337</u>
Liabilities to shareholders	-	-	-	117,880

For granted loans the maturity is from 2008 till 2016, effective interest rate 6% - 12.29%, for borrowings received the maturity is 2008 – 2013, effective interest rate 5.5% - 8.0%.

AB Nenuorama has acquired the shares of the Company from its shareholders before the merger with the Company. The refinancing rate accruing liabilities denominated in EUR for these shares were transferred to the Company after the merger. Expected settlement is during the first half of 2008.

The Company has acquired from its subsidiaries the shares of AB Sanitas and AB Vilniaus Baldai.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

30 Related party transactions (cont'd)

Transactions of the Company with related parties in 2006 and balances as of 31 December 2006 were as follows:

2006 Company	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Loans and borrowings	2,401	1,757	46,242	25,828
Rent and utilities	4	241	-	90
Fees for securities	-	170	-	35
Payables for share capital in subsidiaries in Ukraine	-	-	-	326
Other	4	86	-	-
	<u>2,405</u>	<u>2,254</u>	<u>46,242</u>	<u>26,279</u>

Granted loan maturity is from 2007 till 2017, effective interest rate 5% - 10.5%. Loans received maturity is 2007 – 2009, effective interest rate 4.5% - 6.0%.

Terms and conditions of transactions with related parties

All transactions with related parties are arm's length transactions. Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable or payable. For the year ended 31 December 2007 and 2006, the Company has not made any provision for doubtful debts relating to amounts owed by related parties. Doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Remuneration for the management and other payments

The management remuneration contains only short-term employees benefits. In 2007 the Group's management remuneration amounted to LTL 5,263 thousand (LTL 4,290 thousand in 2006). The Company's management remuneration amounted to LTL 583 thousand in 2007 (LTL 621 thousand in 2006). Loans given for the Group's management amounted to LTL 9,706 thousand in 2007 (LTL 2,578 thousand in 2006). The loans were short-term, bearing 6-9.8% interest. Loans outstanding amounted to LTL 5,284 thousand as at 31 December 2007.

In year 2007 dividends amounting to LTL 2,588 thousand were paid out to the Company's management (LTL 3,946 in 2006). Dividends paid out to the Group's management amounted to also LTL 2,588 thousand in 2007 (LTL 3,946 thousand in 2006).

In 2007 and 2006, the management of the Group and the Company did not receive any other loans, guarantees; no other payments or property transfers were made or accrued, except as stated above.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

(all amounts are in LTL thousand unless otherwise stated)

31 Subsequent eventsThe Company

On 4 January 2008 the Company has signed a contract regarding sale of 100% of AB Valmeda shares with Triangle Group (UK). AB Valmeda manages hotels Holiday Inn Vilnius and Ecotel Vilnius. The deal was closed and ownership of AB Valmeda was transferred to the buyer on 13 March 2008. The Group and the Company have earned profit of LTL 37,835 thousand and LTL 60,695 thousand, respectively, for this transaction.

On 10 January 2008, the Company completed the sale of UAB Hidroprojekta shares. 97.99% of UAB Hidroprojekta shares were sold to SWEKO BKG LSPI for LTL 8,600 thousand. The Group and the Company have earned profit of LTL 6,326 thousand and LTL 5,650 thousand, respectively, for this transaction.

The proposed profit distribution for the year 2007:

Distributable profit	2007
Profit distribution:	47,153
From legal reserves	(244)
To own shares reserve	34,626
Dividends	12,771
Retained earnings (deficit) after distribution	-

The proposed dividends are equal to LTL 0.30 per share.

The Group

On 2 January 2008 AB Bankas Finasta was registered in the Register of Legal Entities. The authorisation to establish the bank which is going to provide investment and private banking services was issued by the Board of the Bank of Lithuania on 19 December, 2007. The bank will start its activity when the Bank of Lithuania issues licence to provide banking services. AB Bankas Finasta is 100% owned by the Company subsidiary AB Finasta Įmonių Finansai.

On 1 February 2008 the Company's subsidiary AB Invalidos Nekilnojamojo Turto Fondas has signed agreements regarding the sale of the real estate objects located in Vilnius, Jasinskio Str. and Vytenio Str. With the sale of the above mentioned real estate objects, all planned commercial real estate sale deals were completed. The Group did not earn any profit on this sale in 2008 as the fair value of sold investment properties as at 31 December 2007 equalled to the disposal price.