AGROWILL GROUP AB

Independent Auditor's Report,
Annual Report and Consolidated
Financial Statements for the Year Ended
31 December 2008

TABLE OF CONTENTS

INDEPENDENT AUDITOR‘S REPORT

AGROWILL GROUP AB AND THE SUBSIDIARIES CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2008

1. Accounting period covered by the Report

Consolidated annual report was prepared for the year ended 31 December 2008.

2. Key data on the Group

Name of the company:	Agrowill Group AB (hereinafter – AGW or the Company)
Share capital:	LTL 26 142 732
Address of headquarters:	Smolensko g. 10, LT-03201 Vilnius, Lithuania
Telephone:	(8~5) 233 53 40
Fax:	(8~5) 233 53 45
E-mail address:	info@agrowill.lt
Website:	www.agrowill.lt
Legal-organizational form:	Joint stock company
Place and date of registration:	25 June 2003, Vilnius
Register number:	AB2003-926
Register code:	1262 64360
Registrant of the Register of legal bodies:	State Enterprise Centre of registers

As at 31 December 2007, the Group consisted of the Company and it's subsidiaries:

Name of the Company	Legal form	Place and date of registration	Company code	Address	Phone, fax, and e-mail
AVG Investment UAB	Closed joint stock company	2005-02-10, State Register	300087691	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
AVG Investment 1 UAB	Closed joint stock company	2008-06-18, State Register	301745765	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
AVG Investment 2 UAB	Closed joint stock company	2008-07-24, State Register	301807590	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
AVG Investment 3 UAB	Closed joint stock company	2008-07-24, State Register	301807601	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agrowill Eesti OU	Closed joint stock company	2008-06-13, Tartu central register department	311498115	Mammaste, Polva, Polvamaa, Estonia	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Baltic farming land management UAB	Closed joint stock company	2008-10-13, State Register	302003546	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas UAB	Closed joint stock company	2004-09-28, State Register	300558595	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 1 UAB	Closed joint stock company	2005-10-11, State Register	300151101	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 2 UAB	Closed joint stock company	2005-10-11, State Register	300151126	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 3 UAB	Closed joint stock company	2005-10-11, State Register	300151165	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 4 UAB	Closed joint stock company	2006-08-10, State Register	300589669	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 5 UAB	Closed joint stock company	2006-08-10, State Register	300589683	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 6 UAB	Closed joint stock company	2006-08-10, State Register	300589719	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 7 UAB	Closed joint stock company	2007-01-17, State Register	300634420	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 8 UAB	Closed joint stock company	2007-07-16, State Register	300921776	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt

Name of the Company	Legal form	Place and date of registration	Company code	Address	Phone, fax, and e-mail
Žemės vystymo fondas 9 UAB	Closed joint stock company	2006-03-09, State Register	300547638	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 10 UAB	Closed joint stock company	2008-01-10, State Register	301522723	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 11 UAB	Closed joint stock company	2005-05-12, State Register	300114042	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 12 UAB	Closed joint stock company	2005-03-08, State Register	300094383	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 14 UAB	Closed joint stock company	2006-08-10, State Register	300589726	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 15 UAB	Closed joint stock company	2006-08-10, State Register	300589733	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 16 UAB	Closed joint stock company	2006-08-10, State Register	300589740	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 17 UAB	Closed joint stock company	2007-01-17, State Register	300634388	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 18 UAB	Closed joint stock company	2007-01-17, State Register	300634406	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 19 UAB	Closed joint stock company	2007-06-21, State Register	300886948	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 20 UAB	Closed joint stock company	2007-06-22, State Register	300887726	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 21 UAB	Closed joint stock company	2007-07-16, State Register	300921783	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Žemės vystymo fondas 22 UAB	Closed joint stock company	2008-01-10, State Register	301522730	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Spindulys	Agricultural entity	1993-04-09, Radviliškis district municipality	171330414	Vaitiekūnai, Grinkiškis mun., LT-82380 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Smilgiai	Agricultural entity	1992-09-16, Panevėžys district municipality	168548972	Panevėžys str. 23, Smilgiai, Smilgiai mun., LT-38375	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Skėmiai	Agricultural entity	1992-10-01, Radviliškis district municipality	171306071	Skėmiai, Skėmiai mun., LT-82350 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Nausodė	Agricultural entity	1992-08-11, Anykščiai district municipality	154179675	Kirmėliai, Troškūnai mun., LT-29178 Anykščiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Dumšiškės	Agricultural entity	1992-09-29, LR Raseiniai district board	172276179	Paraseinis, Paliepiai mun., LT-60194 Raseiniai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Žadžiūnai	Agricultural entity	1992-06-30, Šiauliai district municipality	175706853	Gudeliai str. 30, Žadžiūnai, Kairiai mun.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Mantviliškis	Agricultural entity	1992-11-06, Kėdainiai district board	161274230	Liepos 6-osios str. 18, Mantviliškis, Dotnuva mun., LT-58332 Kėdainiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Alanta	Agricultural entity	1992-06-29, Molėtai district municipality	167527719	Ukmergės str. 7, Alanta mun. LT-33312 Molėtai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Eimučiai	Agricultural entity	1992-06-29, Šiauliai district municipality	175705032	Eimučiai, Kairiai mun., 80101 Šiauliai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt

Name of the Company	Legal form	Place and date of registration	Company code	Address	Phone, fax, and e-mail
Agricultural entity Agrowill Vėriškės	Agricultural entity	1992-09-29, Radviliškis district municipality	171305165	Vėriškės, Šeduva mun., LT-77199 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Želsvelė	Agricultural entity	1992-07-03, Marijampolė municipality	165666499	Želsva, Liudvinavas mun., LT-69193 Marijampolė mun.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Lankesa	Agricultural cooperative	1999-04-06, Jonava district municipality	156913032	Ukmergė str. 44, Bukoniai, Bukoniai mun., LT-55075 Jonava distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Kairėnai	Agricultural entity	1993-03-02, Radviliškis district municipality	171327432	Kairėnai, Grinkiškis mun., LT-82031 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agricultural entity Agrowill Jurbarkai	Agricultural entity	1992-07-31, Jurbarkas district municipality	158174818	Rytas str. 2, Jurbarkai, LT-74205 Jurbarkai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Polva Agro OU	Closed joint stock company		10063763	Mammaste, Polva mun., Plovamaa, Estonia, EE-63309	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Grūduva UAB	Closed joint stock company	1997-02-24, Šakiai district municipality	174401546	Gotlybiškiai, Šakiai mun., LT-71372, Marijampolė distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agrowill group S.R.L.	Closed joint stock company	2008-07-01, Republic of Moldova	100860003 153	Kogalniceanu Mihail, 51, Chisinau mun., Moldova	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Agroprom ZAO	Closed joint stock company	2008-09-01, Russian Federation	108774606 1237	Baimanskaja st. 7-10, Moscow, Russia	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt

The closed joint stock subsidiary companies are engaged in buying and renting land, while subsidiary agricultural entities are engaged in agricultural commodities (milk, grain, and rapeseed) production and realisation.

3. Main lines of business of the Group

Operations area: Agriculture
Main products manufactured: Milk production and sale, grain, rapeseed growing and sale, rent of land.

4. Agreements with the mediators of securities public circulation

The Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) signed an agreement regarding handling of Shareholders accounts.

The Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) signed an agreement regarding handling of all bonds issues Bondholder accounts.

The Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) have signed and market making agreement regarding Agrowill Group AB shares. The agreement was terminated on 24 May 2009.

5. The trading in the Issuer's securities on exchanges and other organized markets

During the reporting period, the Companies shares were traded on the Vilnius Stock Exchange (hereinafter – VSE) after the IPO – since April 2008. Type of shares – ordinary, nominal value 1 (one) LTL.

	Price, LTL				Total turnover	
Reporting period	Max	Min	Last session	Date of last session	Units	LTL, mill
IInd quarter 2008	6,20	4,80	6,15	2008.06.30	906 842	4,611
IIIrd quarter 2008	7,70	4,47	4,95	2008.09.30	2 020 884	12,754
IVth quarter 2008	5,55	1,35	1,40	2008.12.30	546 713	1,666

The Company issued LTL 14 million of bonds into public trading on 22 June 2007. These securities were redeemed on 25 June 2008.

On 25 June 2008, the Company issued LTL 16 million of bonds into public trading:

Name of issued securities	369 days duration bonds
Number of issued bonds	160 000 units
Nominal value	LTL 100 or EUR 28,9620
Total nominal value	LTL 16 000 000 or EUR 4 633 920
Price of emission	LTL 88,5478 – 89,0472 or EUR 25,6452 – 25,7899
Currency of emission	LTL or EUR
Interest rate	12 %
Interest amount	LTL 11,4522 – 10,9528 for one bond
Redemption date	29 June 2009
Start of subscription period	6 June 2008
End of subscription period	25 June 2008
Payment date for bonds	On the day of subsription
Interest payment date	29 June 2009
Type of securities emission	Public emission
Restrictions on transfers of securities	None
Conversion of securities	None

All payments related to the payment for bonds emission, redemption of bonds and payment of interest are made in LTL or EUR. The bonds can not be redeemed before the redemption date either on demand by the Issuer, or the investor.

Trading information of Agrowill Group AB bonds on VSE:

Reporting period	Price, %			Date of last session	Total turnover	
	max	min	Last session		Units	LTL, million
Ist quarter 2008	98,3284	96,5296	98,3284	2008.03.26	17.182	1,668
IInd quarter 2008	99,3995	98,4058	99,4313	2008.05.21	54.061	5,358
IIIrd quarter 2008	91,4913	89,4388	91,4913	2008.09.18	2.902	0,263
IVth quarter 2008	90,4977	89,0120	90,4977	2008.12.17	923	0,083

6. Groups financial and operating results analysis, information on personnel

Main performance indicators

Main financial figures, LTL thousand	2008	2007	2006
Revenues	63 923	42 687	27 407
Direct subsidies	10 218	8 724	8 188
Gross profit	28 374	43 776	9 391
Operating profit	7 278	34 549	1 462
Other activities, net	(50)	(359)	417
Financial activities, net	(14 156)	2 676	1 588
Net profit	(12 653)	31 982	3 467
EBITDA*	1 560	12 796	5 461
EBITDA margin*, %	2,44	29,98	19,93
*Ratios***			
ROA, %*	(4,60)	10,58	2,90
ROE, % *	(29,22)	16,21	12,76
Liquidity ratio	0,49	0,66	0,81
Quick ratio	0,29	0,40	0,50

** - not taking into account the investment property revaluation*

The financial indicators of the Group for 2008 are worse than in 2007. The main reasons for the decrease in the profitability – decrease of raw milk purchase price by almost 50 per cent and fall of crop prices due to collapse of international financial markets. The consolidated financial statements for the year ended 31 December 2008 are prepared in accordance with International Financial Reporting Standards (IFRS).

Revenues

During the 2008, the Group earned LTL 63,9 million in agricultural activity revenues (2007 – LTL 42,7 million). The significant increase as compared to previous year is due to directed investments into subsidiary companies milk production facilities and increase in average raw milk price. Additionally, two new subsidiaries were acquired in 2008 – Polva Agro OU and Grūduva UAB, which significantly contributed to the Group revenues growth.

Operating expenses

The operating expenses totalled LTL 21.096 thousand (2007: LTL 9.227 thousand). The operating expenses increase significantly because the rapid expansion of the Group started – new companies were acquired, the management team was strenghtened, as well as significant consulting and legal expenses incured.

Investment property valuation

In 2007, a LTL 27 million profit from revaluation of investment property was received, as according to International Financial Reporting Standards, after the acquisition of Žemės vystymo fondas group, all the investment property, i.e. agricultural land owned, had to be reevaluated. In 2008, such revaluations totalled LTL 18,9 million.

Financial expenses

Financing costs more than doubled in 2008 as compared to 2007, as the rapid expansion of the Group (land acquisitions, investment projects, modernisation) were being financed by borrowings and expensive bonds issues.

Balance sheet

Fixed assets of the Group over the 2008 increased significantly – modern equipment was acquired, manure storage places and silo storages are being built, and certain farms reconstructed. The group expanded agricultural land owned by around 1.000 Ha. Long-term assets also increased due to the acquisitions of agricultural companies Grūduva UAB and Polva agro A/S.

The biological assets of the Group in 2008 increased due to investments to increase the milking cows herd and acquisition of two new agricultural entities.

