



LITGRID AB

CONSOLIDATED AND THE COMPANY'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
PREPARED ACCORDING TO INTERNATIONAL
FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED ANNUAL REPORT

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The financial statements were signed on 26 March 2012.



Virgilijus Poderys
Chief Executive Officer



Vytautas Tauras
Director of Finance Department



Tatjana Didikienė
Chief Financier



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

Independent Auditor's Report

To the shareholders of LITGRID AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of LITGRID AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 5 – 53 which comprise the stand alone and consolidated statement of financial position as of 31 December 2011 and the stand alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these Financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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PricewaterhouseCoopers UAB, company code 111473315, VAT payer's code LT114733113, registered office at J. Jasinskio 16B, LT-01112 Vilnius, is a private company registered with the Legal Entities' Register of the Republic of Lithuania. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.



Basis for Qualified Opinion

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 3.25 to the financial statements, amendments to the legislation may have had a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The management has not reassessed fair values of property, plant and equipment with the carrying amounts of LTL 1,986 million and LTL 1,989 million, respectively, as of 31 December 2011 (LTL 2,060 million and LTL 2,063 million, respectively, as of 31 December 2010), or carried out a proper impairment test. It has not been possible to estimate reliably the effects of this non-compliance on the Financial statements.

Qualified opinion

In our opinion, except for the effect of the matter described in the *Basis for Qualified* paragraph, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2011 set out on pages 54 – 88 and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for the year ended 31 December 2011.

On behalf of PricewaterhouseCoopers UAB

A blue ink signature, appearing to be 'Rimvydas Jogėla', written over a circular blue stamp or seal.

Rimvydas Jogėla
Partner

Auditor's Certificate No.000457

Authorised to act for and on behalf of PricewaterhouseCoopers UAB
based on the Power of Attorney dated 16 June 2010

Vilnius, Republic of Lithuania
26 March 2012

LITGRID UAB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	Note	Group As at 31 December 2011	Company As at 31 December 2011	Group As at 31 December 2010 restated	Company As at 31 December 2010 restated
Non-current assets:					
Intangible assets	4	1,759	1,434	1,750	1,703
Property, plant and equipment	5	1,990,187	1,985,537	2,064,119	2,059,647
Prepayments for property, plant, equipment		87,029	87,029	698	698
Investments in subsidiaries	6	-	8,608	-	8,608
Investments in associates and jointly controlled entities	6	20,804	21,332	20,323	21,332
Deferred income tax assets	20	297	-	325	79
Available-for-sale financial assets	7	1,084	1,084	1,084	1,084
Total non-current assets		2,101,160	2,105,024	2,088,299	2,093,151
Current assets:					
Inventories	8	4,202	2,214	3,703	1,751
Prepayments		236	2,440	805	358
Trade receivables	9	45,310	37,782	60,686	51,657
Other accounts receivable	10	88,911	79,181	89,236	67,874
Other financial assets	35	61,096	61,096	1,660	1,660
Time deposits	11	115,079	115,079	43,000	43,000
Held-to-maturity investments	12	21,539	21,539	-	-
Cash and cash equivalents	13	65,185	57,131	74,004	63,492
Total current assets		401,558	376,462	273,094	229,792
TOTAL ASSETS		2,502,718	2,481,486	2,361,393	2,322,943
EQUITY AND LIABILITIES					
Capital and reserves :					
Share capital	14	504,331	504,331	504,331	504,331
Share premium	14	29,621	29,621	29,621	29,621
Revaluation reserve	15	267,179	266,960	296,353	296,353
Legal reserve	16	50,477	50,433	47,730	47,665
Other reserves	16	979,738	979,654	-	-
Retained earnings (deficit)		63,942	66,951	1,035,947	1,040,304
Equity attributable to the shareholders of the parent company		1,895,288	1,897,950	1,913,982	1,918,274
Non-controlling interest		4,253	-	3,359	-
Total equity		1,899,541	1,897,950	1,917,341	1,918,274
Non-current liabilities :					
Grants	17	182,359	182,359	42,349	42,349
Deferred income	18	14,642	14,642	15,417	15,417
Other non-current accounts payable and liabilities	19	7,458	7,273	459	438
Deferred income tax liabilities	20	178,588	178,588	193,627	193,627
Total non-current liabilities		383,047	382,862	251,852	251,831
Current liabilities :					
Trade payables	21	54,921	52,459	66,230	60,974
Advance amounts received	22	4,340	1,363	11,298	2,026
Income tax payable		7,162	6,800	12,693	12,662
Other accounts payable	23	153,707	140,052	101,979	77,176
Total current liabilities		220,130	200,674	192,200	152,838
Total liabilities		603,177	583,536	444,052	404,669
TOTAL EQUITY AND LIABILITIES		2,502,718	2,481,486	2,361,393	2,322,943

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

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	Notes	Group 2011	Company 2011	Group 2010 restated	Company 2010 restated
Revenue					
Sales of electricity and related services	24, 25	383,193	383,052	42,820	42,820
Other revenue	26	51,613	5,892	6,969	309
Total revenue		434,806	388,944	49,789	43,129
Operating expenses					
Purchase of electricity and related services		(201,300)	(203,700)	(27,184)	(27,334)
Depreciation and amortisation	4,5,17	(133,612)	(132,488)	(11,007)	(10,915)
Wages and salaries and related expenses		(35,823)	(17,185)	(3,913)	(1,648)
Repair and maintenance expenses		(15,997)	(25,377)	(5,266)	(2,143)
Telecommunications and IT systems expenses		(13,374)	(12,535)	(1,115)	(1,081)
Write-off of property, plant and equipment		(12,929)	(12,929)	(4,223)	(4,223)
Other expenses		(46,160)	(10,608)	(3,861)	(2,569)
Total operating expenses	25	(459,195)	(414,822)	(56,569)	(49,913)
OPERATING PROFIT (LOSS)		(24,389)	(25,878)	(6,780)	(6,784)
Finance income	27	2,574	2,375	97	73
Finance costs		(17)	(9)	(7)	-
Finance income, net		2,557	2,366	90	73
Share of profit/(loss) of associates and jointly controlled entities	6	419	-	(204)	-
Gain on change in ownership interest in associate	6	1,699	-	-	-
PROFIT (LOSS) BEFORE INCOME TAX		(19,714)	(23,512)	(6,894)	(6,711)
Current year income tax expense	20	(12,150)	(11,772)	(2,454)	(2,275)
Deferred tax income (expense)	20	15,085	14,960	1,874	1,819
		2,935	3,188	(580)	(456)
NET PROFIT (LOSS) FOR THE YEAR		(16,779)	(20,324)	(7,474)	(7,167)
Other comprehensive income					
Gain on revaluation of property, plant and equipment, net of deferred income tax		358	-	-	-
Share of comprehensive income of associate	6	(1,639)	-	-	-
Other comprehensive income, net of deferred income tax		(1,281)	-	-	-
COMPREHENSIVE INCOME (LOSS)		(18,060)	(20,324)	(7,474)	(7,167)
NET PROFIT (LOSS) ATTRIBUTABLE TO :					
Owners of the Company		(17,182)	(20,324)	(7,481)	(7,167)
Non-controlling interest		403	-	7	-
		(16,779)	(20,324)	(7,474)	(7,167)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owners of the Company		(18,602)	(20,324)	(7,481)	(7,167)
Non-controlling interest		542	-	7	-
		(18,060)	(20,324)	(7,474)	(7,167)
Basic and diluted earnings (deficit) per share (in LTL)					
	29	(0.03)	-	(0.01)	-

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



LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

Group	Note	Equity attributable to owners of the Company						
		Share capital	Share premium	Revaluation on reserve	Legal reserve	Other reserves	Retained earnings	Total
							Non-controlling interest	Total equity
Balance at 1 January 2010								
Equity arising on spin-off		504,331	29,621	-	-	-	-	-
Adjustment made in relation to 3.18 changes in accounting policies		-	-	299,582	47,730	-	3,352	1,926,475
Comprehensive income								
Net profit (loss)		-	-	-	-	-	-	(1,660)
Depreciation of revaluation reserve and amounts written off	15	-	-	(3,229)	-	-	7	(7,474)
Total comprehensive income (loss)								
Balance at 31 December 2010 (restated)		504,331	29,621	296,353	47,730	-	3,359	1,917,341
Balance at 1 January 2011		504,331	29,621	296,353	47,730	-	3,359	1,917,341
Comprehensive income								
Net profit (loss)		-	-	-	-	-	403	(16,779)
Share of comprehensive income of associate	6	-	-	-	-	-	-	(1,639)
Revaluation of property, plant and equipment	15	-	-	219	-	-	139	358
Depreciation of revaluation reserve and amounts written off	15	-	-	(29,393)	-	-	-	-
Total comprehensive income (loss)								
Transactions with owners								
Decrease in ownership interest in subsidiary not resulting in loss of control	6	-	-	-	-	-	-	-
Transfers to reserves	1	-	-	-	2,747	979,738	352	260
Total transactions with owners					2,747	979,738	352	260
Balance at 31 December 2011		504,331	29,621	267,179	50,477	979,738	4,253	1,899,541

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

LITGRID AB
Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

Company	Note	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance at 1 January 2010		-	-	-	-	-	-	-
Equity arising on spin-off		504,331	29,621	299,582	47,665	-	987,397	1,868,596
Adjustment made in relation to 3.18 changes in accounting policies		-	-	-	-	-	(1,660)	(1,660)
Comprehensive income								
Merger	33	-	-	-	-	-	58,505	58,505
Net profit (loss)		-	-	-	-	-	(7,167)	(7,167)
Depreciation of revaluation reserve and amounts written off	15	-	-	(3,229)	-	-	3,229	-
Total comprehensive income (loss)		-	-	(3,229)	-	-	54,567	51,338
Balance at 31 December 2010 (restated)		504,331	29,621	296,353	47,665	-	1,040,304	1,918,274
Balance at 1 January 2011		504,331	29,621	296,353	47,665	-	1,040,304	1,918,274
Comprehensive income								
Net profit (loss)		-	-	-	-	-	(20,324)	(20,324)
Depreciation of revaluation reserve and amounts written off	15	-	-	(29,393)	-	-	29,393	-
Total comprehensive income (loss)		-	-	(29,393)	-	-	9,069	(20,324)
Transactions with owners								
Transfers to reserves	1	-	-	-	2,768	979,654	(982,422)	-
Total transactions with owners		-	-	-	2,768	979,654	(982,422)	-
Balance at 31 December 2011		504,331	29,621	266,960	50,433	979,654	66,951	1,897,950