In 2008, the Group issued an IPO of 6.143 thousand number of shares. The attracted funds (LTL 28,3 million) were be used for financing of the Group‘s investment programme.

Groups long-term financial liabilities increased up to LTL 133 million due to signed long-term credit agreements with DnB Nord bank, and Snoras bank regarding land acquisitions financing. A loan with Hansapank A/S and 4 new bonds issues were made in order to finance the expansion of Group.

Accounts and other payables amount increased more than 4 times, as the Groups agricultural entities made investments into farm modernisation and equipment renewal. Payable amounts also increased because of the liabilities acquired in Grūduva UAB and Polva agro OU.

Personnel

As at 31 December 2008 the number of employees and average monthly salary by education and categories was as follows:

Employee category	Numbers of employees	Average monthly salary
Central office	49	4 394
Agricultural entities management	24	2 436
Agricultural entities workers	843	1 238
Total:	916	

Education	Central office	Agricultural entities
Higher	36	94
Special professional	8	484
Middle	5	257
Primary	-	32
Total:	49	867

Over 2008, the number of employees in the Group increased from 750 to 916. The main reason for increase in personnel – acquired two new subsidiaries Polva Agro OU, and Grūduva UAB.

7. Objective overview of Entity's status, operations and development, description of key risks and exposures the Company faces

Overview of the Group's business, status and review of expansion

Agrowill Group AB ("the Group") started operations in 2003 and currently is Lithuania's largest group of agricultural development and investment companies applying the centralized business management model. The Group is largest agricultural land owner in Lithuania – subsidiary land buying entities owned over 14,1 thousand ha of cultivated land, additionally around 18 thousand ha were rented from others. As of 31 December 2008 the group controls 45 subsidiaries: 16 (sixteen) Agricultural Companies (ŽŪB), 21 (twentyone) land management companies and 8 (eight) companies responsible for the group's acquisitions. As of 31 December 2008 the group employed 916 employees.

The Group concentrates on two main lines of business – milk production and plant growing. During the last few years, the worldwide commodities markets of these two segments developed positively and it is forecasted that these markets will remain attractive in the future, even with the short-term industry corrections currently taking place in the market.

The global demand for dairy products has been growing very rapidly in recent years, the growth being driven mainly by the developing economies, but in 2008, together with starting worldwide financial crisis and melanine scandal in China, the demand for milk products decreased significantly. Due to abovementioned influence, the milk prices in the end of 2007 and start of 2008 were almost 60 per cent up on 2006 year level, but facing significant market pressure have declined to similar and below level since. It is believed that the demand for milk products will increase to up to 2007 levels again, with the most rapid growth in the demand for dairy products coming from China, India and Mexico, which are major importers of dairy products.

In 2006 and 2007, with increasing global consumption due to growth of population and applicance of grain in biofuel production and world's grain stocks being at the smallest level in the past 34 years the grain prices soared to recording highs. Due to that, there were increases in the areas of grain, corn, soya, and rapeseed seeded in 2008. The harvests received resulted in oversupply and the grain prices gradually fell until reached 2005 – 2006 level. It is forecasted that in the future, baring any nature forces, the worldwide grain and rapeseed market will grow slowly but steadily – the prices of the production will depend on harvests yielded in different countries, consumption patterns and world grain stocks level.

The Group's revenues from milk production, in 2008 amounting to LTL 35,2 million or 55% from total revenues of the Group (2007: LTL 19 million or 44,5%) is one of most stable and profitable activities and is a fundamental business of the Group. Milk production activities also include raising of heifers. As at 31 December the Group had around 5 thousand head milking cow herd.

The main crop growing cultures grown for sales are the wheat, triticale, barley, rye and rapeseeds – there were over 15 thousand ha planted with these cultures or 63% of total cultivated land (2007: 9 thousand ha or 53 per cent of total area) by the Group's agricultural subsidiaries. The remaining area is planted with various feed cultures – corn, perennial grasses. The grown green feed is used for feeding the animal herds.

In the nearest future the Group does not plan to expand the production capacities of the two main lines of business, rather the focus will be shifted to making these business lines efficient. It is planned to keep the milking cow herd around 5 thousand heads, to establish couple of programming centers for company bred animals and to grow the heifers only in 2-3 locations in order to specialize different companies. In the crops line, the Group will cancel working in the farthest and not profitable land areas, by exchanging them to nearby plots, or by forming a significant operational plots there. The Group intends to shift most of the crop rotation to winter crops, in order to benefit from better harvest and increased profitability of land cultivation business.

Assessment of main types of risks and exposures the Group faces

Foreign currency exchange rate fluctuation
The production manufactured by the Group (milk, grain, rapeseed) belongs to the raw material market, the prices for which are set in the worldwide markets, thus the Group faces main currencies (USD and EUR) exchange rate fluctuation risk. The risk arises from fluctuations of raw material prices and foreign currency denominates assets (accounts receivable and prepayments made), as well as liabilities (loans from banks, other financial liabilities). Basically, the revenues of produced crops are denominated in EUR, while produced milk revenues in LTL; major expense items of the Group are denominated in LTL. The management of the Group controls the risk by seeking that financial liabilities in different currencies would match the balance of revenues and expenses denominated in different currencies, thus the risk of foreign currency exchange rate fluctuation is limited. As of 1 February 2002, the national currency litas is pegged to Euro at a rate 3,4528 LTL = 1 EUR.

Current development of International and Lithuanian financial markets
The worldwide liquidity crisis which started in 2007 – 2008 resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. At the moment it is difficult to forecast the magnitude of the financial crisis and it's effect on the world and local economies, possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities the Group currently faces liquidity problems.

Borrowed capital accounts for a large share of the Group's total capital
Due to abovementioned facts, the Group currently faces significant liquidity problems. The major part of Groups assets are the investment property, owned land, buildings, equipment and cattle herds – long term assets, payback of which is longer than 1-2 year term, while Group's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the management of the Group currently is negotiating with creditors regarding postponement of amounts payable until the cash flow is generated from the long term assets possessed by the Group.

Weather conditions
Weather conditions are one of the most important risks involved in agricultural activities. Poor or unfavorable meteorological conditions can have substantial impact upon yields by negatively affecting harvests and fodder preparation, destroying crop areas etc.

Prices for agricultural products
The group's income and operating results depend on such factors beyond the group's control as prices for agricultural products. These prices are largely influenced by different and hardly predictable factors beyond the group's control (weather conditions, state agricultural policy, changes in global demand caused by demographic changes, changes in living conditions, competing products in other countries).

Animal diseases
Animals can be infected with different viral infections including foot and mouth disease, bovine spongiform encephalopathy etc. Even though the group complies with the highest sanitary standards in order to prevent diseases, there is no guarantee that the group's cattle will not be infected for reasons beyond the control of the group. Although the majority of group's cattle are insured, an outbreak of a cattle infection can result in high additional expenses and losses.

State policy and regulation in the agricultural sector and related areas can have a negative effect upon the Group's operations and profitability
Agriculture, agricultural produce and products placement on the market are strongly affected by state policies and EU regulation. Regulation of agricultural activities manifests itself through the regulation of taxes, tariffs, quotas, subsidies, import and export legislation etc. Any change in this area can exert significant influence over the profitability of agricultural activities, determination of the choice of crops, increase or reduce the volumes of production, import and export of agricultural products. In addition, any international trade disputes can affect the trade flows, restricting trade among countries or regions. Future policies in this area can have a negative impact upon prices for the agricultural products offered by the group and upon the group's opportunities for operating in the market.

8. Significant post balance sheet events:

Disclosed in the consolidated Agrowill Group AB financial statements.

9. Planned and forecasted activities of the Group:

It is planned that the consolidated sales of Agrowill Group AB from the core activities will amount to LTL 92 million while EBITDA from the main activities is estimated to be equal to around LTL 20 million.

It is planned to keep the milking cow herd around 5 thousand heads, to establish couple of programming centers for company bred animals and to grow the heifers only in 2-3 locations in order to specialize different companies and achieve better costs of production, work efficiency and, in turn, financial results. The Group also plans to produce own combined feed, which ration will be designed for specific needs of Agrowill Group cow herd.

In grain and rapeseed growing sector the Group expects to remain one of the leaders in the country: in autumn 2009, over 15 thousand hectares is planned to be planted. It is also planned, that the productivity of crop fields will grow due to modern equipment used for cultivation of fields, which is constantly renewable. Additionally, the Group is expanding fastly, thus the productivity of new plots added is not high in the first years and give the results only in subsequent years. Also, the international consultants of the Group will implement the modern work organization practices, which will enable effective use of human and technical resources.

10. Information on research and development activities:

Agrowill Group AB does not have material licenses, and is not engaged in research activities.

11. Information on own shares:

The parent company has not acquired any own shares.

12. Share capital structure of the Company:

The share capital of Agrowill Group AB as at 31 December 2008 is LTL 26 142 732. The share capital is divided into 26 142 732 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

Each share has usual material and intangible rights as per Lithuanian Republic law on Stock companies and Companies statutes.

In the end of 2008, the Company issued new share capital emission of 4 635 045 ordinary shares (with nominal value LTL 1 each), part of which – 1 545 015 ordinary shares was acquired by Finasta rizikų valdymas UAB, while the remaining part of 3 090 030 shares was supposed to be bought be the main shareholder – ŽIA valda UAB. As ŽIA valda UAB rejected the share purchase agreement, the Company took a decision to register the share capital increase in the amount of paid shares – 1 545 015 ordinary shares. Finasta rizikų valdymas UAB sued such action to the court, and court issued temporary security measures by forbiding any registrations of share capital increase until civil case will be solved by the court of Lithuanian Republic.

13. Share transfer restrictions:

There are no restrictions regarding the share transfer.

There could be separate stock transfer restrictions, which can only be imposed by the shareholders and only in agreed-upon cases (see companies shareholders agreements for more details).

14. Shareholders of the Company:

The shareholders owning more than 5 per cent of all the company shares as at 31 December 2008 were:

Name, surname / name of the company	Company / personal code	Address	Votes held by shareholder	Shares held by shareholder
UAB "ŽIA valda"	1242 11277	Smolensko st. 10, Vilnius	7 939 836	30,37%
Linas Strėlis	-	-	4 841 942	18,52%
SEB AB finnish clients	502032-9081	Sergels torg 2, 10640 Stokholm, Sweden	2 182 497	8,35%
Hansabank clients	10060701	Liivalaia 8, 15040 Tallinn, Estonia	1 800 743	6,89%
Indrė Mišeikytė	-	-	1 600 735	6,12 %

**SEB AB, Hansabank an MP Investment bank act as securities accounts operators in the name of clients who have securities accounts with them.*

No shareholder has special voting rights.

15. Companies shareholders voting rights restrictions:

The Company has no indications about any restrictions to the shareholders voting rights.

16. Agreements between the shareholders:

Taking into account the conditions set out in the Companies‘ shareholders agreement, the shareholders of the Company (as at 20 February 2008 controlling 97,74% of the shares and voting rights) agreed not to sell their owned shares until 31 December 2009 unless:

- Shares are transferred to other shareholders of the Company (also parties of the agreement);
- There is another shareholder agreement stating otherwise;
- There is a proposal from the IPO organizers to sell the shares, to which 2/3 of all the parties to the shareholder agreement must approve.

17. Procedure for amendments of the Articles of Association:

The Articles of Association can be changed following Lithuanian Republic law on Stock companies with an appropriate approval of the Companies‘ shareholders.

18. Members of collegial bodies, Head of Company, their participation in Companies‘ shares:

Data on collegial bodies as at 31 December 2008:

Name, Surname	Position	End of current term of office	Period of service as a member
Ramūnas Audzevičius	Chairman of Supervisory Board	Until general meeting of shareholders to be held in 2009	Member of Supervisory Board since 05-12-2007
Hugh Miles Thomas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2009	Member of Supervisory Board since 05-12-2007
Edvardas Makelis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2009	Member of Supervisory Board since 05-12-2007
Mindaugas Juozaitis	Member of Board	As chairman of Board: until general meeting of shareholders to be held in 2009	Member of Board since 01-12-2008
	General Director	As general Director: coincides with the term of office as chairman of Board, i. e. until general meeting of shareholders to be held in 2009	General Director since 01-12-2008
Domantas Savičius	Member of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 14-12-2007
Vladas Bagavičius	Member of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 01-12-2008
Linas Strėlis	Member of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 14-12-2007
Gediminas Žiemelis	Chairman of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 14-12-2007
Robertas Giedraitis	Chief accountant	No term of office	Chief accountant since 02-02-2009

Information on the shares of the Company held by the members of the Supervisory Board, the Board and the top management as of 31 December 2008:

Name and position of member of Supervisory Board / Board / management	number of ordinary registered shares of the Company owned by the member the ownership right	Share of authorised capital of the Company held by the member, %	% of votes attached to the shares owned by the member
Linas Strėlis, Member of the Board	4 841 942	18,52	18,52
Domantas Savičius, Member of the Board, Financial Director	19 417	0,10	0,10

No extra pay or other benefits were paid to the members of the Supervisory Board, Board and top management except for salaries (Mindaugas Juozaitis – for General Director position, Domantas Savičius - CFO). Since the appointment of the Supervisory Board, Supervisory Board members also receive bonuses.

Name and Surname	Position	Term	Total
Ramūnas Audzevičius	Bonuses	For 2007	35 000
Hugh Thomas	Bonuses	For 2007	77 000
Edvardas Makelis	Bonuses	For 2007	14 000
Valentas Šulskis	General director	2008 January - December	199 610
Mindaugas Juozaitis	General director	2008 December	1 000
Domantas Savičius	CFO	2008 January - December	103 557

19. Information on significant agreements, which could be affected by the change in shareholder structure

The Company or Group has not entered into any significant agreements the validity, amendment and termination of which could be affected by the change in shareholder structure.

20. Information on Companies and Groups collegial bodies' agreements regarding compensations in case of resignation, unjustifiable redundance, or change in ownership structure

The Company and it's collegial bodies' members have not concluded any agreements regarding compensations in case of resignation, unjustifiable redundance, or change in ownership structure.

21. Information on transactions with related parties:

Information on transactions with related parties is disclosed in the explanatory notes of the consolidated financial statements.

22. Information on compliance with the Code of Corporate Governance:

Agrowill Group AB compliance with the Code of Corporate Governance, which is added to the consolidated annual report in the Annex.

23. Data on publicly announced information:

During the period between 1 January 2008 and 31 December 2008 all information was publicly announced by the Group through Vilnius Stock Exchange. The content of this information may be accessed in the website of Vilnius Stock Exchange by using the following link: http://www.baltic.omxnordicexchange.com/market/?pg=news.

A summary of the Companies' announcements is shown below:

Header	Category	Date
Establishement of subsidiary entities	Notification on material event	17.01.2008
Agrowill Group AB, signed a liquidity provider agreement with FMI Orion Securities AB	Notification on material event	21.01.2008
Agrowill Group AB submitted share issue prospectus to the State Securities commission (VPK)	Prospectus/Announcement of Prospectus	24.01.2008
Revised audited consolidated financial statements for years 2006, 2005 and 2004	Annual information	29.01.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	22.02.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	22.02.2008
Consolidated unaudited results for the year ended 31 December 2007	Interim information	29.02.2008
Agrowill Group AB plans to increase its sales by 36%	Notification on material event	06.03.2008
Resolutions of Extraordinary general meeting	Notification on material event	12.03.2008
CORRECTION: Consolidated unaudited results for the year ended 31 December 2007	Interim information	12.03.2008
CORRECTION: Resolutions of Extraordinary general meeting	Notification on material event	13.03.2008
Securities Commission of Lithuania approved the shares prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	15.03.2008
Regarding the admission of Agrowill Group AB shares to the Main List	Notification on material event	15.03.2008
Regarding the conditional admission of Agrowill Group AB shares in the VSE Main list	Notification on material event	17.03.2008
Notice of the Annual General Meeting of Agrowill Group AB shareholders	Notification on material event	28.03.2008
Agrowill Group AB Completes its IPO	Notification on material event	01.04.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	04.04.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	04.04.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	04.04.2008

Header	Category	Date
Notification about manager transactions with shares	Notifications on transactions concluded by managers	07.04.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	10.04.2008
Notice of the additions to agenda of Annual General Meeting of shareholders	Notification on material event	15.04.2008
Draft resolutions of Annual General Shareholders Meeting of Agrowill Group AB	Notification on material event	30.04.2008
Resolutions of Annual General Shareholders Meeting of Agrowill Group AB	Notification on material event	30.04.2008
Annual information of Agrowill Group AB for year 2007	Annual information	07.05.2008
Preliminary results of Agrowill Group AB for Ist quarter of 2008	Notification on material event	07.05.2008
Agrowill Group AB presentation	Other information	14.05.2008
Registration of new version of Articles of Association	Notification on material event	16.05.2008
Notification about acquisition (disposal) of a block of shares	Notification about disposal of a block of shares	22.05.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	22.05.2008
Notification about acquisition (disposal) of a block of shares	Notification about disposal of a block of shares	22.05.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	22.05.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	30.05.2008
Agrowill Group AB Financial Report for the 1st quarter of 2008	Interim information	30.05.2008
Non-public bonds emission issued	Notification on material event	03.06.2008
Agrowill signed agreement to acquire Estonian company "Polva Agro"	Notification on material event	04.06.2008
LSC approved bonds issue prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	06.06.2008
Agrowill Group intends to acquire Grūduva	Notification on material event	16.06.2008
Establishement of subsidiary entity	Notification on material event	16.06.2008
Notice of extraordinary shareholders meeting of Agrowill Group AB	Notification on material event	17.06.2008
CORRECTION: Establishement of subsidiary entity	Notification on material event	17.06.2008
Establishement of subsidiary entity	Notification on material event	19.06.2008
Agrowill Group AB signed share purchase agreement of Grūduva UAB	Notification on material event	20.06.2008
Non-public bonds emission issued	Notification on material event	27.06.2008
Public bonds emission issued	Notification on material event	27.06.2008
Regarding the application submission to the VSE	Notification on material event	27.06.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	28.06.2008
Agrowill Group AB established a subsidiary entity	Notification on material event	02.07.2008
Agrowill Group AB succesfully closed Polva Agro acquisition deal	Notification on material event	04.07.2008
Agrowill Group AB signed share purchase agreement to acquire Tetirvinai ŽŪB	Notification on material event	14.07.2008
Agenda and draft decisions for the Extraordinary General Meeting	Notification on material event	14.07.2008
Agrowill Group AB decided to become a surety for the group companies	Notification on material event	16.07.2008
Decisions of the Extraordinary General Meeting of Agrowill Group AB shareholders	Notification on material event	22.07.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	24.07.2008
Agrowill Group AB established subsidiary entities	Notification on material event	25.07.2008
Non-public bonds emission issued	Notification on material event	25.07.2008
Agrowill Group AB company's unconsolidated audited financial statements for 2007	Annual information	28.07.2008
Preliminary unaudited results for first half of 2008	Notification on material event	01.08.2008

Header	Category	Date
Decisions of the Board of Directors of Agrowill Group AB	Notification on material event	12.08.2008
Unaudited consolidated financial report of Agrowill Group AB for 1st half of 2008	Interim information	01.09.2008
CORRECTION: Unaudited consolidated financial report of Agrowill Group AB for 1st half of 2008	Interim information	02.09.2008
Agrowill group acquired subsidiary in Russian Federation	Notification on material event	03.09.2008
Securities Commission of Lithuania approved the share issue prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	03.09.2008
CORRECTION: Securities Commission of Lithuania approved the share issue prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	09.09.2008
Agrowill Group AB guaranteed for the group companies loan	Notification on material event	09.09.2008
AB Agrowill Group notification about distributed issue of shares	Notification on material event	19.09.2008
Board of directors of Agrowill Group AB decided to sell land portfolio	Notification on material event	22.09.2008
Non-public bonds emission issued	Notification on material event	25.09.2008
Agrowill Group AB has successfully completed acquisition of Gruduva UAB	Notification on material event	26.09.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	30.09.2008
Agrowill Group AB signed an agreement for milk supply with Pieno žvaigždės AB	Notification on material event	01.10.2008
Agrowill Group AB established a subsidiary entity	Notification on material event	13.10.2008
Non-public bonds emission bought out	Notification on material event	23.10.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	04.11.2008
Preliminary unaudited results for 9 months of 2008	Interim information	04.11.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	11.11.2008
Non-public bonds emission redeemed	Notification on material event	27.11.2008
Unaudited consolidated financial report of Agrowill Group AB	Notification on material event	02.12.2008
New management of Agrowill Group appointed	Notification on material event	02.12.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	04.12.2008
Agrowill Group AB temporary suspends expansion plans, and focuses on production efficiency optimization	Notification on material event	11.12.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	12.12.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	12.12.2008
Regarding termination of Shares subscription agreement	Notification on material event	12.12.2008
CORRECTION: Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	17.12.2008
Regarding information announced in the media	Notification on material event	23.12.2008
Non-public bonds emission redeemed	Notification on material event	24.12.2008

Agrowill Group AB General Director Mindaugas Juozaitis

30 June 2009

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2008
(All amounts are in LTL thousands, unless otherwise stated)

	Notes	31 December 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	150 700	77 320
Investment property	6	85 344	57 646
Intangible assets	7	31 061	2 652
Long term receivables	11	588	271
Financial assets		310	70
Total non-current assets		268 003	137 959
Biological assets			
Livestock		33 296	25 811
Crop		12 772	5 907
Total biological assets	8	46 068	31 718
Current assets			
Inventory	9	19 578	12 796
Trade receivables, advance payments and other receivables	10	26 566	15 549
Cash and cash equivalents	12	3 011	4 421
Total current assets		49 155	32 766
TOTAL ASSETS		363 226	202 443
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	26 143	20 000
Share premium		22 130	-
Revaluation reserve		27 993	26 498
Legal reserve		2 000	1 000
Retained earnings		18 905	30 303
Equity attributable to equity holders of the parent		97 171	77 801
Minority interest		3 578	1 376
Total equity		100 749	79 177
Non-current liabilities			
Borrowings	15	122 526	58 250
Obligations under finance lease	16	10 472	3 308
Grants	14	11 053	5 218
Deferred tax liability	17	17 124	6 741
Total non-current liabilities		161 175	73 517
Current liabilities			
Current portion of non-current borrowings	15	17 903	5 814
Current portion of non-current obligations under finance lease	16	3 860	1 392
Current borrowings	15	36 666	27 694
Trade payables	18	24 957	11 132
Other payables and current liabilities		17 916	3 717
Total current liabilities		101 302	49 749
Total liabilities		262 477	123 266
TOTAL EQUITY AND LIABILITIES		363 226	202 443

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

These consolidated financial statements were approved and signed on 30 June 2008.

Mindaugas Juozaitis General Director	Domantas Savičius Chief Finance Officer

	Notes	2008	2007
Sales	19	63 923	42 687
Cost of sales	19	(47 807)	(27 951)
Gain on changes in fair values of biological assets	8	(6 669)	1 947
Investment property fair value change gain	6	18 927	27 093
GROSS PROFIT		28 374	43 776
Operating expenses	20	(21 096)	(9 227)
OPERATING PROFIT		7 278	34 549
Income from financial and investment activities	22	301	1 499
Release of negative goodwill to income	21	31	6 965
Other income (expenses)		(50)	(359)
Finance cost	23	(14 488)	(5 788)
PROFIT BEFORE INCOME TAX		(6 928)	36 866
Income tax expense	17	(5 725)	(4 884)
NET PROFIT		(12 653)	31 982
ATTRIBUTABLE TO :			
Equity holders of the Company		(12 362)	31 288
Minority interest		(291)	694
		(12 653)	31 982
Basic and diluted earnings per share (LTL)	24	(0.48)	1.56

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

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Mindaugas Juozaitis General Director	Domantas Savičius Chief Finance Officer

	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity attributable to the shareholders of the company	Minority interest	Total
Balance as at 31 December 2006	200	-	16 657	15	17 362	34 234	6 627	40 861
Payment for shares	6	-	-	-	-	6	-	6
Increase in share capital from reserves	19 794	-	-	-	(19 794)	-	-	-
Revaluation of fixed assets, net of taxes	-	-	10 523	-	-	10 523	-	10 523
Acquisition of minority	-	-	1 476	-	-	1 476	(5 671)	(4 195)
Decrease of revaluation reserve due to depreciation of assets	-	-	(2 020)	-	2 283	263	(263)	-
Decrease of revaluation reserve due to sale of assets	-	-	(138)	-	149	11	(11)	-
Transfer to reserves	-	-	-	985	(985)	-	-	-
Net profit of the period	-	-	-	-	31 288	31 288	694	31 982
Balance as at 31 December 2007	20 000	-	26 498	1 000	30 303	77 801	1 376	79 177
Payment for shares	6 143	24 571	-	-	-	30 714	-	30 714
Cost of capital increase	-	(2 441)	-	-	-	(2 441)	-	(2 441)
Revaluation of fixed assets, net of taxes	-	-	2 702	-	-	2 702	-	2 702
Decrease of revaluation reserve due to depreciation of assets	-	-	(1 207)	-	1 207	-	-	-
Correction of depreciation	-	-	-	-	757	757	-	757
Acquisition of minority	-	-	-	-	-	-	2 493	2 493
Transfer to reserves	-	-	-	1 000	(1 000)	-	-	-
Net profit of the period	-	-	-	-	(12 362)	(12 362)	(291)	(12 653)
Balance as at 31 December 2008	26 143	22 130	27 993	2 000	18 905	97 171	3 578	100 749

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

These consolidated financial statements were approved and signed on 30 June 2008.