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

LITGRID AB

Company code 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

All amounts in LTL thousand, unless otherwise stated

	Note	Group 2011	Company 2011	Group 2010 restated	Company 2010 restated
Cash flows from operating activities					
Net profit (loss)		(16,779)	(20,324)	(7,474)	(7,167)
Reversal of non-monetary expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5	135,479	134,355	11,165	11,076
impairment of property, plant and equipment	5	7	-	(15)	-
Gain on revaluation of property, plant and equipment	5	(41)	-	-	-
Share of profit/(loss) of associates and jointly controlled entities	6	(419)	-	204	-
Gain on change in ownership interest in associate	6	(1,699)	-	-	-
Income tax expense/(income)	20	(2,935)	(3,188)	580	456
Loss on write-off of property, plant and equipment	5	13,619	13,619	4,390	4,390
Amortisation of grants	17	(1,867)	(1,867)	(158)	(158)
Interest income	27	(2,564)	(2,372)	(97)	(73)
Finance costs		17	9	7	72
Change in other financial assets	35	(59,436)	(59,436)	(1,660)	(1,660)
Changes in working capital					
(Increase) decrease in trade receivables and other receivables		16,980	3,849	(22,903)	(14,339)
(Increase) decrease in inventories and prepayments		70	(2,545)	1,295	(105)
Increase (decrease) in accounts payable, grants and advance amounts received		39,070	59,790	7,469	15,835
Cash flows from operations		119,502	121,890	(7,197)	8,327
Income tax paid		(17,670)	(17,634)	-	-
Net cash generated from operating activities		101,832	104,256	(7,197)	8,327
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(160,755)	(160,277)	(458)	(307)
Grants received	17	142,196	142,196	-	-
Interest received		1,283	1,091	97	1
Investments in time deposits		(72,079)	(72,079)	(17,000)	(17,000)
Purchase of held-to-maturity investments	12	(21,539)	(21,539)	-	-
Other		(17)	(9)	-	-
Net cash used in investing activities		(110,911)	(110,617)	(17,361)	(17,306)
Cash flows from financing activities					
Contributions made by non-controlling interest to the share capital of subsidiary		260	-	-	-
Repayments of borrowings		-	-	(158)	-
Interest paid		-	-	(7)	-
Net cash generated from financing activities		260	-	(165)	-
Net increase/(decrease) in cash and cash equivalents		(8,819)	(6,361)	(24,723)	(8,979)
Cash and cash equivalents received on spin-off		-	-	98,727	72,471
Cash and cash equivalents at the beginning of the period	13	74,004	63,492	-	-
Cash and cash equivalents at the end of the period	13	65,185	57,131	74,004	63,492

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

LITGRID AB
Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

1. General information

LITGRID AB (the name of the company was LITGRID Turtas AB until 14 March 2011) is a public company registered in the Republic of Lithuania. The address of its registered office is: A. Juozapavičiaus g. 13, LT-09311, Vilnius, Lithuania. LITGRID AB (hereinafter LITGRID or "the Company") is a limited liability profit-making entity established as a result of spin-off of Lietuvos Energija AB operations based the decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB dated 28 October 2010 which was passed to approve the spin-off of Lietuvos Energija AB. The Company was registered with the Register of Legal Entities managed by the public institution Registrų Centras on 16 November 2010. The Company's code is 302564383; VAT payer's code is LT100005748413.

In the financial statements of the Company the spin-off was accounted for using book values of assets and liabilities recorded in Lietuvos Energija AB financial statements as at the date of spin-off.

LITGRID is an operator of electricity transmission system operating electricity transmissions in the territory of Lithuania and ensuring the stability of operation of the whole electric power system. In addition, the Company is responsible for the integration and development of the Lithuanian electricity market, as well as for the maintenance and development of electricity transmission network – the strategic projects for electricity interconnections with Sweden and Poland that will ensure the country's energetic independence.

The principal objectives of the Company's activities include ensuring the stability and reliability of electric power system in the territory of Lithuania within its areas of competence, creation of objective and non-discriminatory conditions for the use of the transmission networks, management, use and disposal of electricity transmission system assets and its appurtenances, management of companies engaged in transmission trading and market operator's activities including management of companies owing electricity interconnections with other countries or those that develop, manage, use or dispose them.

With effect from 1 January 2010, the function of the operator of electricity transmission system has been carried out by the Company's subsidiary LITGRID AB. On 24 January 2011, the extraordinary general meeting of shareholders of the Company was convened where shareholders of the Company approved the terms and conditions of reorganisation of LITGRID Turtas AB and LITGRID AB and resolved to reorganise LITGRID Turtas AB and LITGRID AB by way of merger pursuant to paragraph 3 of Article 2.97 of the Lithuanian Civil Code and reorganisation terms and conditions of LITGRID Turtas AB and LITGRID AB by merging LITGRID AB, which ceases its activities after the reorganisation, with LITGRID Turtas AB, which continues its activities after the reorganisation and to which all assets, rights and obligations of LITGRID AB will be transferred.

The merger was accounted for using the predecessor method of accounting. The merged assets and liabilities were not restated to their fair value, instead assets and liabilities were combined at their carrying amounts. The amounts of assets, liabilities, income and expenses of entities merged were combined for all the periods presented in the financial statements (since the establishment of the Company).

On 24 February 2011, the Company was granted a license of the electricity transmission system operator by the National Control Commission for Prices and Energy (the Commission), the validity of which commenced after the merger of the companies on 1 March 2011, i.e. after the expiry of the validity of the license of the subsidiary.

On 14 March 2011, a new version of Articles of Association of LITGRID AB was registered with the Register of Legal Entities and the name of the company LITGRID Turtas AB was changed to LITGRID AB.

As at 31 December 2011 and 2010, the authorised share capital of the Company amounted to LTL 504,331,380 and was divided into 504,331,380 ordinary registered shares with par value of LTL 1 each. All shares are fully paid.

As at 31 December 2011 and 2010, the Company's shareholders were as follows:

	Ownership interest (in LTL)	Number of shares held (%)
Visagino Atominė Elektrinė UAB	491,736,153	97.5 %
Other shareholders	12,595,227	2.5 %
Total	504,331,380	100 %

The ultimate controlling party of Visagino Atominė Elektrinė UAB is the Ministry of Energy of the Republic of Lithuania.

Based on the decision of the Company's shareholder's meeting held in April 2011, amount of LTL 979,654 thousand was transferred from retained earnings to other reserves, and amount of LTL 2,768 thousand was transferred to the legal reserve.

The shares of the Company are listed on the NASDAQ OMX Vilnius Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

1. General information (continued)

As of the date of these financial statements the Group included LITGRID and its directly controlled subsidiaries, which are listed below.

Company	Address of the company's registered office	The Group's shareholding at 31 December 2011	The Group's shareholding at 31 December 2010	Profile of activities
BALTPOL UAB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	67%	100%	Electricity market operator
TETAS UAB	Senamiesčio g. 102B, Panevėžys, Lithuania	61%	61%	Transformer substation, distribution station design, construction, repair and maintenance services

The structure of the Group's investments in the associates and the jointly controlled entity as at 31 December 2011 and 2010 was as follows:

Company	Address of the company's registered office	The Group's shareholding at 31 December 2011	The Group's shareholding at 31 December 2010	Profile of activities
Technologijų ir Inovacijų Centras UAB	Žvejų g. 14, Vilnius, Lietuva	20%	35%	IT services
Elektros Tinklo Paslaugos UAB	Motorų g. 2, Vilnius, Lietuva	29%	29%	Power network and related equipment repair, maintenance and construction services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Designing of electricity transmission interconnection facilities

As at 31 December 2011, the Group had 623 employees (31 December 2010: 627 employees), whereas the Company had 205 employees (31 December 2010: 208 employees).

The statement of comprehensive income for the year ended 31 December 2010 includes results of operations of the Company and the Group since the Company's establishment on 16 November 2010, therefore amounts in 2010 are not comparable to the amounts presented in the statement of comprehensive income for the year ended 31 December 2011.

The Company's shareholders have a statutory right to approve or reject these financial statements and require the preparation of a new set of financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

2. Basis of preparation

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

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss, and available-for-sale financial assets which are carried at fair value.

The financial year of the Company and other Group companies coincides with the calendar year.

3. Accounting policies

Except as described below in paragraph 'New standards, amendments and interpretations' and changes in accounting policies described in Note 3.18, the accounting policies applied in the preparation of these financial statements are consistent with those that were applied in the previous financial year.

3.1. New standards, amendments and interpretations

a) Standards, amendments and interpretations to existing standards effective in 2011 and relevant to the Group and the Company

IAS 24, 'Related party disclosures' (amended in November 2009; effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

The Company/Group adopted this standard for the financial period beginning on 1 January 2011. The amended standard does not require government-related entities to disclose transactions and balances arising from these transactions, including commitments, conducted with the government or government-related companies. The adoption of the standard had no significant impact on the disclosure of transactions with related parties and balances arising from these transactions in the financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010; effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). Improvements did not have a significant impact on the Company's/Group's financial statements.

b) New or revised standards effective in 2011 but not relevant to the Group and the Company

Classification of rights issues – Amendment to IAS 32, 'Financial instruments: Presentation'.

Prepayments of a minimum funding requirement – Amendment to IFRIC 14.

IFRIC 19, Extinguishing financial liabilities with equity instruments.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1.

c) New or revised standards and interpretations that are mandatory for the Group's and Company's accounting periods beginning on or after 1 January 2012 and which the Group and Company have not early adopted

IFRS 9, 'Financial instruments' (issued in November 2009; effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Company/Group does not expect the standard to have a significant impact on the financial statements.

IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard replaces all of the guidance on control and consolidation in IAS 27 'Consolidated and separate financial statements' and SIC-12 'Consolidation – special purpose entities'. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company/Group does not expect the standard to have a significant impact on the financial statements.

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IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard replaces IAS 31 'Interests in joint ventures' and SIC-13 'Jointly controlled entities – non-monetary contributions by ventures'. Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Company/Group does not expect the standard to have a significant impact on the financial statements.

IFRS 12, 'Disclosure of interests in other entities' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 'Investments in associates'. IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company and the Group are currently assessing the impact of this standard on the financial statements.

IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company/Group does not expect the standard to have a significant impact on the financial statements.

IAS 19 (revised 2011), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company/Group does not expect the standard to have a significant impact on the financial statements.

IAS 27 (revised 2011), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company and the Group are currently assessing the impact of this standard on the financial statements.

IAS 28 (revised 2011), 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company and the Group are currently assessing the impact of this standard on the financial statements.

Disclosures—Transfers of financial assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The Company/Group does not expect the amendments to have a significant impact on the financial statements.

Deferred Tax: Recovery of underlying assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU). The Company/Group does not expect the amendment to have a significant impact on the financial statements.

Severe hyperinflation and removal of fixed dates for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendment will not have any impact on the Company's/Group's financial statements.

Presentation of items of other comprehensive income – Amendment to IAS 1 (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU). The Company/Group does not expect the amendment to have a significant impact on the financial statements.

Offsetting financial assets and financial liabilities – Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014). The Company/Group does not expect the amendment to have a significant impact on the financial statements.