Mindaugas Juozaitis General Director	Domantas Savičius Chief Finance Officer

	31 December 2008	31 December 2007
Cash flows from / (to) operating activities		
Net profit	(12 653)	31 288
Minority interest	291	694
Income tax expense	5 725	4 884
Net profit before taxes and minority income	(7 219)	36 866
Adjustments for non-cash expenses (income) items and other adjustments		
Depreciation expense (note 5)	6 173	6 234
Amortization expense (note 6)	209	56
Impairment of assets and write offs	448	27
Gain on sale of investments	-	-
Gain on sales of non-current assets	30	(58)
Interest income	(247)	(206)
Investment property fair value change gain	(18 927)	(27 093)
Interest expense (note 21)	12 841	5 604
Release of negative goodwill to income (note 19)	(31)	(6 965)
Provisions and write-offs of inventory	1 003	83
Provisions for accounts receivable (note 9)	1 554	194
(Loss) gain on changes in fair value of biological assets	6 669	(1 947)
Grants, related to assets, recognized as income	(1 094)	(306)
Changes in working capital		
(Increase) decrease in biological assets	(9 705)	(7 315)
(Increase) decrease in trade receivables and prepayments	(5 511)	(1 619)
(Increase) decrease in inventory	5 329	(3 625)
(Decrease) increase in trade and other payables	15 855	3 638
	7 377	3 568
Interest paid, net	(10 138)	(4 860)
Net cash flows from / (to) operating activities	(2 761)	(1 292)
Cash flows from / (to) investing activities		
Acquisition of subsidiaries	(79 776)	(3 564)
Disposal of subsidiaries	-	(59)
Purchase of non-current tangible assets (note 5)	(27 029)	(33 456)
Purchase of non-current intangible assets (note 6)	(137)	(241)
Proceeds from sales of non-current assets	124	704
Grants related to investments (note 14)	3 829	850
Other loans granted (repaid)	(317)	1 221
Net cash flows from / (to) investment activities	(103 306)	(34 545)
Cash flows from / (to) financing activities		
Contribution to share capital in cash	28 273	6
Disposal (acquisition) of available for sale investments	(124)	(4)
Proceeds from bank borrowings	54 774	32 483
Proceeds from other borrowings	24 915	4 738
Increase (repayments) of obligations under finance lease	(3 181)	1 340
Net cash flows from / (to) financing activities	104 657	38 563
Net (decrease) / increase in cash and cash equivalents	(1 410)	2 726
Cash and cash equivalents at the beginning of the period	4 421	1 695
Cash and cash equivalents at the end of the period	3 011	4 421

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

These consolidated financial statements were approved and signed on 30 June 2008.

Mindaugas Juozaitis General Director	Domantas Savičius Chief Finance Officer

1. General information

Agrowill Group AB (hereinafter – „the Company") was founded and started its operations on 25 June 2003. The Company head office is located in Smolensko st. 10, Vilnius, Lithuania. The Company's main activity is management of agricultural companies.

In 2003 the Company's legal name Galuvė UAB was changed to Agrovaldymo grupė UAB. In February 2006, limited liability company Agrovaldymo grupė was reorganized to a public company Agrovaldymo grupė AB. In December 2007 the Company's name was changed to Agrowill Group AB.

As of 31 December the main shareholders (over 5 per cent) of the Company were:

		2008		2007	
Entity / person	Company address	Number of shares	% owned	Number of shares	% owned
ŽIA valda UAB	Smolensko st. 10, Vilnius, Lithuania	7 939 836	30,37	6 791 359	33,96
Linas Strėlis		4 841 942	18,52	-	-
SEB AB finnish clients	Sergels torg 2, 10640 Stokholm, Sweden	2 182 497	8,35	-	-
Hansabank clients	Liivalaia 8, 15040 Tallinn, Estonia	1 800 743	6,89	-	-
Indrė Mišeikytė		1 600 735	6,12		
Kelmės pieninė AB	Raseinių st. 2, Kelmė, Lithuania	-	-	4 841 942	24,21
Invalda AB	Konstitucijos ave. 23, Vilnius, Lithuania	979 590	3,75	4 125 340	20,63
Mantas Juozaitis		235 487	0,90	1 838 835	9,19
Mindaugas Juozaitis		3 695	0,01	1 236 893	6,18
Renatas Dūdonis		-	-	451 748	2,26
David Henry Lasky		-	-	288 350	1,44
Valentas Šulskis		213 592	0,82	213 592	1,07
Aušrys Labinas		150 000	0,57	192 524	0,96
Domantas Savičius		19 417	0,07	19 417	0,10
Other minor shareholders		6 175 198	23,63	-	-
Total		26 142 732	100,00	20 000 000	100,00

The Company's shareholders' meeting has the power to amend the financial statements after issue. Starting since 1st of April 2008 the Company is listed on Vilnius Stock Exchange Main list. The fiscal year of the Company and its subsidiaries corresponds with calendar year.

The consolidated Group (hereinafter the Group) consists of the Company and forty-five subsidiaries (2007.12.31: thirty-five subsidiaries). The subsidiaries included in the Group's consolidated financial statements are indicated below:

		Group ownership interest, %		
Subsidiary	Country	31 December 2008	31 December 2007	Profile
AVG Investment UAB	Lithuania	100,00 %	100,00 %	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 1 UAB	Lithuania	100,00%	-	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 2 UAB	Lithuania	100,00%	-	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 3 UAB	Lithuania	100,00 %	-	The subsidiary specializes in acquisitions of agricultural companies
Agrowill Eesti OU	Estonia	100,00%	-	The subsidiary specializes in acquisitions of agricultural companies
ZAO „Agroprom"	Russia	75 %	-	Management of subsidiaries
„Agrowill group" S.R.L.	Moldova	100 %	-	Acquisitions and rent of land
Žemės vystymo fondas UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 1 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 2 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 3 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 4 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 5 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 6 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 7 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 8 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land

Subsidiary	Country	Group ownership interest, % 31 December 2008	31 December 2007	Profile
Žemės vystymo fondas 9 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 10 UAB	Lithuania	100,00%	-	Acquisitions and rent of land
Žemės vystymo fondas 11 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 12 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 14 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 15 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 16 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 17 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 18 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 19 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 20 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 21 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 22 UAB	Lithuania	100,00%	-	Acquisitions and rent of land
Agricultural company „Agrowill Spindulys“	Lithuania	99,96 %	99,96 %	Agricultural operations
Agricultural company „Agrowill Smilgiai”	Lithuania	99,95 %	99,95 %	Agricultural operations
Agricultural company „Agrowill Skėmiai“	Lithuania	99,87 %	99,87 %	Agricultural operations
Agricultural company „Agrowill Nausodė”	Lithuania	99,81 %	99,81 %	Agricultural operations
Agricultural company „Agrowill Dumšiškės”	Lithuania	99,36 %	99,36 %	Agricultural operations
Agricultural company „Agrowill Žadžiūnai”	Lithuania	99,02 %	99,02 %	Agricultural operations
Agricultural company „Agrowill Mantviliškis”	Lithuania	98,79 %	98,79 %	Agricultural operations
Agricultural company “Agrowill Alanta”	Lithuania	98,56 %	98,56 %	Agricultural operations
Agricultural company „Agrowill Eimučiai”	Lithuania	98,41 %	98,41 %	Agricultural operations
Agricultural company „Agrowill Vėriškės“	Lithuania	98,41 %	98,41 %	Agricultural operations
UAB „Grūduva“	Lithuania	97,28 %	-	Agricultural operations
Agricultural company „Agrowill Želsvelė”	Lithuania	97,17 %	97,17 %	Agricultural operations
OU „Polva agro“	Estonia	96,45 %	-	Agricultural operations
Agricultural company „Agrowill Lankesa“	Lithuania	95,93 %	95,93 %	Agricultural operations
Agricultural company „Agrowill Kairėnai“	Lithuania	94,82 %	94,82 %	Agricultural operations
Agricultural company “Agrowill Jurbarkai”	Lithuania	87,78 %	87,78 %	Agricultural operations

As of 31 December 2008 the Group had 916 employees, 2007 – 750 employees.

The main financial ratios of the Group:

		2008	2007
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization*	1 560	12 796
ROA	Return On Assets (%)*	(4,60)	10,58
ROE	Return On Equity (%)*	(29,22)	16,21
Liquidity ratio	Liquidity ratio	0,49	0,66
Acid test ratio	Acid test ratio	0,29	0,40

* - *not taking into account the investment property revaluation*

EBITDA = Net profit + depreciation and amortization + interest expenses – negative goodwill recognized through profit (loss)

ROA = Net profit / (Average Group assets)

ROE = Net profit / (Average shareholders equity)

Liquidity ratio = Current assets / Current liabilities

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of property, plant and equipment, investment property and biological assets (livestock).

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

In 2008 the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008, however none of these standards, ammendement and interpretations had effect to the Group's accounting policies:

a) All standards, amendments and interpretations effective as of 2008 and had no effect to the Group's accounting policie:

- IFRIC 11, IFRS 2, Group Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) ;
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

b) Standards, amendments and interpretations that are issued, but not yet effective and have not been early adopted by the Group:

At the date of authorization of these financial statements, the following amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).;
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) retrospectively from 1 January 2009 and is currencly assessing the impact to its financial statements.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009).
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009)
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
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2.1 Basis of preparation (continued)

- IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009).
- IAS 39(Amendment), 'Financial instruments: Recognition and measurement'(effective from 1 January 2009).
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009)
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).\
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.
- IFRIC 13, Client loyalty programs (effective for annual periods beginning on or after 1 January 2008) (not yet endorsed by the EU);
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).

The Groups Management is currently assessing the possible effects for the adoption of these Standards and Interpretations in the future accounting periods on the consolidated financial statements.
Amendment to IAS 23, IFRIC 12, IFRIC 13, IFRIC 14 and IFRS 3 have not been yet endorsed by EU.

2.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business combinations* are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (negative goodwill) is recognized immediately in profit or loss.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

2.3 Foreign currency translation

<u>Functional and presentation currency</u>
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in in Lithuanian Litas (LTL), which is the Company's functional and the Group's presentation currency.

<u>Transactions and balances</u>
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlements of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

2.3 Foreign currency translation (continued)

Group companies
For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Currency Units using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

2.4 Property, plant and equipment

The property, plant and equipment, except for construction in progress, are stated at revalued amounts less accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Property, plant and equipment are assets that are owned and controlled by the Group, which are expected to generate economic benefits in the future periods and with the useful life exceeding one year.

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'revaluation reserve' to 'retained earnings'.

Land is not depreciated. Depreciation of property, plant and equipment, except construction in progress, is calculated using the straight-line method. Depreciation expenses are charged to the income statement under operating expenses, cost of sales and is recognized in the balance sheet under Crops and Goods for sale. Estimated useful lives of property, plant and equipment are as follows:

Buildings	20 – 50	years
Constructions and machinery	5 – 20	Years
Vehicles, equipments and other assets	1 – 10	years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income (expenses) in the income statement. When revalued assets are sold, the amounts included in revalution reserve are transferred to retained earnings.

2.5 Investment property

Investment property, principally comprising agricultural land plots, is held for long-term rental yields and is not occupied by the group. Investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of revenues.

2.6 Intangible assets

Goodwill
Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

2.6 Intangible assets (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets
Intangible assets (except goodwill) are recognized 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 amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis of their useful lives:

Software	2 – 3	years
Other intangible assets	5	years

The gain or loss arising on the disposal of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.7 Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are not subject to amortization are tested for impairment annually.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Biological assets

The Group's biological assets consist of livestock and crops.

Livestock is measured at fair value less estimated point-of-sale costs. Fair value is determined using current market value of livestock groups or market values of similar groups of livestock and adjusting them adequately, if necessary.

Crops are measured at cost less any accumulated impairement losses. Crops are not depreciated since their growing period is less than 1 year. There is no market-determined prices or values available for growing crops and the alternative estimates of their fair values are unrealiable. At the point of harvest, crops are remesured at fair value less estimated point-of-sale costs, which then bocomes the cost for grains accounted as inventory.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.10 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies all its financial assets into the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

<u>Trade and other receivables</u>
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within Operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against Operating expenses in the income statement.

<u>Cash and cash equivalents</u>
Cash and cash equivalents are carried at nominal value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

<u>Impairment of financial assets</u>
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

<u>Financial liabilities</u>
Financial liabilities comprise of interest-bearing borrowings, finance lease liabilities and issued bonds.

Interest-bearing loans and overdrafts are initially measured at fair value. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of income.

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

Issued bonds are classified as financial liabilities, which are repurchased in one amount or in instalments under a certain repayment schedule. Issued bonds are recognized initially at fair value, being their issue proceeds net of transaction cost incurred. They are measured at amortized cost using the effective interest rate approach.

<u>Trade payables</u>
Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

2.11 Share capital

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

2.12 Reserves

Legal reserve
The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the net result are required until the legal reserve reaches 10% of the registered share capital. The appropriation is restricted to reduction of the accumulated deficit.

Other reserves
The Group's net income for the year is transferred to other reserves and makes up other reserve balance for the year end. These reserves can be used only for the purposes approved by the General Shareholder Meeting.

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

2.13 Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Grants related to assets
Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Grants related to income
Grants related to income are received as a reimbursement for the expenses already incurred and as a compensation for unearned revenue, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received. Grants received as a compensation for unearned revenue are recognized as income over the periods necessary to match them with the related unearned revenue to compensate.

Grants related to biological assets
Unconditional grants related to biological assets measured at its fair value less estimated point-of-sale cost are recognized as income when government grant became receivable. Conditional grants related to biological assets measured at its fair value less estimated point-of-sale costs is recognized as income when the conditions attching to the government grant are met.

2.14 Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessee
Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

2.15 Employee benefits

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

2.15 Employee benefits (continued)

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

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

2.16 Provisions

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

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

2.17 Business and geographical segments

A business segment means a constituent part of the business participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

The main business segments defined by the Group are stock-breeding and crop growing, as well as land rent activities.

A geographical segment means a constituent part of the business participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments. Geographical segments are determined by the location of customers that is the same as location of assets.

The geographical segments are not defined by the Group, all activities of the Group are performed on the territory of Republic of Lithuania and Estonia (since acquisition of Polva Agro in 2nd half of 2008).

Expenses of the Group's structural units, which may be directly allocated to a specific segment, are allocated to this segment. Expenses of the structural units of the Group, which take part in more than one segment, are allocated pro rata to the established distribution of expenses.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown net of value-added tax, estimated rebates, discounts and other similar allowances and after eliminating sales within the group.

The revenues are recognized on an accrual basis. Revenues are recognized in the financial statements irrespective of cash inflows, i.e. when they are earned. Expenses are recognized in the income statement when incurred.

Sales of goods are recognized when the Group entity sells a product to the customer.

Revenue from services is recognised on performance of the services.

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Received interest is recorded in the cash flow statement as cash flows from investing activities.

Payments received under operating leases are credited to the income statement on a straight-line basis over the period of the lease.

2.19 Finance cost

All finance costs are recognized in profit or loss when incurred.

2.20 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax valid for 2008 rate is 15% on taxable income. Income tax rate valid for 2007 was 18%. Starting from 1 January 2009 the income tax applied to the companies in Lithuania will be 20%. Up to 31 December 2008 the Company's subsidiaries involved in agricultural production in accordance with Republic of Lithuania law do not account for and pay income tax, however as at 1 January 2009 they will have to apply 5% tax rate, 10% as of 1 January 2010, and 20% rate as of 1 January 2011.

Income tax rate on current year taxable profits in Estonia nil. However, in Estonia profit tax is payable in the year of distribution of earnings at a rate of 21% in 2008, and 20% in the year 2009 and after.

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

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

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

The main temporary differences arise due to revaluation of investment property.

2.21 Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.22 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.

3. Financial risk management

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

The Board of Directors is responsible for the risk management policies and procedures.

Credit risk

Senior management is responsible for credit risk management. Credit risk arises from cash, cash equivalents, and short-term deposits with banks, as well as credit exposures to customers, mainly related to outstanding receivables. Credit risk associated with the cash funds at banks is minimal, as the Group deals with the banks which have high credit ratings established by foreign rating agencies. For customers, the Company sells the majority of its production to wholesalers and has policies in place to ensure that sales of products are made only to customers with an appropriate credit history. The Group always makes an assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit period is awarded only to a few customers who are well known to the Group and have excellent credit history. The Group has no credit concentration risk as the sales are distributed among several clients. The Group does not use credir insurance and has not established any specific limits for any of the clients.

There were no significant difficulties in collecting accounts receivable from customers or withdrawing cash from banks during the reporting period and the management does not expect any material losses from non-performance by these counterparties.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.The Company is exposed to the liquidity risk due to different maturity profiles of receivables and payables. The risk is managed by planning the cash flows. The Company uses overdrafts and credit lines to manage the differences of maturity profiles of the receivables and payables.

Current development of International and Lithuanian financial markets
The worldwide liquidity crisis which started in 2007 – 2008 resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. At the moment it is difficult to forecast the magnitude of the financial crisis and it's effect on the world and local economies, possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities the Group currently faces liquidity problems.

Borrowed capital accounts for a large share of the Group's total capital
Due to abovementioned facts, the Group currently faces significant liquidity problems. The major part of Groups assets are the investment property, owned land, buildings, equipment and cattle herds – long term assets, payback of which is longer than 1-2 year term, while Group's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the management of the Group currently is negotiating with creditors regarding postponement of amounts payable until the cash flow is generated from the long term assets possessed by the Group.

The Group concludes short and medium term cash-flow budgets in order to manage the current liquidity situation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance sheet amounts payable within one year reflect true value of the liabilities, as the influence of discounting is not significant.

	Within one year	In second year	Over third- fifth years	After five years
31 December 2008				
Loans	34 468	34 162	60 969	61 146
Bonds	31 203	-	-	-
Finance lease liabilities	4 294	3 663	6 909	560
Trade and other payables	42 873	-	-	-
Total	112 838	37 825	67 878	61 706
31 December 2007				
Loans	20 017	8 246	14 558	35 446
Bonds	13 491	-	-	-
Finance lease liabilities	1 392	1 230	1 954	123
Trade and other payables	14 849	-	-	-
Total	49 749	9 476	16 512	35 569

Liquidity risk (continued)

As at 31 December 2008 and 2007 the operating capital of the Group was negative and equaled LTL (52 147) thousand and LTL (16 983) thousand respectively. The liquidity ratio of the Group amounted to 0,49 (2007: 0,66), while quick ratio was 0,29 (2007: 0,40).

Market risk

Cash flows and fair value interest rate risk
As the Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk, but this is not included in sensitivity analysis as the change in interest rates has no impact on profit or equity of the Group.

The Group borrowings consist of loans with floating interest rate, which is related to EURIBOR, EUR LIBOR and VILIBOR.

As at 31 December 2008 the Group's bonds had a fixed rate of 12% to 14% (2007: 12%).The Group did not use any derivative financial instruments in order to control the risk of interest rate changes.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

The Group's cash flow and fair value interest rate risk is periodically monitored by the Group's management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Foreign currency risk
The Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. In order to manage foreign currency risk the Group borrows only in LTL of EUR. Groups purchase / sale contracts are also conducted in LTL and EUR.

The Group companies do not have significant foreign currency concentration, thus no financial instruments were used in order to hedge against foreign currency risks.

The Group operates in Lithuania nd Estonia and accordingly has two functional currencies that all are pegged with EUR and do not fluctuate significantly. Therefore the Group is exposed to any significant foreign exchange risk.

Securities price risk
The Group is not exposed to significant equity securities price risk because it has no material investments in securities or other similar financial instruments.

The subsidiaries are owned and controlled directly. The Group influences the results of subsidiaries by directly participating in management of the subsidiaries.

3.2 Capital risk management

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

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than LTL 150 thousand and of a private limited liability company must be not less than LTL 10 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2008 and 31 December 2007, the Company and all its Lithuanian subsidiaries, except Agrowill Kairėnai ŽŪB, complied with these requirements.

Pursuant to the Estonian Commercial Code the authorised share capital of a private limited liability company must be not less than EEK 40 thousand. In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 31 December 2008 all of the Company's Estonian subsidiaries, except Agrowill Eesti OU complied with these requirements.

In addition, the Group has to comply with the financial covenants imposed in the agreements with DnB Nord AB bank. The Group was in compliance with the all of the covenants except LTL 25 million loand agreement covenant referring to Equity / Assets ratio, which as at 31 December 2008 fell below the required 35 per cent to 28,5 per cent.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Income taxes
Tax authorities have right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Estonian subsidiary - 7 year period after the current year respectively) and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances which would raise substantial liability in this respect to the the Group.

Impairment of property, plant and equipment
The Group makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered any impairment. If that is the case, the Group Company makes an impairment test in accordance with the accounting policy set out in note 2.4. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As of 31 December 2008 and 2007 there were no indications that property, plant and equipment might be impaired.

Estimates concerning useful lives of property, plant and equipment
The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life.

Impairment of goodwill
The Group tests annually whether goodwill been impaired, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. As of 31 December 2008 and 2007 there were no impairement of the goodwill.

Valuation of investment property and cultivated agricultural land
The revaluation of the Group's investment property was made on 31 March 2007 based on valuations made by Žia Valda Real Estate UAB and Oberhaus UAB. As at 31 December 2007, the Group did not have an independent appraisal of it's investment property and cultivated agricultural land. According to IFRS, such properties must be recorded at market value. The management valued the average price of 1 ha of agricultural land. The value was determined based on the last land buying transactions executed by the Group, received proposals to sell the land, and agricultural commodities prices trends in the world markets. The determined price as at 31 December 2007 was LTL 7 000 per hectare. This valuation, however, is not supported by any independent appraisals.

5. Property, plant and equipment

As of 31 December 2008 the Group's property, plant and equipment consisted of the following:

	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
Acquisition cost / Revalued amount						
As of 31 December 2006	1 542	19 002	18 761	2 717	1 801	43 823
- additions	257	489	11 696	592	4 579	17 613
- disposal of subsidiaries	-	-	-	(84)	-	(84)
- disposals	-	(26)	(1 719)	(495)	-	(2 240)
- reclassifications	-	6 115	887	(972)	(6 030)	-
- transferred from investment property	22 830	-	-	-	-	22 830
As of 31 December 2007	24 629	25 580	29 625	1 758	350	81 942
- additions	585	655	14 085	999	11 574	27 898
- acquisition of subsidiaries	3 748	29 785	30 656	2 914	3 070	70 173
- disposals	-	(355)	(2 424)	(802)	-	(3 581)
- reclassifications	-	3 812	-	-	(3 812)	-
- transferred from investment property	7 363	-	-	-	-	7 363
As of December 2008	36 325	59 477	71 942	4 869	11 182	183 795
Depreciation						
As of 31 December 2006	-	-	-	-	-	-
- depreciation	-	342	3 385	224	-	3 951
- disposals of subsidiaries	-	-	-	(42)	-	(42)
- depreciation of revalued amount	-	580	1 348	355	-	2 283
- reclassifications	-	-	14	(14)	-	-
- disposals	-	(6)	(1 239)	(325)	-	(1 570)
As of 31 December 2007	-	916	3 508	198	-	4 622
- acquisition of subsidiaries	-	7 321	15 771	1 132	-	24 224
- depreciation	-	1 222	4 610	341	-	6 173
- depreciation of revalued amount	-	289	740	178	-	1 207
- reclassifications	-	-	-	-	-	0
- disposals	-	(157)	(2 403)	(571)	-	(3 131)
As of December 2008	-	9 591	22 226	1 278	-	33 095
Carrying amount						
As of 31 December 2006	1 542	19 002	18 761	2 717	1 801	43 823
As of 31 December 2007	24 629	24 664	26 117	1 560	350	77 320
As of 31 December 2008	36 325	49 886	49 716	3 591	11 182	150 700

As of 31 December 2007 the carrying amount of property, plant and equipment in the amount of LTL 67 528 thousand (2007: LTL 41 867) have been pledged as security for bank borrowings. The leased assets are pledged according to the finance lease agreements.