3.2 Consolidation

Subsidiary is an entity directly or indirectly controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements of the Group include LITGRID AB and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting periods, using uniform accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies are eliminated.

3.3 Business combinations between entities under common control and mergers involving entities under common control

Business combinations between entities under common control

IFRS 3, 'Business combinations' is not applied to business combinations between entities under common control, therefore such business combinations are accounted for using the predecessor method of accounting. The Group does not restate assets and liabilities to their fair value as at the acquisition date, instead the Group combines the acquired assets and liabilities at their carrying amounts. No goodwill arises and the excess of the consideration paid or the carrying amount of net assets transferred over the consideration received or the carrying amount of net assets acquired is recorded directly in equity in the acquiree's financial statements. Business combinations between entities under common control are accounted for prospectively from the date on which the business combination occurred.

Mergers involving entities under common control

Mergers are accounted for using the predecessor method of accounting. The merged assets and liabilities are not restated to their fair value, instead assets and liabilities are combined at their carrying amounts. The amounts of assets, liabilities, income and expenses of entities merged are combined retrospectively, i.e. for all the periods presented in the financial statements.

3.4 Investments in subsidiaries in the Company's separate financial statements

In the parent company's statement of financial position investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

3.5 Investments in associates and jointly controlled entities

An associate is an entity over which the Group/Company has significant influence but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of between 20% to 50% of the voting rights. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

In the consolidated financial statements associates and jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, investments in associates or jointly controlled entities are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in profit (loss), and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of investment.

The Group's investment in associate and jointly controlled entity includes goodwill determined as at the date of acquisition.

Losses of an associate or jointly controlled entity in excess of the Group's interest in that associate/jointly controlled entity, including any other unsecured receivables, are not recognised, unless the Group had incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

Unrealised gain on transactions between the Group and associates and jointly controlled entities is eliminated to the extent of the Group's interest in the associate or jointly controlled entity. Unrealised loss is also eliminated, unless it provides evidence of an impairment of assets transferred.

If the Group's ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Gain or loss on decrease in the Group's ownership interest in an associate is recognised as profit or loss.

In the parent company's statement of financial position investments in associates and jointly controlled entities are stated at cost less impairment losses, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

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3.6 Property, plant and equipment and intangible assets

Assets with the useful life over one year are classified as property, plant and equipment.

All property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited to revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property, plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax

Construction in progress represents non-current fixed assets under construction. The cost of such assets includes design, construction works, plant and equipment being installed, and other directly attributable costs.

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are recognised only if they are expected to provide economic benefit to the Group and the Company in future periods and their cost can be measured reliably. Subsequently, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except land and construction in progress, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis. Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	Useful lives (in years)
Buildings	20 – 75
Plant and machinery, whereof:	
- Constructions of transformer substations	30
- Structures, machinery and equipment, whereof:	
- 330, 110, 35 kV electricity transmission lines	40 - 55
- 330, 110, 35, 6-10 kV electricity distribution equipment	30 - 35
- 330, 110, 35, 6-10 kV capacity transformers	35
- electricity and communication devices	20 - 25
- electricity equipment, whereof:	15 - 35
- Relay security and automation equipment	15 - 35
- Technological and dispatch control equipment	8
- Other equipment	5 - 20
Motor vehicles	4 - 10
Other property, plant and equipment, whereof:	
- computer hardware and communication equipment	3 - 10
- inventory, tools	4 - 10
Intangible assets	3 - 4

Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds from sale and the book value of the disposed asset and is recognised in the statement of comprehensive income.

Subsequent repair 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

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3.7 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications 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).

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the 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 recognised 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 decrease of revaluation reserve.

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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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 (without exceeding the amount of previous impairment).

3.8 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. The classification of financial assets is determined at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group or the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus, in the case of investments not carried at fair value through profit or loss, directly attributable transaction costs.

The Company's/Group's financial assets include cash and cash equivalents, short-term bank deposits, trade and other accounts receivable, and investments in securities.

The subsequent accounting for financial assets depends on their classification as follows:

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories. Such assets are recognised as non-current assets, except where the term of investment expires or management have an intention to sell it within 12 months after the date of preparation of the financial statements.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs, and subsequently measured at fair value. Changes in the fair value are recognised in other comprehensive income.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. The result of revaluation of available-for-sale securities is recognised in revaluation reserve of financial assets, reported under equity.

When available-for-sale financial assets are disposed or impaired, the related accumulated fair value revaluation previously recognised directly in equity is recognised in profit or loss.

Held-to-maturity financial assets.

Financial assets with fixed or determinable payments and fixed maturity, quoted in an active market, are classified as held-to-maturity when an entity has a positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortised cost using the effective interest method.

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are carried at amortised cost using the effective interest method (except for current receivables when the recognition of interest income would be immaterial), less any recognised impairment, which reflects irrecoverable accounts. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised, impaired or amortised.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, demand deposits and other short-term highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash balances in bank accounts, deposits in current accounts and other short-term highly liquid investments with original maturities of 3 months or less.

Effective interest rate method

Effective interest rate method is used to calculate amortised cost of financial assets and allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Impairment of financial assets

At each reporting date the Group and the Company assess whether there is an indication that financial assets may be impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, estimated using the original effective interest rate.

The carrying amount of the financial asset is directly reduced by the amount of estimated impairment loss, except for trade receivables, for which impairment is recorded through allowance account. Impaired accounts receivable are written-off when they are assessed as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date that would have been determined had no impairment loss been recognised for the asset in prior years.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group/Company has transferred the rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.9 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes, and costs associated with bringing inventory into their current condition and location. Cost is determined on the first-in, first-out (FIFO) basis. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses.

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3.10 Trade payables and other financial liabilities

Financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Trade payables represent the commitments to pay for goods and services acquired from suppliers in the ordinary course of business.

Trade payables are classified as current liabilities if the term of their settlement is not longer than one year, otherwise they are included in non-current liabilities.

3.11 Foreign currency

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

Foreign currency transactions are accounted for using the exchange rates prevailing at the dates of transactions as established by the Bank of Lithuania. Monetary assets and liabilities are translated into the litas using the exchange rate prevailing at the date of preparation of financial statements. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of comprehensive income of the reporting period.

With effect from 2 February 2002, Lithuanian litas has been pegged to the euro at the rate of 3.4528 litas to 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

3.12 Grants

Asset-related grants

Government and the European Union grants received in the form of property, plant and equipment or intended for the purchase of property, plant and equipment are considered as asset-related grants. Grants are initially recorded as liability at fair value of the asset received and subsequently recognised as income, reducing the depreciation charge of related asset over the expected useful life of the asset.

Public service obligation (hereinafter "PSO") service fees paid to the Company for the development and implementation of strategic plans are recognised as asset-related grants.

3.13 Provisions

Provisions are recognised when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

3.14 Employee benefits

(a) Social security contributions

The Company and the Group pay 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 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.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise 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.

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(c) Bonus plans

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

(d) Payments to employees of retirement age

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries as stipulated in the Lithuanian laws. A liability for such payments is recognised in the balance sheet and it reflects the present value of these payments at the date of the financial statements. The aforementioned non-current liability for payments to employees at the date of the financial statements is estimated with reference to actuary valuations using the projected relative unit method. The present value of the defined non-current liability for payments to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

3.15 Leases

Lease is recognised as financial lease, when all the risks and rewards of ownership of the leased item are transferred to the lessee. Operating lease is the lease that cannot be classified as finance lease.

The Group and the Company as a lessor

Operating lease income is recognised on a straight-line basis over the lease term.

The Group and the Company as a lessee

Operating lease payments are recognised as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

3.16 Segment reporting

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

3.17 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group/Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of value added tax and discounts. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity

Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity is recognised after services have been rendered or electricity has been sold, i.e. all risks and rewards associated with the transaction have been transferred to the buyer, or the services have been rendered.

The Group does not recognise revenue and expenses from electricity trading in power exchange, administered by the subsidiary BALTPOL UAB, with respect to those transaction in which it acts as an agent.

Tariffs regulation

Tariffs for the electricity transmission services are regulated by the National Control Commission for Prices and Energy (hereinafter "the Commission") by establishing the upper limit of the tariff for the transmission service. Specific prices and tariffs for the transmission services are established by the supplier of the service within the limits approved by the Commission.

Tariffs of electricity sold by the producers and independent suppliers as well as tariffs for capacity reserves are not regulated except the cases when the producer or supplier holds more than 25 per cent of the market. In latter case, the tariff setting is supervised by the Commission.

The Group purchases a capacity reserve service from electricity suppliers in accordance with capacity reserve agreements and subsequently renders this service to the distribution system operators and electricity consumers using a tariff established by the Commission. The Group recognises gross revenue as it acts as a principal in the provision of these services.

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Connection of new consumers and producers to electricity transmission network

From 2010 (applicable to assets received from customers on or after 1 July 2009) to the date of spin-off, Lietuvos Energija AB, later on the Company, recognises fees received for connection of new consumers and producers to the electricity network as income immediately upon the connection of a new consumer or producer, provided the price for electricity payable in future by the newly connected consumer or producer for the services rendered /purchased by the Company/Group does not differ from that payable by other consumers or producers who had not paid such connection fees.

Before 1 July 2009, fees received by Lietuvos Energija AB for connection of new consumers and producers to the network were initially recognised as deferred income and subsequently recognised as income on a proportionate basis over the same period during which the related costs of asset construction were recognised. The related costs comprising the acquisition cost of property, plant and equipment and other costs were capitalised and depreciated over the estimated useful life of the assets capitalised.

Repair service income

Income under individual contracts/projects with customers, for instance for repair services, is recognised using the stage of completion method, based on which project costs actually incurred are compared against total estimated project costs. The probable change in profitability is recognised in the statement of comprehensive income when such change is established. The projects are reviewed regularly and the provisions are established when it is determined that the transaction will result in loss

Other income

Interest income is recognised on accrual basis considering the outstanding balance of debt and the applicable interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

Gain from sale and lease of property, plant and equipment is recognised by the Group and the Company as other revenue.

Recognition of expenses

Expenses are recognised in the statement of comprehensive income as incurred by the accrual method.

Recognition of income and expenses from PSO services

Under the PSO scheme approved by Order No. 1-283 of 8 October 2010 of the Minister of Energy of the Republic of Lithuania, the Company acts as an administrator of PSO service fees, i.e. only collects and disburses PSO service fees.

PSO service fees are the fees paid to the suppliers of electricity under the public service obligations scheme, with the list of such suppliers established by the Lithuanian Government or other institution authorised by it. The annual quantities of PSO service fees are established by the National Control Commission for Prices and Energy (the Commission). These fees are collected from electricity consumers, using the tariff for PSO services established by the Commission as a difference between PSO service fees collected and disbursed by the Company/Group during the previous calendar year.