As of December 31 the carrying amount of the Group's property, plant and equipment acquired under finance lease, consisted of the following:

Constructions and machinery	2008	2007
Acquisition cost	19 369	6 320
Less Accumulated depreciation	3 059	796
Carrying amount	16 310	5 524

6. *Investment property*

As of 31 December 2007 the Group's investment property consisted of the following:

	Agricultural land
Fair value	
31 December 2006	-
- acquisition cost of assets	15 843
- acquisition of subsidiaries	25 160
- increase in fair value of assets	39 473
- transferred to property, plant and equipment	(22 830)
31 December 2007	57 646
- acquisition cost of assets	8 771
- acquisition of subsidiaries	-
- increase in fair value of assets	26 288
- transferred to property, plant and equipment	(7 361)
31 December 2008	85 344

As of 31 December 2007 the carrying amount of investment property in the amount of LTL 80 352 thousand (as of 31 December 2007: 36 053 tūkst. Lt) have been pledged as security for bank borrowings.

The investment property of the Group consists of agricultural land plots. As at 31 December 2008, the Group had ownership rights to 13 384 ha of land (2007: 11.500 ha). Approximately 3 700 ha of them was used by the Group, around 6 300 ha – rented out to third persons and companies, and approximately 3 400 ha were not used.

The Group's accounting practice is to revalue the investment property at fair value at each year-end and to disclose the changes in the financial statements. The revaluation of the Group's investment property was made on 31 March 2007 based on valuations of Žia Valda Real Estate UAB and Oberhaus UAB. As at 31 December 2007, the Group did not have an independent appraisal of it's investment property and cultivated agricultural land. According to IFRS, such properties must be recorded at market value. The management valued the average price of 1 ha of agricultural land. The value was determined based on the last land buying transactions executed by the Group, received proposals to sell the land, and agricultural commodities prices trends in the world markets. The determined price as at 31 December 2007 was LTL 7 000 per hectare.

The land plots which are rented and used by the subsidiary Group companies were transferred from investment property to property, plant and equipment as at 31 December 2007. The acquisition value of such land plots was LTL 10 450 thousand, while the fair value surpluses amounted to LTL 12 380 thousand (total amount transferred was LTL 22 830 thousand).

Change in fair value of investment property

In total, during 2007, the gain from change in fair value of investment property amounted to LTL 39 473 thousand, part of this revaluation is associated with the land rented and used by the Group's subsidiary entities, thus only LTL 27 093 thousand revaluation gain is presented in the current year result.

The remaining part of revaluation (LTL 12 380 thousand) is included in the revaluation reserve.

In 2008, the revaluation totaled LTL 26 288 thousand, LTL 7 361 thousand of which was attributable to the land used by own agricultural entities.

7. *Intangible assets*

As of 31 December 2007 the Group's non-current intangible assets consisted of the following:

	Goodwill	Software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2006	774	30	97	901
- additions	-	128	113	241
- acquisitions of subsidiaries (note 21)	1 602	-	-	1 602
As of 31 December 2007	2 376	158	210	2 744
- additions	-	1	136	137
- acquisitions of subsidiaries (note 21)	28 355	26	142	28 523
- reclassification	-	(69)	69	-
As of 31 December 2008	30 731	116	557	31 404
Amortization				
As of 31 December 2006	-	13	23	36
- amortization	-	11	45	56
As of 31 December 2007	-	24	68	92
- amortization		17	190	207
- acquisitions of subsidiaries (note 21)	-	19	25	44
- reclassification	-	(5)	5	-
As of 31 December 2008	-	55	288	343
Carrying amount				
As of 31 December 2006	774	17	74	865
As of 31 December 2007	2 376	134	142	2 652
As of 31 December 2008	30 731	61	269	31 061

As the subsidiaries of the Group operated profitably – there are no indications of goodwill impairment.

8. *Biological assets*

The Group's livestock quantity consisted of the following:

	Milk cows	Heifers	Other livestock	Pigs	Total
As of 31 December 2006	3 378	3 202	1 393	1 745	9 718
Acquisition of subsidiaries	-	-	-	-	-
Additions	-	1 684	-	-	1 684
Increase (birth)	-	2 128	2 060	907	5 095
Transfers from other groups (+)	2 377	-	1 100	-	3 477
Transfers to other groups (-)	(1 511)	(1 966)	-	-	(3 477)
Sales	(14)	(754)	(3 891)	(2 360)	(7 019)
Write offs and natural mortality	(114)	(310)	(312)	(292)	(1 028)
As of 31 December 2007	4 116	3 984	350	-	8 450
Acquisition of subsidiaries	1 978	1 265	793	-	4 036
Additions	58	1 129	25	-	1 212
Increase (birth)	-	2 328	2 911	-	5 239
Transfers from other groups (+)	3 253	4 033	1 718	-	9 004
Transfers to other groups (-)	(2 462)	(6 269)	(273)	-	(9 004)
Sales	(300)	(1 088)	(3 935)	-	(5 323)
Write offs and natural mortality	(231)	(452)	(407)	-	(1 090)
As of 31 December 2008	6 412	4 930	1 182	-	12 524

(Continued)

8. Biological assets (continued)

The Group's livestock value consisted of the following:

	Milk cows	Heifer	Other livestock	Pigs	Total
As of 31 December 2006	9 256	6 675	1 763	283	17 977
Acquisition of subsidiaries	-	-	-	-	-
Additions	-	6 879	-	-	6 879
Increase (birth)	-	406	412	4	822
Makeweight	-	6 309	1 471	527	8 307
Transfers from other groups (+)	9 061	-	2 774	-	11 835
Transfers to other groups (-)	(3 067)	(8 768)	-	-	(11 835)
Sales	(32)	(1 851)	(6 011)	(796)	(8 690)
Write offs and natural mortality	(323)	(61)	(130)	(18)	(532)
Profit arising from changes in biological assets fair value (note 19)	254	901	(107)	-	1 048
As of 31 December 2007	15 149	10 490	172	-	25 811
Acquisition of subsidiaries	4 848	2 327	325	-	7 500
Additions	229	5 016	31	-	5 276
Increase (birth)	-	479	523	-	1 002
Makeweight	11	8 841	1 323	-	10 175
Transfers from other groups (+)	15 174	11 151	6 267	-	32 592
Transfers to other groups (-)	(9 360)	(22 821)	(411)	-	(32 592)
Sales	(623)	(3 969)	(7 225)	-	(11 817)
Write offs and natural mortality	(800)	(320)	(137)	-	(1 257)
Profit arising from changes in biological assets fair value (note 19)	(3 132)	(233)	(29)	-	(3 394)
As of 31 December 2008	21 496	10 961	839	-	33 296

The Group's crops consisted of the following:

2008	Winter crops	Summer crops	Rapeseed	Feed crops	Total
Total ha planted	7 193	979	1 375	8 807	18 354
Total expenses incurred	7 373	368	1 550	3 481	12 772
Average expenses per 1 ha (LTL)	1 025	376	1 127	395	696

2007	Winter crops	Summer crops	Rapes	Feed crops	Total
Total ha planted	3 607	4 176	2 411	7 798	17 992
Total expenses incurred	2 715	1 104	892	1 196	5 907
Average expenses per 1 ha (LTL)	753	264	370	153	328

Total hectares planted shows both the actual hectares planted as at 31 December, as well as forecasted spring sowing number of hectares, for which the Group has incurred expenses.

9. Inventory

As of December 31 the Group's inventories consisted of the following:

	2008	2007
Raw materials	3 265	3 205
Finished goods	21 666	9 996
Total	24 931	13 201
Less: write-down to net realizable value	(5 353)	(1 304)
Add: change in fair value of finished goods	-	899
Carrying amount	19 578	12 796

10. Trade receivables, advance payments and other receivables

As of December 31 the Group's trade receivables, advance payments and other receivables consisted of the following:

	2008	2007
Trade receivables	11 401	6 065
Subsidies and grants receivable from NPA	9 637	5 870
Advance payments and deferred expenses	5 823	4 260
VAT receivable	703	319
Accounts receivable private individuals	65	44
Other receivables	1 155	353
Total	28 784	16 911
Less: allowance for doubtful accounts	(2 218)	(1 362)
Carrying amount	26 566	15 549

Trade receivables that are less than 60 days past due are not considered impaired. Impairment charges on amounts receivable are recognized after 120 days past due. As at 31 December 2008, some of the trade receivables are past due, for which provisions are made. In the opinion of the Group's management, all other trade receivables, advance payments and other receivables approximate their fair value.

The movement of provisions for doubtful receivables consisted of the following:

	2008	2007
Carrying amount as of 1 January	1 362	1 168
Provisions for doubtful receivables	1 554	194
Write-offs of bad receivables	(698)	-
Acquisition of subsidiaries	-	-
Carrying amount as of 31 December	2 218	1 362

In 2008, a LTL 1 554 thousand provision for doubtful receivable from Darkwol Intl. was established. The decrease in provision during 2008 resulted from write-offs of bad past receivables.

11. Long term receivables

	2008	2007
The loan to UAB "Želsvelės mėsa" UAB (LTL), maturity in 2011, annual interest rate 7 %	284	-
The loan to ŽVF projektai UAB (LTL), maturity in 2011, annual interest rate 7 %	103	171
The loan to ŽVF projektai UAB (LTL), maturity in 2011, annual interest rate 7 %	100	100
The loan to ŽIA Valda AB (LTL), maturity in 2010, annual interest rate 14%	85	-
The loan to Tomas Žilinskas (LTL), maturity in 2010, annual interest rate 7 %	16	-
	588	271

12. Cash and cash equivalents

As of 31 December the Group's cash and cash equivalents consisted of the following:

	2008	2007
Cash in banks	2 945	4 242
Cash on hand	66	107
Term deposits	-	72
Carrying amount	3 011	4 421

As of 31 December 2008 the Group's part of cash in bank accounts was pledged to the Banks.

13. Share capital

As of 31 December 2006, the share capital consisted of 200 000 ordinary registered shares (2005: 700 shares) with par value LTL 1 each (2005: LTL 100). All shares were fully paid.

On 31 August 2007, the shareholders increased the share capital of the Company from LTL 200 000 to LTL 206 000 by monetary contributions. Additional 6 000 shares were issued with nominal value of LTL 1 each.

On 12 October 2007, the shareholders increased the share capital of the Company from LTL 206 000 to LTL 20 000 000 by issuing distributing 19 794 000 additional shares with nominal value of LTL 1 each to existings shareholders by transfer from the retained earnings. For the purpose of calculating earnings per share all references in these consolidated financial statements to the weighted average number of shares were restated to reflect 9 897:103 share split.

As of 31 December 2007, the share capital consisted of 20 000 000 ordinary registered shares with par value LTL 1 each. All shares were fully paid.

In 2008, Company issued a new share emission of 6 142 732 shares with a nominal value of 1 LTL each. The shares were sold in an open market as IPO and Group attracted LTL 28 273 thousand (each share was sold at LTL 5 each).

The share capital of Agrowill Group AB as at 31 December 2008 is LTL 26 142 732. The share capital is divided into 26 142 732 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

Each share has usual material and intangible rights as per Lithuanian Republic law on Stock companies and Companies statutes.

In the end of 2008, the Company issued new share capital emission of 4 635 045 ordinary shares (with nominal value LTL 1 each), part of which – 1 545 015 ordinary shares was acquired by Finastą rizikų valdymas UAB, while the remaining part of 3 090 030 shares was supposed to be bought be the main shareholder – ŽIA valda UAB. As ŽIA valda UAB rejected the share purchase agreement, the Company took a decision to register the share capital increase in the amount of paid shares – 1 545 015 ordinary shares. Finasta rizikų valdymas UAB sued such action to the court, and court issued temporary security measures by forbiding any registrations of share capital increase until civil case will be solved by the court of Lithuanian Republic.

14. Grants

For the year ended as of 31 December the movement of grants consisted of the following:

	2008	2007
Carrying amount as of 1 January	5 218	4 674
Grants, subsidies	3 829	850
Acquisition of subsidiaries	3 100	-
Release of grants related to property, plant and equipment to income	(1 094)	(306)
Carrying amount as of 31 December	11 053	5 218

15. Borrowings

As of 31 December the Group's long term borrowings consisted of the following:

	2008	2007
Borrowings from banks		
The loan payable to Swedbank bank (EUR), maturity in 2012	36 185	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2016	23 235	25 000
The loan payable to DnB Nord AB bank (EUR), maturity in 2026	18 486	-
The loan payable to Snoras AB bank (LTL), maturity in 2010	17 741	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	3 116	3 291
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	2 722	2 722
The loan payable to Parex" bank AB (EUR), maturity in 2025	1 848	1 929
The loan payable to Parex" bank AB (LTL), maturity in 2024	1 746	1 557
The loan payable to Parex" bank AB (LTL), maturity in 2024	1 678	1 678
The loan payable to SEB AB bank (LTL), maturity in 2012	1 650	-
The loan payable to Parex" bank AB (LTL), maturity in 2024	1 625	1 636
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 381	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 364	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	1 359	1 360
The loan payable to Parex" bank AB (EUR), maturity in 2025	1 340	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	1 335	1 360
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 310	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	1 309	1 384
The loan payable to DnB Nord AB bank (EUR), maturity in 2012	1 143	2 526
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 041	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	1 031	1 139
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	991	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	944	265
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	779	-
The loan payable to SEB AB bank (LTL), maturity in 2011	750	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	725	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2012	710	1 804
The loan payable to SEB AB bank (LTL), maturity in 2012	709	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2012	627	1 385
The loan payable to SEB AB bank (EUR), maturity in 2010	579	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	556	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	495	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	379	305
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	345	-
The loan payable to SEB AB bank (LTL), maturity in 2010	231	-
The loan payable to SEB AB bank (LTL), maturity in 2010	185	-
The loan payable to bank Sampo bankas AB (EUR), maturity in 2015	-	3 585
The loan payable to bank Sampo bankas AB(EUR), maturity in 2015	-	2 660
Borrowings from legal entities		
The loan payable to Invalda AB (LTL), maturity in 2016	3 870	1 771
The loan payable to ŽIA valda AB (LTL), maturity in 2016	425	338
The loan payable to Kelmės pieninė AB (LTL), maturity in 2016	-	2 549
The loan payable to Kelmės pieninė AB (LTL), maturity in 2009	-	1 867
Borrowings from private individuals		
The loan payable to Linas Strėlis (LTL), maturity date 2016	4 484	-
Total	140 429	64 604
Less: amounts, payable within one year	(17 903)	(5 814)
Total long term borrowings	122 526	58 250

(Continued)

15. Borrowings (continued)

As of 31 December the Group's short term borrowings consisted of the following:

	2008	2007
Borrowings from banks		
The loan payable to SEB AB bank (LTL), maturity in 2009	1 000	-
The loan payable to SEB AB bank (LTL), maturity in 2009	500	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2008	-	11 000
The credit line to Nord/LB AB (LTL), maturity date in 2008	-	35
Borrowings from legal entities		
Liability under factoring agreement to Hansa Lizingas UAB, maturity date in 2007	4 783	3 168
Dojus Agro UAB, (LTL), maturity date in 2009	691	-
Borrowings from private individuals		
The loan payable to Pranas Dailidė (LTL), maturity date 2009	77	-
Bonds issued by the Group	29 615	13 491
Total short term borrowing	36 666	27 694

The long-term borrowings are repayable as follows:

	2008	2007
Between 1 and 2 years	27 007	8 246
Between 2 and 5 years	56 145	14 558
After five years	39 374	35 446
Total	122 526	58 250

Property, plant and equipment (note 5) and cash in the bank (note 12) of the Group were pledged to the banks as collateral to secure the loans payable.

16. Obligations under finance lease

As of 31 December the Group's minimum lease payments consisted of the following:

	2008		2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	4 505	3 860	1 577	1 392
In the second to fifth years inclusive	11 556	10 472	3 642	3 308
Minimum lease payments	16 061	14 332	5 219	4 700
Less: future finance charges	(1 729)		(519)	-
Minimum amount payable	14 332	14 332	4 700	4 700
Less: VAT payable	(2 723)	(2 723)	(846)	(846)
Present value of minimum lease payments	11 609	11 609	3 854	3 854

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 5).

The fair value of the Group's obligations under finance leases approximates their carrying amount.

17. Profit tax

Profit tax expenses for the year ended 31 December consisted of the following:

	2008	%	2007	%
Profit before tax	(6 928)		36 866	
Profit tax, calculated at 15% (2007: 18%) tax rate	(1 039)	15	6 636	18
Tax effect of non-taxable revenues	5 725	(83)	4 884	13
Change in deferred tax asset due to increase in profit tax rate (2008: 20%)	2 500	-	80	-
Tax effect of non-deductible expenses	(1 461)	21	(6 741)	(18)
Decrease of differed tax liability after evaluation	-	-	25	-
Profit tax	5 725	83	4 884	13

	2008	2007
Deferred tax liability		
Current year profit tax	6 741	-
Change in deferred tax liability, recognized in income statement	5 725	4 884
Change in deferred tax liability, recognized in equity	4 658	1 857
Total	17 124	6 741

	2008	2007
Deferred tax asset:		
Provisions for doubtful receivables	(333)	(204)
Provisions for slow-moving inventory and write-downs to net realizable value	(803)	(196)
Vacation reserve	-	-
Total deferred tax asset:	(1 136)	(400)
Decrease of deferred tax assets after evaluation	1 136	400
Total deferred tax asset, fair value:	-	-
Revaluation of fixed assets	6 515	1 857
Fair value of investment property	10 609	4 884
Decrease of deferred tax liability after evaluation	-	-
Total deferred tax liability	17 124	6 741
Total deferred tax	17 124	6 741

18. Other payables and current liabilities

As of 31 December the Group’s other payables and current liabilities consisted of the following:

	2008	2007
Payroll related liabilities	4 199	1 851
Advances received	9 060	93
Other payables	4 657	1 773
Total	17 916	3 717

19. Business segments

The main information on segmentation by business segments

Income statement		Business segments									
		Stock-breeding				Crop growing					Land rent
2008	Total	Milk	Cattle meat	Pigs meat	Total	Wheat	Barley	Rape	Other income	Total	
Sales	63 923	35 184	3 440	-	38 624	12 285	3 214	7 462	687	23 648	1 651
Revaluation of investment property	18 927	-	-	-	-	-	-	-	-	-	18 927
Cost of sales	(47 807)	(20 297)	(11 459)	-	(30 392)	(11 452)	(4 291)	(6 058)	(4 468)	(17 415)	
Cost of sales	(58 025)	(20 297)	(11 459)	-	(31 756)	(11 452)	(4 291)	(6 058)	(4 468)	(26 269)	
Direct subsidies	*10 218*	-	-	-	*1 364*	-	-	-	-	*8 854*	
Gain on changes in biological assets fair value	(6 669)	-	-	-	(3 394)	-	-	-	-	(3 275)	
		14 887	(8 019)	-	(2 030)	833	(1 077)	1 404	(3 781)	5 579	
GROSS PROFIT	28 374				4 838					2 958	20 578
Operating expenses	(21 096)										
Income from financial and investment activities	301										
Release of negative goodwill to income	31										
Other activities income	(50)										
Finance cost	(14 488)										
Income tax expenses	(5 725)										
NET INCOME	12 653										

(Continued)

		Business segments									
Income statement		Stock-breeding				Crop growing					Land rent
2007	Total	Milk	Cattle meat	Pigs meat	Total	Wheat	Barley	Rape	Other income	Total	
Sales	42 687	18 980	3 571	624	23 174	8 214	3 831	3 090	3 260	18 395	1 118
Revaluation of investment property	27 093	-	-	-	-	-	-	-	-	-	27 093
Cost of sales	(27 951)	(14 281)	(7 794)	(818)	(20 506)	(5 567)	(3 766)	(4 037)	(412)	(7 445)	-
Cost of sales	*(36 675)*	*(14 281)*	*(7 794)*	*(818)*	*(22 893)*	*(5 567)*	*(3 766)*	*(4 037)*	*(412)*	*(13 782)*	-
Direct subsidies	*8 724*	-	-	-	*2 387*	-	-	-	-	*6 337*	-
Gain on changes in biological assets fair value	1 947	-	1 048	-	1 048	548	8	2	341	899	-
		4 699	(3 175)	(194)	3 435	3 195	73	(945)	3 189	7 236	
GROSS PROFIT	43 776				3 716					11 849	28 211
Operating expenses	(9 227)										
Income from financial and investment activities	1 499										
Release of negative goodwill to income	6 965										
Other activities income	(359)										
Finance cost	(5 788)										
Income tax expenses	(4 884)										
NET INCOME	31 982										

As of 1 June 2004 the Group companies are entitled to subsidies for agricultural land used in operations according to the European Commission directive „Regarding European agriculture direction and guarantee fund support to rural regions“. Plantation declaration must be submitted by 1 June, and subsidies for the year are paid until 30 April of next year. These subsidies reduce the cost of sales of plant-growing operations.

According to the Republic of Lithuanian Ministry of Agriculture „Rules on additional national subsidies payments for livestock for 2005“, the Group companies are entitled to subsidies for livestock sold for realization. These subsidies reduce the cost of sales of cattle-breeding activities.

According to the Republic of Lithuania Ministry of Agriculture „Rules on subsidies payments to milk producers“, the Group companies are entitled to subsidies for the amount of milk sold during the year. These subsidies reduce the cost of sales of cattle-breeding activities.

(Continued)

19. Business segments (continued)

BALANCE SHEET As of 31 December 2008	Stock breeding	Plant growing	Land rent	Unallocated	Total
Non-current assets	43 999	90 137	85 344	48 523	268 003
Biological assets	33 296	12 772	-	-	46 068
Inventory	7 608	10 120	-	1 850	19 578
Trade receivables, advance payments and other receivables	4 991	11 816	1 174	8 585	26 566
Cash and cash equivalents			358	2 653	3 011
TOTAL ASSETS	89 894	124 845	86 876	61 611	363 226
TOTAL LIABILITIES	17 583	28 515	24 126	181 200	251 424
Property, plant and equipment acquired during the year	12 521	13 379	8 771	1 998	36 669
Property, plant and equipment depreciation for the year	2 413	2 608	-	1 152	6 173

BALANCE SHEET As of 31 December 2007	Stock breeding	Plant growing	Land rent	Unallocated	Total
Non-current assets	16 524	23 673	66 960	30 802	137 959
Biological assets	25 811	5 907	-	-	31 718
Inventory	2 382	7 121	130	3 163	12 796
Trade receivables, advance payments and other receivables	2 586	6 092	663	6 208	15 549
Cash and cash equivalents	-	-	1 180	3 241	4 421
TOTAL ASSETS	47 303	42 793	68 933	43 414	202 443
TOTAL LIABILITIES	8 030	12 837	24 772	77 627	123 266
Property, plant and equipment acquired during the year	5 673	10 005	15 843	1 936	33 457
Property, plant and equipment depreciation for the year	1 210	3 757	-	1 267	6 234

20. Operating expenses

As of 31 December the Group's operating expenses consisted of the following:

	2008	2007
Payroll expenses	8 236	4 492
Transportation costs	1 808	1 175
Consultations and business plan preparations	479	282
Insurance	1 503	352
Property, plant and equipment depreciation	1 155	193
Real estate registration and valuation	-	351
Advertising expenses	846	491
Write off of property, plant and equipment	1 730	310
Legal expenses	-	310
Provisions for inventory	1 423	277
Communication expenses	240	72
Electricity	112	63
Repairs	239	53
Other expenses	3 315	796
Total	21 096	9 227