In 2011 the Company/Group recognises as revenue from PSO services the following:

- PSO service fees paid by the Commission to the Company for the connection of power generation facilities, using wind, biomass, solar energy or hydroenergy in the process of power generation, to transmission networks, for optimisation, development and/or reconstruction of transmission networks in relation to acceptance and transmission of electric power from producers using the renewable energy resources;
- PSO service fees paid by the Commission for balancing electricity produced from the renewable energy resources;
- The difference between the factual balancing costs of the PSO service fees paid by the Commission to the Company for the current year electricity that was generated from the renewable energy resources and the PSO service fees paid by the Commission to the Company;
- PSO service fees paid by the Commission to the Company to cover administration costs of PSO service fees.

In 2010 the Company/Group had no PSO services revenue because the relevant legislation was changed as from the beginning of 2011, making the Company/Group entitled to the part of PSO fees described above.

All other PSO service fees collected by the Company/Group are not recognised as income (see Note 3.18 for the description of change in accounting policies).

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3.18 Change in accounting policies. Restatement of comparatives

In 2010 all PSO service fees received by the Company/Group were recorded as income earned and PSO service fees disbursed were recorded as expenses incurred.

In performing PSO-related activities the Company/Group acts only as an agent on behalf of the Commission/Government and these activities do not generate revenue/profit for the Company/Group in the normal course of business. A resolution has been passed by the Lithuanian Government which stipulates that the Company/Group acts only as an administrator/agent and the Company/Group and the Commission have separate systems to track these transactions.

Seeking to improve the accuracy of presentation of the Company's/Group's financial position, financial result and cash flows and to reflect the actual substance of PSO administration activities, in 2011 management resolved to make changes in the accounting policy applied to PSO service fees being administered, by recognising as revenue only the items described in Note 3.17 and recognising the difference between collected and disbursed PSO service fees being administered as receivables/payables).

Given that the Company/Group acts only as an agent on behalf of the Commission/Government, revenues from the collection of tariffs from customers are netted against the disbursements to the electricity generators in the statement of comprehensive income. Only the amount of PSO service fees as approved by the Government in advance that is received for PSO services rendered and for PSO administration services is recognised as income by the Company/Group. A difference between PSO service fees received and disbursed is recognised in other accounts receivable/other accounts payable as "difference between PSO service fees received and disbursed". Receivables for PSO were reclassified from trade receivables to other accounts receivable, and payables for PSO were reclassified from trade payables to other accounts payable. Receivables for electricity sold in the power exchange, where the Group acted as an agent, were reclassified from trade receivables to other accounts receivable, whereas payables for electricity purchased in the power exchange, where the group acted as an agent, were reclassified from trade payables to other accounts payable.

The Company/Group changed its accounting policy for PSO service fees being administered and applied the changes retrospectively. In accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors' when changes in the accounting policies are applied retrospectively the Company/Group is required to adjust the opening balance of each affected item of equity at the beginning of the earliest reporting period presented as well as comparative figures of all other prior reporting periods presented as if the new accounting policy had always been applied.

The balance sheet as at 1 January 2010 was not presented as the Company/Group started its operations only in November 2010.

Information about the effect of changes in the accounting policy on the Group's assets, liabilities, equity as at 31 December 2010 is given below.

Group	At 31 December 2010 (previously reported)	Effect of change in accounting policy	At 31 December 2010 (restated)
Current assets			
Trade receivables	139,485	(78,799)	60,686
Other accounts receivable	10,437	78,799	89,236
Total current assets	273,094		273,094
TOTAL ASSETS	2,361,393	-	2,361,393
Capital and reserves:			
Retained earnings (deficit)	1,047,454	(11,507)	1,035,947
Equity attributable to the owners of the parent company	1,925,489	(11,507)	1,913,982
Total equity	1,928,848	(11,507)	1,917,341
Current liabilities			
Trade payables	134,330	(68,100)	66,230
Other accounts payable	22,372	79,607	101,979
Total current liabilities	180,693	11,507	192,200
TOTAL EQUITY AND LIABILITIES	2,361,393	-	2,361,393

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Information about the effect of changes in the accounting policy on the Company's assets, liabilities, equity as at 31 December 2010 is given in Note 33.

Information about the effect of changes in the accounting policy on the Group's income, expenses, operating profit, net profit and comprehensive income as at 31 December 2010 is given below.

Group	2010 (previously reported)	Effect of change in accounting policy	2010 (restated)
Revenue			
Sales revenue	90,266	(47,446)	42,820
Other revenue	6,969	-	6,969
Total revenue	97,235	(47,446)	49,789
Expenses			
Purchase of electricity and related services	(64,783)	37,599	(27,184)
Total expenses	(94,168)	37,599	(56,569)
OPERATING PROFIT (LOSS)	3,067	(9,847)	(6,780)
PROFIT (LOSS) BEFORE TAX	2,953	(9,847)	(6,894)
NET PROFIT (LOSS)	2,373	(9,847)	(7,474)
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	2,366	(9,847)	(7,481)
Non-controlling interest	7	-	7
	2,373	(9,847)	(7,474)
COMPREHENSIVE INCOME (LOSS)	2,373	(9,847)	(7,474)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	2,366	(9,847)	(7,481)
Non-controlling interest	7	-	7
	2,373	(9,847)	(7,474)
Basic and diluted earnings per share (in LTL)	0.01	(0.02)	(0.01)

Information about the effect of changes in the accounting policy on the Company's income, expenses, operating profit, net profit and comprehensive income as at 31 December 2010 is given in Note 33.

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3.19 Borrowing costs

Borrowing costs that are directly attributable to the production, getting ready for use or sale of an asset that necessarily takes a substantial period of time to produce, get ready for its intended use or sale, are capitalised as part of the cost of that asset until the asset is ready for use or sale in full. Interest income on the temporary investment of borrowed funds until they will be used for the acquisition of the asset is deducted from the cost of the asset.

Other borrowing costs are recognised as expenses in the statement of comprehensive income during the period when they are incurred.

3.20 Income tax

Income tax expense for the period comprises current tax and deferred tax.

Income tax

Current tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2011 and 2010.

Deferred income tax

Deferred income tax is accounted for using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. 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 tax assets are reviewed at each date of the financial statements and if it is not probable that the Group and the Company will generate sufficient taxable profit to realise these assets, they are reduced to an amount which is likely to reduce the taxable profit in future. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to income tax assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities.

Current income tax and deferred income tax

Current income tax and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or in other comprehensive income, in which case taxes are also recorded in equity and other comprehensive income respectively.

3.21 Earnings per share

Earnings per share are calculated by dividing the net profit for the period attributed to shareholders by the weighted average number of ordinary shares in issue during the period. When the number of shares changes and such change does not result in change of economic resources, the weighted average number of ordinary shares in issue is adjusted in proportion to change in the number of shares as if that change had occurred in the beginning of the previous period.

The Company has no dilutive potential shares, therefore its basic earnings per share are the same as dilutive earnings per share.

3.22 Contingencies

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

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

3.23 Subsequent events

Subsequent events that provide additional information on the Group's and the Company's financial position at the date of the financial statements (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in notes to the financial statements, provided their effect is material.

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3.24 Offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, except for the cases when such offsetting is specifically required by an individual standard.

3.25 Critical accounting estimates and uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The main areas where accounting estimates were used are described below:

Tax audits

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's and Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Revaluation and impairment of property, plant and equipment

During the unbundling process that took place in 2010 the Company took over property, plant and equipment from Lietuvos Energija AB. The fair value of property, plant and equipment, depending on the type of asset, of Lietuvos Energija AB as at 31 December 2008 was determined by independent valuers who used either method of comparative prices, or depreciated replacement value, or discounted cash flows methods to determine the fair value of the assets.

As at 31 December 2009, management of Lietuvos Energija AB revised the carrying amounts of property, plant and equipment. Having assessed the fall in construction cost indices during the 11 months of 2009 of the relevant categories of assets as published by the Lithuanian Statistics Department, Lietuvos Energija AB reduced the carrying amount of property, plant and equipment. Lietuvos Energija AB applied a 12.27 per cent statistical index in respect of the category of buildings and a 9.68 per cent index in respect of other categories of property, plant and equipment that at 31 December 2008 were revalued based on the depreciated replacement cost method. In addition, property, plant and equipment of Lietuvos Energija AB mainly comprising real estate (administrative buildings and warehouses) that as at 31 December 2008 was revalued using the comparative prices method, was revalued at 31 December 2009 based on the report on fair value changes of industrial real estate in Lithuania by region in 2009 provided by an independent valuer Ober-Haus Nekilnojamasis Turtas UAB. This report was derived from market evidence on changes in real estate prices.

The previous version of the Lithuanian Law on Electricity effective as at 31 December 2008 stipulated that the price caps of electricity transmission services were determined based on the value of assets used in licensed activities of the service provider, with the value of such assets established on the grounds of data reported in the service provider's financial statements (Regulated Assets Base).

According to the amendment to the above-mentioned Law effective from 1 June 2009, the price caps of electricity transmission services are to be determined based on the value of assets used in licensed activities of the service provider with values being estimated and approved by the Commission in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

According to the Resolution on the Methodology of Determination of the Value of Assets used in Licensed Activities of the Electricity Service Provider, the determination of the price caps of electricity transmission services is to include the value of assets used in licensed activities of the service provider which is equal to net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of investments implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated by the Lithuanian Law on Income Tax.

Due to the reasons specified, the values of property, plant and equipment reported in these financial statements may materially differ from those that would have been determined if the valuation of assets had been performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Company' and Group's operation and the shareholders' equity reported in the financial statements for the years 2010 and 2011.

Based on management's decision, valuation of property, plant and equipment as at 31 December 2010 and 31 December 2011 was not performed by independent valuers, as a substantial reorganisation of the whole energy sector took place in 2010 and 2011, and in 2010 the Company was separated from Lietuvos Energija AB, and in 2011 it was merged with LITGRID AB.

Useful lives of property, plant and equipment

When assessing the remaining useful life of property, plant and equipment, management takes into consideration the conclusions provided by employees responsible for technical maintenance of assets as to the actual useful lives of property, plant and equipment, as well as the manufacturer's technical documentation.

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The underlying principles used for other significant estimates are outlined in the respective notes to the financial statements.

As at the date of these financial statements, there was no significant risk that the carrying amount of assets and liabilities will be subject to major adjustments in the following reporting year due to changes in management's assumptions and estimates, except for the adjustments which might be needed due to uncertainties in respect of the determination of the value of property, plant and equipment used in licensed activities as at 31 December 2011, as described above.