21. Release of negative goodwill to income

2008	Polva Agro	Grūduva
	June 2008	September 2008
Non-current assets		
Tangible and intangible assets	14 757	31 206
Biological assets	2 067	5 972
Current assets		
Cash and cash equivalents	5 244	244
Trade receivables and other current assets	1 675	4 434
Inventory	3 262	14 193
Long term liabilities		
Borrowing and obligations under financial lease	(586)	(8 123)
Grants	-	(3 100)
Short term liabilities		
Borrowing and obligations under financial lease	(182)	(1 526)
Other financial liabilities	-	(573)
Trade payables and other current liabilities	(2 439)	(7 093)
Net assets at acquisition date	23 798	35 634
Acquired share capital, %	93,60	97,28
Net assets acquired	22 275	34 665
Cash paid upon acquisition acquired	-	-
Acquisition cost	(50 630)	(34 634)
Total negative goodwill	-	31
Total goodwill	(28 355)	-

21. *Release of negative goodwill to income (continued)*

	Acquisition of subsidiaries												
	2007												
	Mantviliškis		Jurbarkai	Spindulys								Nausodė	
	January	December	September	September	September	September	September	September	September	September	September	June	December
Non-current assets													
Tangible and intangible assets	4 387	5 195	2 570	4 413	4 413	4 413	4 413	4 413	4 413	4 413	4 413	3 523	4 230
Revaluation reserve	(2 502)	(2 220)	(1 148)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(864)	(904)
Biological assets	1 166	1 317	1 839	1 245	1 245	1 245	1 245	1 245	1 245	1 245	1 245	2 132	2 099
Current assets													
Cash and cash equivalents	86	32	86	101	101	101	101	101	101	101	101	108	187
Trade receivables and other current assets	872	911	802	2 847	2 847	2 847	2 847	2 847	2 847	2 847	2 847	738	1 322
Inventory	387	1 360	732	2 182	2 182	2 182	2 182	2 182	2 182	2 182	2 182	259	859
Long term liabilities													
Borrowing and obligations under financial lease	(1 496)	(1 742)	(346)	(216)	(216)	(216)	(216)	(216)	(216)	(216)	(216)	(3 470)	(3 878)
Grants	(623)	(587)	(259)	-	-	-	-	-	-	-	-	(219)	(206)
Short term liabilities													
Borrowing and obligations under financial lease	(299)	(772)	-	-	-	-	-	-	-	-	-	(307)	(988)
Other financial liabilities	-	(288)	(198)	(493)	(493)	(493)	(493)	(493)	(493)	(493)	(493)	-	(316)
Trade payables and other current liabilities	(939)	(926)	(1 300)	(2 878)	(2 878)	(2 878)	(2 878)	(2 878)	(2 878)	(2 878)	(2 878)	(1 344)	(1 608)
Net assets at acquisition date	1 039	2 280	2 778	6 343	6 343	6 343	6 343	6 343	6 343	6 343	6 343	556	797
Acquired share capital, %	3,14	3,74	3,24	0,28	3,70	0,33	5,11	0,18	0,04	0,04	41,65	4,19	0,99
Net assets acquired	33	85	90	18	234	21	324	12	3	3	2 642	23	8
Cash paid upon acquisition acquired	608	297	-	-	-	-	-	-	-	-	-	-	2 695
Acquisition cost	(640)	(301)	(14)	(354)	(446)	(40)	(685)	-	(5)	(13)	(462)	(6)	(2 700)
Total negative goodwill	1	81	76	-	-	-	-	12	-	-	2 180	17	3
Total goodwill	-	-	-	(336)	(212)	(19)	(361)	-	(2)	(10)	-	-	-

(Continued)

21. Release of negative goodwill to income (continued)

	Acquisition of subsidiaries												
	2007												
	Želsvelė	Žadžiūnai	Kairėnai	Vėriškės	Eimučiai	Smilgiai	ŽVF	ŽVF 9	ŽVF 11	ŽVF 12	ŽVF 14	ŽVF 15	ŽVF 16
	December	December	December	December	December	December	January	January	January	January	January	January	January
Non-current assets													
Tangible and intangible assets	9 129	1 253	2 151	2 643	1 066	10 066	7 070	-	6 620	3 311	1 409	368	1
Revaluation reserve	(2 611)	(517)	(866)	(634)	(427)	(1 646)	-	-	-	-	-	-	-
Biological assets	4 195	1 521	1 338	2 203	900	3 782	-	-	-	-	-	-	-
Current assets													
Cash and cash equivalents	992	205	95	6	138	242	55	-	47	140	2	1	7
Trade receivables and other current assets	1 737	597	415	1 190	626	2 284	905	-	1 102	1 477	16	4	-
Inventory	1 816	824	802	1 187	531	2 060	-	-	-	-	-	-	-
Long term liabilities													
Borrowing and obligations under financial lease	(3 430)	(1 595)	(2 793)	(3 306)	(1 281)	(4 989)	(4 784)		(5 622)	(4 884)	-	-	-
Grants	(1 529)	-	(259)	(259)	-	(844)	-		-	-	-	-	-
Short term liabilities													
Borrowing and obligations under financial lease	-	(891)	-	-		(475)	-	-	-	-	-	-	-
Other financial liabilities	-	-	(142)	(8)	(247)	(394)	-	-	-		(1 233)	(318)	-
Trade payables and other current liabilities	(2 801)	(941)	(1 130)	(2 334)	(1 044)	(1 429)	(93)	-	(91)	(19)	(272)	(66)	-
Net assets at acquisition date	7 498	456	(389)	688	262	8 657	3 153	(2)	2 056	25	(78)	(11)	8
Acquired share capital, %	7,63	6,36	19,10	17,19	12,52	0,37	100,00	50,00	100,00	100,00	100,00	100,00	100,00
Net assets acquired	572	29	(74)	118	33	32	3 153	(1)	2 056	25	(78)	(11)	8
Cash paid upon acquisition acquired	972	1 386	1 327	2 461	1 082		-	-	-	-	-	-	-
Acquisition cost	(1 000)	(1 400)	(1 400)	(2 500)	(1 100)	-	(750)	-	(750)	(100)	(10)	(10)	(10)
Total negative goodwill	544	15	-	79	15	32	2 403	-	1 306	-	-	-	-
Total goodwill	-	-	(147)	-	-	-	-	(1)	-	(75)	(88)	(21)	(2)

(Continued)

21. Release of negative goodwill to income (continued)

	Acquisition of subsidiaries 2007									
	Lankesa		Dumšiškės	ŽVF 1	ŽVF 2	ŽVF 3	ŽVF 4	ŽVF 5	ŽVF 6	Total
	December	December	June	January	January	January	January	January	January	
Non-current assets										
Tangible and intangible assets	3 945	3 945	1 405	3 525	1 499	1 342	1	1	1	
Revaluation reserve	(1 790)	(1 790)	(295)	-	-	-	-	-	-	
Biological assets	2 245	2 245	2 035	-	-	-	-	-	-	
Current assets										
Cash and cash equivalents	469	469	46	145	3	4	7	7	7	
Trade receivables and other current assets	1 650	1 650	612	69	90	257	-	-	-	
Inventory	984	984	146	-	-	-	-	-	-	
Long term liabilities										
Borrowing and obligations under financial lease	(3 030)	(3 030)	(603)	(3 581)	(1 323)	(1 422)	-	-	-	
Grants	(504)	(504)	(259)	-	-	-	-	-	-	
Short term liabilities										
Borrowing and obligations under financial lease	(527)	(527)	(95)	-	-	-	-	-	-	
Other financial liabilities	(368)	(368)	(250)	(104)	-	(9)	-	-	-	
Trade payables and other current liabilities	(801)	(801)	(1 225)	(103)	(232)	(182)	-	-	-	
Net assets at acquisition date	2 273	2 273	1 517	(49)	37	(10)	8	8	8	
Acquired share capital, %	7,99	0,78	1,36	100,00	100,00	100,00	100,00	100,00	100,00	
Net assets acquired	182	18	21	(49)	37	(10)	8	8	8	
Cash paid upon acquisition acquired	-	383	-	-	-	-	-	-	-	
Acquisition cost	-	(400)	(3)	(100)	(100)	(100)	(10)	(10)	(10)	15 429
Total negative goodwill	182	1	18	-	-	-	-	-	-	6 965
Total goodwill	-	-	-	(149)	(63)	(110)	(2)	(2)	(2)	(1 602)

(Continued)

21. Release of negative goodwill to income (continued)

Negative goodwill, arising at acquisition of subsidiaries is directly recognized in the income statement at acquisition date.

Goodwill, arising at acquisition of subsidiaries is accounted for as intangible assets in the Group's consolidated financial statements.

Net cash paid to acquire subsidiaries

	2008	2007
Acquisition cost paid in cash	85 264	15 429
Less: cash and cash equivalents of acquired subsidiaries	(5 488)	(11 865)
	79 776	3 564

Net cash received from disposals of subsidiaries

	2008	2007
Proceeds of sales in cash	-	10
Less: cash and cash equivalents of disposed subsidiaries	-	(59)
	-	(49)

22. Income from financial and investment activities

	2008	2007
Compensations received	-	980
Dividends received	-	255
Interest income	253	206
Other financial income	48	58
Total	301	1 499

23. Finance cost

For the year ended as of 31 December the Group's finance cost consisted of the following:

	2008	2007
Bank interest expenses	14 115	5 604
Other	342	184
Total	14 457	5 788

24. Basic and diluted earnings per share

	2008	2007
Net profit attributable to equity holders of the Company	(12 653)	31 288
Weighted average number of shares	26 142 732	19 996 005
Earnings per share (LTL)	(0,48)	1,56

The Company had no dilutive options outstanding during 2008 and 2007 or as of 31 December 2008 and 2007.

25. Related party transactions

Over the years ended 31 December 2008 and 2007 the average number of Directors was 13 and 11 respectively.

(i) Loans to Board Members and Directors

In 2008, salaries and other payments to the Senior Management of the Company amounted to LTL 1 088 thousand (2007: LTL 508 thousand).

(ii) Other transactions with related parties

All the shareholders of Agrowill Group AB (Note 1), owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, are considered to be related parties.

On 30 June 2006, Pozityvios investicijos AB was merged into Invalda AB.

Trading transactions with related parties were carried out on commercial terms and conditions and market prices.

Transactions with related parties are as follows:

	2008				
	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
Shareholders					
Linas Strėlis	-	4 484	-	-	554
Titas Sireika	-	-	-	-	-
Aušrys Labinas	-	-	-	-	-
Kelmės pieninė AB	-	-	-	-	70
Invalda AB	-	4 152	-	-	430
ŽIA valda UAB	96	423	62	159	57
Renatas Dūdonis	-	-		-	-
Mindaugas Juozaitis	-	-	-	-	-
Remigijus Žvirblis	-	-			
Mantas Juozaitis	-	-	-	-	-
Chairman of the Board					
Valentas Šulskis	-	-	-	-	-
Parties related to shareholder Kelmės pieninė AB					
BĮ Sanitex UAB	-	-	-	-	-
Parties related to shareholder Mindaugas Juozaitis					
West Energy LLC	-	-	-	-	-
Parties related to shareholder Invalda AB					
Žia valda real estate UAB	-	-	-	82	-
Total	96	9 059	62	241	1 111

	2007				
	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
Shareholders					
Titas Sireika	-	-	-	-	223
Aušrys Labinas	106	-	3	-	97
Kelmės pieninė AB	-	4 416	-	-	344
Invalda AB	-	3 725	-	-	547
ŽIA valda UAB	-	338	2	133	57
Renatas Dūdonis	-	-	-	-	9
Mindaugas Juozaitis	-	-	-	-	6
Remigijus Žvirblis	-	-	-	-	2
Mantas Juozaitis	-	-	-	32	1
Chairman of the Board					
Valentas Šulskis	-	-	43	-	-
Parties related to shareholder Kelmės pieninė AB					
BĮ Sanitex UAB	-	-	-	-	91
Parties related to shareholder Mindaugas Juozaitis					
West Energy LLC	-	-	-	-	12
Parties related to shareholder Invalda AB					
Žia valda real estate UAB	-	-	-	119	-
Total	106	8 479	48	284	1 389

26. Commitments and contingencies

As of 31 December 2008 and 2007 the Group was not involved in legal proceedings which in the management opinion would have a material impact on the financial statements.

27. Subsequent events

The Group started experiencing significant liquidity problems, thus a number of court cases are raised against the Group regarding the recoverability of Group's amounts payable.

The Company has not bought out 2 public bonds emissions worth total of LTL 2,6 million in March and April. The Company agreed to pay the bondholders during the 2 year period in semi-monthly installments.

The management of the Company has called an extraordinary meeting of shareholders on 2nd of July 2009 regarding approval of Restructuring process of the Company.

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