4. Intangible assets

The structure of the Group's intangible assets is as follows:

Group	Patents and licenses	Computer software	Other intangible assets	Total
At 31 December 2009				
Opening net book amount	-	-	-	-
Assets received on spin-off	-	1,610	33	1,643
Additions	-	159	-	159
Amortisation charge	-	(47)	(5)	(52)
Net book amount at 31 December 2010	-	1,722	28	1,750
Cost	1	4,555	34	4,590
Accumulated amortisation	(1)	(2,833)	(6)	(2,840)
Net book amount at 31 December 2010	-	1,722	28	1,750
Opening net book amount	-	1,722	28	1,750
Additions	-	739	14	753
Amortisation charge	-	(735)	(9)	(744)
Net book amount at 31 December 2011	-	1,726	33	1,759
Cost	1	5,228	48	5,277
Accumulated amortisation	(1)	(3,502)	(15)	(3,518)
Net book amount at 31 December 2011	-	1,726	33	1,759

The structure of the Company's intangible assets is as follows:

Company	Patents and licenses	Computer software	Other intangible assets	Total
At 31 December 2009				
Opening net book amount	-	-	-	-
Assets received on spin-off	-	400	11	411
Merger (Note 33)	-	1,166	22	1,188
Additions	-	154	-	154
Amortisation charge	-	(45)	(5)	(50)
Net book amount at 31 December 2010 (restated)	-	1,675	28	1,703
Cost	1	4,438	34	4,473
Accumulated amortisation	(1)	(2,763)	(6)	(2,770)
Net book amount at 31 December 2010 (restated)	-	1,675	28	1,703
Opening net book amount	-	1,675	28	1,703
Additions	-	442	14	456
Amortisation charge	-	(716)	(9)	(725)
Net book amount at 31 December 2011	-	1,401	33	1,434
Cost	1	4,879	48	4,928
Accumulated amortisation	(1)	(3,478)	(15)	(3,494)
Net book amount at 31 December 2011	-	1,401	33	1,434

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5. Property, plant and equipment

The structure of the Group's property, plant and equipment is as follows:

Group	Land	Buildings	Plant and machinery	Motor vehicles	Other PP&E	Constructi on in progress	Total
At 31 December 2009							
Opening net book amount	-	-	-	-	-	-	-
Assets received on spin-off	1,961	35,096	1,934,150	1,798	43,986	47,159	2,064,150
Additions	-	-	-	70	59	15,332	15,461
Revaluation	-	15	-	-	-	-	15
Write-offs	-	-	(4,390)	-	-	-	(4,390)
Reclassification between categories	-	1,566	24,412	-	2,228	(28,206)	-
Depreciation charge	-	(189)	(10,179)	(39)	(710)	-	(11,117)
Net book amount at 31 December 2010	1,961	36,488	1,943,993	1,829	45,563	34,285	2,064,119
Cost or revaluated amount	1,961	38,936	2,061,505	2,375	86,811	34,285	2,225,873
Accumulated depreciation	-	(2,303)	(116,287)	(546)	(41,248)	-	(160,384)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2010	1,961	36,488	1,943,993	1,829	45,563	34,285	2,064,119
Opening net book amount	1,961	36,488	1,943,993	1,829	45,563	34,285	2,064,119
Additions	-	-	508	301	579	72,621	74,009
Revaluation	-	462	-	-	-	-	462
Disposals	-	-	-	(16)	-	-	(16)
Write-offs	-	(105)	(13,168)	-	(170)	(176)	(13,619)
Impairment charge	-	(7)	-	-	-	-	(7)
Reclassified to inventory	-	-	-	-	-	(26)	(26)
Reclassification between categories	-	326	32,939	-	1,086	(34,351)	-
Depreciation charge	-	(2,313)	(123,049)	(476)	(8,897)	-	(134,735)
Net book amount at 31 December 2011	1,961	34,851	1,841,223	1,638	38,161	72,353	1,990,187
Cost or revaluated amount	1,961	39,539	2,070,777	2,395	87,286	72,353	2,274,311
Accumulated depreciation	-	(4,543)	(228,329)	(757)	(49,125)	-	(282,754)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2011	1,961	34,851	1,841,223	1,638	38,161	72,353	1,990,187

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5. Property, plant and equipment (continued)

The structure of the Company's property, plant and equipment is as follows:

Company	Land	Buildings	Plant and machinery	Motor vehicles	Other PP&E	Constructi on in progress	Total
At 31 December 2009							
Opening net book amount	-	-	-	-	-	-	-
Assets received on spin-off	1,961	34,253	1,933,911	-	35,449	47,538	2,053,112
Merger (Note 33)	-	-	-	-	6,510	-	6,510
Additions	-	-	-	-	84	15,354	15,384
Write-offs	-	-	(4,390)	-	-	-	(4,390)
Reclassification between categories	-	1,566	24,412	-	2,228	(28,206)	-
Depreciation charge	-	(183)	(10,175)	-	(665)	-	(11,023)
Net book amount at 31 December 2010 (restated)	1,961	35,636	1,943,758	-	43,606	34,686	2,059,647
Cost or revaluated amount	1,961	37,881	2,061,131	29	83,902	34,686	2,219,590
Accumulated depreciation	-	(2,100)	(116,148)	(29)	(40,296)	-	(158,573)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2010 (restated)	1,961	35,636	1,943,758	-	43,606	34,686	2,059,647
Opening net book amount	1,961	35,636	1,943,758	-	43,606	34,686	2,059,647
Additions	-	-	100	-	435	72,630	73,165
Write-offs	-	(105)	(13,168)	-	(170)	(176)	(13,619)
Reclassified to inventory	-	-	-	-	-	(26)	(26)
Reclassification between categories	-	326	32,939	-	1,086	(34,351)	-
Depreciation charge	-	(2,244)	(123,002)	-	(8,384)	-	(133,630)
Net book amount at 31 December 2011	1,961	33,613	1,840,627	-	36,573	72,763	1,985,537
Cost or revaluated amount	1,961	38,019	2,069,995	-	84,523	72,763	2,267,261
Accumulated depreciation	-	(4,261)	(228,143)	-	(47,950)	-	(280,354)
Accumulated impairment	-	(145)	(1,225)	-	-	-	(1,370)
Net book amount at 31 December 2011	1,961	33,613	1,840,627	-	36,573	72,763	1,985,537

Write-offs mainly represent derecognition of replaced part of asset upon its reconstruction.

As at 31 December 2011 and 2010, the Group/Company had significant contractual commitments to purchase property, plant and equipment to be fulfilled in later periods.

	At 31 December 2011	At 31 December 2010
Interconnection between the electricity transmission systems of Lithuania and Sweden (NORDBALT)	620,783	707,041
Transformer substations	60,778	82,553
Interconnection between the electricity transmission systems of Lithuania and Poland (LitPolLink)	1,706	2,457
Other	59,111	10,336
Total	742,378	802,387

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5. Property, plant and equipment (continued)

The table below includes the net book amounts of the Group's and the Company's property, plant and equipment that would have been recognised, had these assets been carried at historical cost as at 31 December 2011 and 2010:

Group							Construct ion in progress	Total
	Land	Buildings	Plant and machinery	Motor vehicles	Other PP&E			
Net book amount								
At 31 December 2011	1,794	30,575	1,602,811	1,639	36,952	73,077		1,746,848
At 31 December 2010	1,794	32,085	1,676,568	1,829	43,450	35,108		1,790,834

Company							Construct ion in progress	Total
	Land	Buildings	Plant and machinery	Motor vehicles	Other PP&E			
Net book amount								
At 31 December 2011	1,794	29,792	1,602,215	-	35,365	73,077		1,742,243
At 31 December 2010 (restated)	1,794	31,233	1,676,333	-	41,493	35,108		1,785,961

6. Investments in subsidiaries (for the Company) and investments in associates and jointly controlled entities (for the Company and the Group)

Investments in subsidiaries in the Company's financial statements

As at 31 December 2011 and 2010, the Company had direct control over the following subsidiaries:

Subsidiary	Investment cost	Ownership interest (%)	Impairment	Carrying amount
At 31 December 2011				
TETAS UAB	8,290	61	-	8,290
BALTPool UAB	318	67	-	318
Total	8,608		-	8,608

Subsidiary	Investment cost	Ownership interest (%)	Impairment	Carrying amount
At 31 December 2010				
TETAS UAB	8,290	61	-	8,290
BALTPool UAB	318	100	-	318
Total (restated)	8,608		-	8,608

All subsidiaries were acquired by way of spin-off.

On 18 May 2011, the Company's ownership interest in its subsidiary BALTPool UAB decreased from 100% to 67% when Klaipėdos Nafta AB, a company controlled by the Lithuanian Government, acquired all the newly issued shares of BALTPool UAB.

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6. Investments in subsidiaries (for the Company) and investments in associates and jointly controlled entities (for the Company and the Group) (continued)

Investments in associates and jointly controlled entities in the Company's and the Group's financial statements

Movement in the account of investments in associates and jointly controlled entities is given in the table below:

	Group 2011	Company 2011	Group 2010	Company 2011 (restated)
Opening balance	20,323	21,332	-	-
Investments received on spin-off	-	-	21,332	19,032
Gain on change in ownership interest in associate	1,699	-	-	-
Merger (Note 33)	-	-	-	2,300
Share of comprehensive income of associate	(1,639)	-	-	-
Share of profit/(loss) of associates and jointly controlled entities	419	-	(204)	-
Other	2	-	(805)	-
Closing balance	20,804	21,332	20,323	21,332

On 16 December 2011, the Company's associate Technologijų ir Inovacijų Centras UAB increased its share capital by non-monetary contributions of Lietuvos Energija AB (member of Visagino Atomine Elektrinė UAB Group). As a result, the Company's ownership interest in the associate decreased from 35% to 20%. Gain on transfer of ownership interest in associate was recognised in the Group's financial statements and was calculated as follows:

	Group 2011
Contributions of other shareholders to the share capital of associate	7,007
Share of net assets transferred	(5,308)
Gain on change in ownership interest in associate	1,699

The financial position and results of operations of associates and jointly controlled entities as at 31 December 2011 and for the year then ended:

	Assets	Liabilities	Sales revenue	Net profit (loss)
Technologijų ir Inovacijų Centras UAB	77,889	7,337	44,850	(160)
Elektros Tinklo Paslaugos UAB	28,867	8,522	51,876	1,114
LitPol Link Sp.z.o.o	1,398	459	2,834	307

The financial position and results of operations of associates and jointly controlled entities as at 31 December 2010 and for the year then ended:

	Assets	Liabilities	Sales revenue*	Net profit (loss)*
Technologijų ir Inovacijų Centras UAB	49,460	13,046	4,777	(1,007)
Elektros Tinklo Paslaugos UAB	27,445	8,214	6,605	808
LitPol Link Sp.z.o.o	1,110	375	159	(166)

* Sales revenue and net profit (loss) of associates and jointly controlled entities in the table above are for December 2010.

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7. Available-for-sale financial assets

As at 31 December 2011 and 2010, the Group's and the Company's other financial assets classified as available-for-sale comprised the shares of the following entities:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
NT Valdos UAB	1,084	1,084	1,084	1,084
Total	1,084	1,084	1,084	1,084

The value of financial assets determined with reference to the estimated fair value, less disposal costs, (measured using discounted cash flows method) did not significantly differ from the carrying amount at the end of the financial year.

8. Inventories

The Group's and the Company's inventories comprised as follows:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Materials and spare parts at acquisition (production) cost	4,873	2,594	4,363	2,131
Goods for resale at acquisition cost	1	1	1	1
Less: write-down to net realisable value	(672)	(381)	(661)	(381)
Total	4,202	2,214	3,703	1,751

The Group's and the Company's inventories recognised as expenses during the year ended 31 December 2011 amounted to LTL 335 thousand and LTL 306 thousand, respectively (31 December 2010: LTL 32 thousand and LTL 32 thousand).

Movement in impairment account of inventories during the year ended 31 December 2011 and 2010 is presented in the table below:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Opening balance	661	381	-	-
Impairment established on spin-off	-	-	631	381
Write-down of inventories during the reporting period	11	-	30	-
Closing balance	672	381	661	381

Impairment charges were included in other expenses of the statement of comprehensive income.

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9. Trade receivables

As at 31 December 2011 and 2010, trade receivables of the Group and the Company were as follows:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Receivables from sales of electricity and related services	37,640	37,639	51,258	51,259
Receivables for contractual works, other services	7,527	-	9,030	-
Unbilled revenue from sales of electricity and other services	143	143	398	398
Total	45,310	37,782	60,686	51,657

The fair value of current trade receivables approximates their carrying amount.

As at 31 December 2011 and 2010, the Group and the Company had no receivables that were impaired.

The ageing analysis of the Group's and the Company's trade receivables that were not overdue or overdue, but not impaired is given below:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Not overdue	34,696	37,533	51,569	51,656
Overdue up to 30 days	8,485	249	8,547	1
Overdue from 30 to 60 days	1,729	-	570	-
Overdue from 60 to 90 days	400	-	-	-
Total	45,310	37,782	60,686	51,657

10. Other accounts receivable

As at 31 December 2011 and 2010, other accounts receivable of the Group and the Company were as follows:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Administered PSO fees receivable	72,433	72,433	57,410	57,410
Receivables from participants of the power exchange	9,933	-	21,389	-
Overpayment of asset management fee receivable	-	-	7,237	7,264
Accrued income for PSO services rendered	4,429	4,429	-	-
Accrued interest receivable	1,281	1,281	72	72
VAT receivable	19	-	1,274	1,274
Other accrued receivables	-	-	1,512	1,512
Other receivables	819	1,038	341	341
Less: impairment	(3)	-	-	-
Total	88,911	79,181	89,236	67,874

The fair value of current other accounts receivable (financial assets) approximates their carrying amount.

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10. Other accounts receivable (continued)

The ageing analysis of the Group's and the Company's other accounts receivable that were not overdue or overdue, but not impaired is given below:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Not overdue	83,793	74,060	89,236	67,874
Overdue up to 30 days	156	156	-	-
Overdue from 30 to 60 days	170	170	-	-
Overdue from 60 to 90 days	1,654	1,654	-	-
Overdue more than 90 days	3,141	3,141	-	-
Total	88,914	79,181	89,236	67,874

11. Time deposits

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Time deposit (contract currency the litas), maturity – June 2011	-	-	17,000	17,000
Time deposit (contract currency the litas), maturity – May 2011	-	-	16,000	16,000
Time deposit (contract currency the litas), maturity – March 2011	-	-	10,000	10,000
Time deposit (contract currency the litas), maturity – March 2012	35,000	35,000	-	-
Time deposit (contract currency the litas), maturity – May 2012	20,000	20,000	-	-
Time deposit (contract currency the litas), maturity – January 2012	20,000	20,000	-	-
Time deposit (contract currency the euro), maturity – January 2012	15,000	15,000	-	-
Time deposit (contract currency the euro), maturity – June 2012	15,000	15,000	-	-
Time deposit (contract currency the euro), maturity – May 2012	7,079	7,079	-	-
Time deposit (contract currency the litas), maturity – April 2012	3,000	3,000	-	-
Total	115,079	115,079	43,000	43,000

The carrying amounts of time deposits approximate their fair values. As at 31 December 2011, the weighted average interest rate on time deposits of the Group and the Company was 2.26% (31 December 2010: 1.82%).

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12. Held-to-maturity investments

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Lithuanian Government securities denominated in the euros with redemption date in May 2012	16,672	16,672	-	-
Lithuanian Government securities denominated in the euros with redemption date in April 2012	4,867	4,867	-	-
Total	21,539	21,539	-	-

The carrying amounts of held-to-maturity investments approximate their fair values. As at 31 December 2011, the weighted average interest rate on held-to-maturity investments of the Group and the Company was 2.26%.

13. Cash and cash equivalents

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Cash in hand and at bank	62,635	57,131	64,963	63,492
Guarantee to secure the fulfilment of obligations (Note 22)	2,550	-	9,041	-
Total	65,185	57,131	74,004	63,492

The carrying amount of cash and cash equivalents approximates the fair value.

14. Share capital and share premium

As at 31 December 2011 and 2010, the Company's authorised share capital amounted to LTL 504,331,384 and it was divided into 504,331,384 ordinary registered shares with par value of LTL 1 each. All the shares were fully paid.

Share premium established as a result of spin-off amount to LTL 29,621 thousand. Prior to the spin-off, share premium resulted from increase in share capital of Lietuvos Energija AB and represented a difference between the nominal value of shares and consideration paid.

Capital management

Capital consists of equity recorded in the statement of financial position.

According to the requirements of the Lithuanian Law on Companies, the Company's equity must not be less than 1/2 of its authorised share capital. As at 31 December 2011 and 2010, the Company was not in breach of the above mentioned requirement. No other external capital requirements have been imposed on the Company.

The Company's main objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell a part of assets.

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15. Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment due to the value increase. In accordance with the Lithuanian legislation the entity can use revaluation reserve to increase its share capital. However, this reserve cannot be used to cover losses.

Group	Revaluation reserve	Deferred income tax	Net of deferred tax
Opening balance	-	-	-
Revaluation reserve established on spin-off	352,449	(52,867)	299,582
Depreciation of revaluation reserve	(2,540)	381	(2,159)
Write-offs of property, plant and equipment	(1,259)	189	(1,070)
Balance at 31 December 2010	348,650	(52,297)	296,353
Opening balance	348,650	(52,297)	296,353
Depreciation of revaluation reserve	(30,076)	4,511	(25,565)
Write-offs of property, plant and equipment	(4,504)	676	(3,828)
Increase on revaluation of property, plant and equipment	186	33	219
Balance at 31 December 2011	314,256	(47,077)	267,179

Company	Revaluation reserve	Deferred income tax	Net of deferred tax
Opening balance	-	-	-
Revaluation reserve established on spin-off	352,449	(52,867)	299,582
Depreciation of revaluation reserve	(2,540)	381	(2,159)
Write-offs of property, plant and equipment	(1,259)	189	(1,070)
Balance at 31 December 2010	348,650	(52,297)	296,353
Opening balance	348,650	(52,297)	296,353
Depreciation of revaluation reserve	(30,076)	4,511	(25,565)
Write-offs of property, plant and equipment	(4,504)	676	(3,828)
Balance at 31 December 2011	314,070	(47,110)	266,960

16. Legal reserve and other reserves

Legal reserve

The legal reserve is established in accordance with the Lithuanian laws. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve can be used only to cover future losses.

Other reserves

Other reserves are established by the decision of shareholders and they can be reallocated upon appropriation of profit for the following year.

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17. Grants

The balance of grants consists of grants related to the financing of assets acquisition. Movements in grants in 2011 and 2010 were as follows:

	Group	Company
Balance at 31 December 2009	-	-
Grants received on spin-off	42,507	42,507
Recognised as income during the period	(158)	(158)
Balance at 31 December 2010	42,349	42,349
Balance at 31 December 2010	42,349	42,349
Grants received	142,196	142,196
Recognised as income during the period	(2,186)	(2,186)
Balance at 31 December 2011	182,359	182,359

Grants received during 2011 included amounts received from the EU Structural Funds (LTL 49,887 thousand) for financing reconstruction of the Company's property, plant and equipment and NordBalt project to construct an interconnection between Lithuanian and Swedish electric power systems, PSO service fees received for the development and implementation of strategic projects (NordBalt) (LTL 92,030 thousand), and funds received from other sources (LTL 279 thousand). In order to fulfil conditions of the grant, the Company has to complete NoddBalt project.

In the statement of comprehensive income for the year 2011, depreciation and amortisation charges were reduced by income of grants of LTL 1,867 thousand (2010: LTL 158 thousand), and amount of LTL 319 thousand was recognised as other income (2010: 0) since the grant was related to non-current assets written off.

18. Deferred income

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Deferred income from connections of new users	14,642	14,642	15,417	15,417
Total	14,642	14,642	15,417	15,417

Deferred income from connections of new users relates to connections of new users before 1 July 2009 (see Note 3.17).

19. Other non-current accounts payable and liabilities

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Advances received from new users	6,803	6,803	-	-
Provisions for payments to employees upon retirement	633	470	438	438
Guarantee provisions	22	-	21	-
Total	7,458	7,273	459	438

Provisions for payments to employees upon retirement represent amounts calculated and to be paid according to the Lithuanian laws. Each employee of retirement age who terminates the employment upon retirement is entitled to payment of 2 monthly salaries.

Guarantee provisions represent obligations for the period of several years during which it is committed to provide guarantee repairs free of charge.

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20. Current income tax and deferred income tax

As at 31 December 2011 and 2010, income tax expenses comprised as follows:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010
Income tax expense components:				
Current income tax	12,150	11,772	2,454	2,275
Deferred income tax (benefit)	(15,085)	(14,960)	(1,874)	(1,819)
Income tax expense (benefit) for the reporting period	(2,935)	(3,188)	580	456

The movement in deferred tax assets and liabilities (prior to offsetting the balances with the same fiscal authority) was as follows:

Group	PP&E revaluation (impairment)	Other	Accrued expenses	Impairment of assets	Total
Deferred income tax assets					
At 1 January 2010	-	-	-	-	-
Items established on spin-off	2,206	25	137	11,484	13,852
Recognised in profit or loss	(19)	14	115	(45)	65
Recognised in other comprehensive income	-	131	-	-	131
At 31 December 2010	2,187	170	252	11,439	14,048
At 1 January 2011	2,187	170	252	11,439	14,048
Recognised in profit or loss	(163)	107	155	(648)	(549)
At 31 December 2011	2,024	277	407	10,791	13,499
Group	Revaluation of PP&E (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Other	Total
Deferred income tax liability					
At 1 January 2010	-	-	-	-	-
Items established on spin-off	(197,493)	(728)	(10,915)	-	(209,136)
Recognised in profit or loss	1,558	35	217	-	1,810
Recognised in other comprehensive income	1	(25)	-	-	(24)
At 31 December 2010	(195,934)	(718)	(10,698)	-	(207,350)
At 1 January 2011	(195,934)	(718)	(10,698)	-	(207,350)
Recognised in profit or loss	14,463	184	976	-	15,623
Recognised in other comprehensive income	(63)	-	-	-	(63)
At 31 December 2011	(181,534)	(534)	(9,722)	-	(191,790)
Deferred income tax asset, net, at 31 December 2010					325
Deferred income tax asset, net, at 31 December 2011					297
Deferred income tax liability, net, at 31 December 2010					(193,627)
Deferred income tax liability, net, at 31 December 2011					(178,588)

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20. Current income tax and deferred income tax (continued)

Company	PP&E revaluation (impairment)	Accrued expenses	Impairment of assets	Total
Deferred income tax assets				
At 1 January 2010	-	-	-	-
Items established on spin-off	2,196	97	11,470	13,763
Merger (Note 33)	-	79	-	79
Recognised in profit or loss	(14)	7	(61)	(68)
At 31 December 2010 (restated)	2,182	183	11,409	13,774
At 1 January 2011	2,182	183	11,409	13,774
Recognised in profit or loss	(167)	118	(653)	(702)
At 31 December 2011	2,015	301	10,756	13,072
Company	Revaluation of PP&E (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Total
Deferred income tax liability				
At 1 January 2010	-	-	-	-
Items established on spin-off	(197,493)	(723)	(10,915)	(209,131)
Recognised in profit or loss	1,558	35	216	1,809
At 31 December 2010	(195,935)	(688)	(10,699)	(207,322)
At 1 January 2011	(195,935)	(688)	(10,699)	(207,322)
Recognised in profit or loss	14,463	223	976	15,662
At 31 December 2011	(181,472)	(465)	(9,723)	(191,660)
Deferred income tax asset, net, at 31 December 2010				79
Deferred income tax liability, net, at 31 December 2010				(193,627)
Deferred income tax liability, net, at 31 December 2011				(178,588)

As at 31 December 2011, deferred income tax liabilities to be settled within 12 months amounted to LTL 14,960 thousand (31 December 2010: LTL 13,435 thousand). All deferred income tax assets will be realised within 12 months.

Income tax expense reported in the statement of comprehensive income can be reconciled to income tax expense that would arise using a statutory income tax rate applicable to profit before income tax.

	Group 2011	Company 2011	Group 2010 (restated)	Company 2010 (restated)
Profit (loss) before income tax	(19,714)	(23,512)	(6,894)	(6,711)
Income tax calculated at a rate of 15 per cent	(2,957)	(3,527)	(1,034)	(1,007)
Investment relief	(44)	-	-	-
Tax effect of income not subject to tax and non-deductible expenses	66	339	1,614	1,463
Income tax expense (benefit) for the reporting period	(2,935)	(3,188)	580	456

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21. Trade payables

As at 31 December 2011 and 2010, trade payables of the Group and the Company are as follows:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Amounts payable for contractual works, other services	24,199	23,885	24,371	22,298
Amounts payable for electricity	15,797	16,731	20,724	21,280
Accrued liability for electricity	8,835	8,835	15,445	15,445
Amounts payable for property, plant and equipment and inventories	3,115	33	3,796	85
Amounts payable for electricity transit	2,975	2,975	1,339	1,339
Amounts payable for lease and maintenance of transmission network, other services	-	-	555	527
Total	54,921	52,459	66,230	60,974

The fair value of trade payables approximates their carrying amounts.

22. Advance amounts received

At 31 December 2011 and 2010, the Group's and the Company's advance amounts received consisted of the following:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010	Company At 31 December 2010 (restated)
Guarantee to secure fulfilment of obligations (Note 13)	2,550	-	9,041	-
Other advance amounts received	1,790	1,363	2,257	2,026
Total	4,340	1,363	11,298	2,026

According to the Rulebook for Lithuanian Day Ahead Electricity Market, in order to secure the fulfilment of obligations the electricity market participants are required to present to the Company's subsidiary BALTPPOOL UAB a bank guarantee on the fulfilment of their obligations not later than 10 (ten) working days before the commencement date of the trading session and/or provide a cash deposit. Cash deposits received from market participants amounted to LTL 2,550 thousand as at 31 December 2011 (31 December 2010: LTL 9,041 thousand).

23. Other accounts payable

As at 31 December 2011 and 2010, other accounts payable of the Group and the Company were as follows:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Payable administered PSO fees	59,477	59,477	46,180	46,180
Difference between PSO service fees received and disbursed	64,677	64,677	11,507	11,507
Payables to power exchange participants	10,582	-	21,709	-
*Advance amounts received from new users	7,345	7,345	13,546	13,546
VAT payable to the state budget	3,622	2,773	4,869	3,981
Employment-related liabilities	867	378	1,054	424
Accrued charges relating to vacation reserve	1,593	965	1,404	781
Other accrued charges	2,335	1,820	1,153	539
Real estate tax payable	1,193	1,192	199	197
Other payables and current liabilities	2,016	1,425	358	21
Total	153,707	140,052	101,979	77,176

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23. Other accounts payable (continued)

The fair value of current other accounts payable (financial liabilities) approximates their carrying amounts.

*Advance amounts received from new users represent prepayments received from new users for their connection to the electricity network. These advance amounts will be recognised as income upon provision of connection services.

24. Sales of electricity and related services

	Group 2011	Company 2011	Group 2010 (restated)	Company 2010 (restated)
Electricity transmission service	204,689	204,689	25,731	25,731
Trade in balancing/regulating electricity	86,782	86,782	7,551	7,551
Capacity reserve service	55,481	55,481	7,277	7,277
Other sales of electricity and related services	21,315	21,174	2,201	2,201
Services under PSO scheme	10,229	10,229	-	-
Income from connection of new users	4,697	4,697	60	60
Total	383,193	383,052	42,820	42,820

25. Segment information

Management distinguished business segments based on the reports reviewed by the Board who is considered to be the chief operating decision maker of the Group. The Board analyses operations by geographical areas and types of services provided. Operating profit (loss) is a profitability indicator analysed by management. Reports reviewed by the Board are consistent with the financial statements prepared in accordance with IFRS, except for different presentation.

The Group has distinguished the following 6 segments:

- electricity transmission;
- trade in balancing/regulating electricity;
- provision of capacity reserve services;
- provision of services under PSO (public service obligation) scheme;
- activities of the market operator;
- repair and maintenance activities

The electricity transmission segment is engaged in transmitting electricity over high voltage (330-110 kV) networks from producers to end users or suppliers not in excess of the limit established in the contract. The main objective of these activities is to ensure a reliable, effective, high quality, transparent and safe electricity transmission to distributions networks, large network users from power stations and neighbouring energy systems.

Trade in balancing/regulating electricity is a separate service of the transmission system operator ensuring the balancing of electricity generation/import and demand/export levels.

Provision of capacity reserve services: to ensure a reliable work of the system, the Company purchases from electricity producers the service of ensuring capacity reserve for power generation facilities and provides capacity reserve services to end users. The capacity reserve is required in case of unexpected fall in electricity generation volumes or increase in electricity consumption.

The Company's/Group's services provided under PSO scheme comprise as follows:

- development and implementation of strategic projects for the improvement of energy security with the help of interconnections Lithuania-Sweden and Lithuania-Poland, connection of the Lithuanian electric energy system to ENTSO-E continental Europe networks;
- connection of power generation facilities, which use wind, biomass, solar energy or hydroenergy in the process of electricity generation, to transmission networks, optimisation, development and/or reconstruction of transmission networks in relation to acceptance and transmission of electricity from producers that use the renewable energy resources;
- balancing of electricity generated using the renewable energy resources;
- administration of PSO service fees.

The comparative figures were adjusted for change in the accounting policy for income and expenses of PSO services (see Note 3.18) and the segment report was adjusted accordingly.

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

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25. Segment information (continued)

The activities of electricity market operator are carried out by the Company's subsidiary BALTPOL UAB. This subsidiary generates income mainly from the provision of market administration services.

Repair and maintenance services are carried out by the Company's subsidiary TETAS UAB. These services include reconstruction, repair and technical maintenance of medium voltage transformer substations and distribution stations.

The Group's segment information for 2010 included the segment of other activities of transmission system operator. With effect from 2011, the Group's management analyses the activities of this segment together with the segment of electricity transmission. In the segment information for 2011, the aforementioned segment was combined with the electricity transmission segment. The comparative figures were adjusted accordingly.

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25. Segment information (continued)

The Group's information on segments for 2011 is presented in the table below:

	Operating segments							
	Electricity transmission	Trade in balancing/regulating electricity	Provision of capacity reserve services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	Total
Revenue	236,452	86,782	55,481	10,229	2,551	55,635	-	447,130
Inter-segment revenue	(2,785)	-	-	-	-	(9,539)	-	(12,324)
Revenue after elimination of intercompany revenue within the Group	233,667	86,782	55,481	10,229	2,551	46,096	-	434,806
Expenses	273,395	67,045	64,152	10,229	2,118	54,571	-	471,510
Inter-segment expenses	(2,785)	-	-	-	-	(9,539)	9	(12,315)
Expenses after elimination of intercompany expenses within the Group	270,610	67,045	64,152	10,229	2,118	45,032	9	459,195
Operating profit (loss)	(36,943)	19,737	(8,671)	-	433	1,064	(9)	(24,389)
Finance income (costs), net								
Share of result of associates and jointly controlled entities	2,366	-	-	-	190	1	-	2,557
Gain on change in ownership interest in associate	419	-	-	-	-	-	-	419
	1,699	-	-	-	-	-	-	1,699
Profit (loss) before income tax	(32,459)	19,737	(8,671)	-	623	1,065	(9)	(19,714)
Income tax	3,188				(50)	(203)		2,935
Net profit (loss) for the year	(29,271)	19,737	(8,671)	-	573	862	(9)	(16,779)
Depreciation and amortisation expense	132,488	-	-	-	1	1,123	-	133,612
Write-off of property, plant and equipment	12,929	-	-	-	-	-	-	12,929

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25. Segment information (continued)

The Group's information on segments for 2010 is presented in the table below:

	Operating segments							
	Electricity transmission	Trade in balancing/regulating electricity	Provision of capacity reserve services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	Total
Revenue	28,302	7,551	7,277	-	150	7,443	-	50,723
Inter-segment revenue	(170)	-	-	-	-	(764)	-	(934)
Revenue after elimination of intercompany revenue within the Group	28,132	7,551	7,277	-	150	6,679	-	49,789
Expenses	30,120	6,729	13,065	-	291	7,276	-	57,481
Inter-segment expenses	(170)	-	-	-	-	(742)	-	(912)
Expenses after elimination of intercompany expenses within the Group	29,950	6,729	13,065	-	291	6,534	-	56,569
Operating profit (loss)	(1,818)	822	(5,788)	-	(141)	145	-	(6,780)
Finance income (costs), net	73	-	-	-	19	(2)	-	90
Share of result of associates and jointly controlled entities	(204)	-	-	-	-	-	-	(204)
Profit (loss) before income tax	(1,949)	822	(5,788)	-	(122)	143	-	(6,894)
Income tax	(454)	-	-	-	22	(148)	-	(580)
Net profit (loss) for the year	(2,403)	822	(5,788)	-	(100)	(5)	-	(7,474)
Depreciation and amortisation expense	10,915	-	-	-	-	92	-	11,007
Write-off of property, plant and equipment	4,223	-	-	-	-	-	-	4,223

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25. Segment information (continued)

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 99% of total revenue.

The Company sells regulating electricity to transmission system operators in Latvia and Estonia and provides the electricity transit service to the Russian transmission system operator.

In 2011, the Group's and the Company's revenue by geographical location of customers:

Country	Group 2011	Company 2011	Group 2010 (restated)	Company 2010 (restated)
Lithuania	431,249	385,387	49,391	42,731
Russia	1,859	1,859	389	389
Latvia	793	793	9	9
Estonia	905	905	-	-
Total	434,806	388,944	49,789	43,129

All assets of the Group and the Company are located in Lithuania.

In 2011, the Group's revenue from its major external customer (Visagino Atominė Elektrinė UAB group companies) amounted to LTL 302,340 thousand (2010: LTL 39,493 thousand).

26. Other revenue

	Group 2011	Company 2011	Group 2010	Company 2010 (restated)
Repairs and other services	45,159	-	6,446	-
Lease of assets	5,142	5,500	282	293
Engineering works	911	-	233	-
Other income	401	392	8	16
Total other revenue	51,613	5,892	6,969	309

Revenue from repair and other services comprises revenue received by subsidiary TETAS UAB. Information on contracts in progress as at 31 December 2011 and 2010 is given in the table below:

	Group 2011	Group 2010
Total income from repair services to date since the beginning of projects	6,383	1,659
Total expenses of repair services to date since the beginning of projects	5,670	1,653
Result of projects	713	6

27. Finance income

In 2011 and 2010, the Group's and the Company's finance income included as follows:

	Group 2011	Company 2011	Group 2010	Company 2010 (restated)
Interest income	2,564	2,372	92	73
Other income	10	3	5	-
Total finance income	2,574	2,375	97	73

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28. Related-party transactions

The Company's/Group's related parties in 2011 and 2010 were as follows:

- Visagino Atominė Elektrinė UAB (the controlling shareholder of the Company) and its subsidiaries. Visagino Atominė Elektrinė UAB is a wholly-owned by the Ministry of Energy of the Republic of Lithuania (ultimate controlling party of the Company/Group);
- Government-related entities;
- Subsidiaries of the Company;
- Associates and jointly controlled entities of the Company;
- Management of the Company.

During 2011, the major related-party transactions within the Group were conducted between the Company and LESTO AB and Lietuvos Energija AB (Visagino Atominė Elektrinė UAB group companies). The Group's purchases from these companies mainly comprised purchases of electricity, capacity reserve services and PSO services. Sales transactions mainly comprised sales of electricity, capacity reserve service, electricity transmission services and PSO services.

The Group's balances arising on transactions with related parties as at 31 December 2011 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	2,626	1,211
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	58,274	99,314
Total	60,900	100,525

The Group's sales to related parties in 2011 were as follows:

Related parties	Sale of electricity	Trading in balancing/ regulating electricity	Electricity transmis- sion services	Capacity reserve services	PSO fees received	Other	Total
Associates	-	-	-	-	-	4,773	4,773
Other Visagino Atominė Elektrinė UAB group companies	493,060*	40,935	177,239	48,159	516,371*	35,935	1,311,699
Total	493,060*	40,935	177,239	48,159	516,371*	40,708	1,316,472

* Whereof: LTL 516,371 thousand PSO service fees received from related parties and LTL 492,988 thousand sales of electricity by BALTPPOOL UAB to related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

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28. Related-party transactions (continued)

The Group's purchases from related parties in 2011 were as follows:

Related parties	Repair and maintenance of electricity network	Purchases of electricity	Purchasing of balancing electricity	Capacity reserve services	PSO fees	Purchases of PP&E	Other	Total
Associates	11,479	-	-	-	-	1,918	12,366	25,763
Other Visagino Atominė Elektrinė UAB group companies	555	217,695*	35,403	63,123	326,115*	22,610	9,979	675,480
Total	12,034	217,695*	35,403	63,123	326,115*	24,528	22,345	701,243

*Whereof: LTL 326,115 thousand PSO service fees paid to related parties and LTL 217,695 thousand purchases of electricity on the power exchange by BALTPPOOL UAB from related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

The Company's balances arising on transactions with related parties as at 31 December 2011 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	4,706	2,573
Subsidiaries	2,576	804
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	56,711	87,451
Total	63,993	90,828

The Company's sales to related parties in 2011 were as follows:

Related parties	Trading in balancing/regulating electricity	Electricity transmission services	Capacity reserve services	PSO fees received	Other	Total
Associates	-	-	-	-	4,387	4,387
Subsidiaries	-	-	-	-	385	385
Other Visagino Atominė Elektrinė UAB group companies	40,935	177,239	48,159	516,371*	5,266	787,970
Total	40,935	177,239	48,159	516,371*	10,038	792,742

*Whereof: LTL 516,371 thousand PSO service fees received from related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

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28. Related-party transactions (continued)

The Company's purchases from related parties in 2011 were as follows:

Related parties	Repair and maintenance of electricity network	Purchases of electricity	Purchases of balancing electricity	Electricity transmission services	Capacity reserve services	PSO fees	Purchases of PP&E	Other	Total
Associates	11,479	-	-	-	-	-	1,918	11,812	25,209
Subsidiaries	9,530	25,019	-	2,400	-	-	4,309	-	41,258
Other Visagino Atominė Elektrinė UAB group companies	555	-	35,403	-	63,123	326,115*	22,610	4,254	452,060
Total	21,564	25,019	35,403	2,400	63,123	326,115*	28,837	16,066	518,527

* Whereof: LTL 326,115 thousand PSO service fees paid to related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

The Group's balances arising on transactions with related parties as at 31 December 2010 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	2,835	706
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	68,407	125,684
Total	71,242	126,390

The Group's sales to related parties in 2010 were as follows:

Related parties	Sale of electricity	Trading in balancing/regulating electricity	Electricity transmission services	Capacity reserve services	PSO fees received	Other	Total
Associates	-	-	-	-	-	389	389
Other Visagino Atominė Elektrinė UAB group companies	124,410*	5,028	22,343	6,235	42,367*	5,887	206,270
Total	124,410*	5,028	22,343	6,235	42,367*	6,276	206,659

* Whereof: LTL 42,367 thousand PSO service fees received from related parties and LTL 124,410 thousand sales of electricity by BALTPool UAB to related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

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28. Related-party transactions (continued)

The Group's purchases from related parties in 2010 were as follows:

Related parties	Repair and maintenance of electricity network	Purchases of electricity	Purchasing of balancing electricity	Electricity transmission	Capacity reserve services	PSO fees	Purchases of PP&E	Other	Total
Associates	1,027	-	-	-	-	-	2,600	1,070	4,697
Other Visagino Atominė Elektrinė UAB group companies	121	63,800*	2,912	27	13,038	34,908*	960	1,200	116,966
Total	1,148	63,800*	2,912	27	13,038	34,908*	3,560	2,270	121,663

*Whereof: LTL 34,908 thousand PSO service fees paid to related parties and LTL 63,800 thousand purchases of electricity on the power exchange by BALTPPOOL UAB from related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transaction in which it acts as an agent on behalf of the Commission/Government.

The Company's balances arising on transactions with related parties as at 31 December 2010 were as follows:

Related parties	Trade and other accounts payable and advances received	Trade and other receivables
Associates	2,526	124
Subsidiaries	1,811	25,633
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-
Other Visagino Atominė Elektrinė UAB group companies	103,281	59,519
Total	107,618	85,276

The Company's sales to related parties in 2010 were as follows:

Related parties	Trading in balancing/regulating electricity	Electricity transmission services	Capacity reserve services	PSO fees received	Other	Total
Associates	-	-	-	-	103	103
Subsidiaries	-	-	-	-	19	19
Other Visagino Atominė Elektrinė UAB group companies	5,028	22,343	6,235	42,367*	179	76,152
Total	5,028	22,343	6,235	42,367*	301	76,274

* Whereof: LTL 42,367 thousand PSO service fees received from related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

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28. Related-party transactions (continued)

The Company's purchases from related parties in 2010 were as follows:

Related parties	Repair and maintenance of electricity network	Purchases of electricity	Purchases of balancing electricity	Electricity transmission services	Capacity reserve services	PSO fees	Purchases of PP&E	Other	Total
Associates	1,027	-	-	-	-	-	2,600	874	4,501
Subsidiaries	742	2,003	-	-	-	-	41	146	2,932
Other Visagino Atomine Elektrinė UAB group companies	98	-	2,912	27	13,038	34,908*	960	506	52,449
Total	1,867	2,003	2,912	27	13,038	34,908*	3,601	1,526	59,882

* Whereof: LTL 34,908 thousand PSO service fees paid to related parties. In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government.

Lease of assets

According to the agreement between the Company and NT Valdos UAB (Visagino atomine elektrinė UAB Group entity), the Company rents administrative premises. Monthly rent fee according to the agreement is LTL 104 thousand. Rent agreement is valid till November 2014.

According to the agreement between the Company and NT Valdos UAB, the Company rents vehicles. Monthly rent fee according to the agreement is LTL 31 thousand and monthly maintenance fee is LTL 40 thousand. Rent agreement is valid until June 2012.

Contributions to the share capital of subsidiary and associate

Contributions by related parties to the share capital of subsidiary and associate are disclosed in Note 6.

Payments to key management personnel

	Group 2011	Company 2011	Group 2010	Company 2010
Employment-related payments, whereof:	2,647	1,616	205	109
- Termination benefits	293	254	-	-
Number of key management personnel	15	8	17	7

Key management consists of heads of administration and their deputies (directors of departments), and the chief financier

29. Basic and diluted earnings per share

In 2011 and 2010, basic and diluted earnings per share were as follows:

	2011	2010
Net profit (loss) attributable to the Company's shareholders (thousand LTL)	(17,182)	(7,481)
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings per share (in LTL)	(0.03)	(0.01)

30. Financial risk factors

The Group companies are exposed to financial risks in their operations. In managing these risks the Group companies seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance results. Financial risk management is conducted by the Company's Finance Planning and Treasury Department in accordance with the description of LITGRID group treasury management procedure approved by LITGRID Board.

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30. Financial risk factors (continued)

Financial instruments by category (as reported in the statement of comprehensive income)

Financial assets	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Trade receivables	45,310	37,782	60,686	51,657
Other accounts receivable	88,892	79,181	80,725	59,336
Time deposits	115,079	115,079	43,000	43,000
Cash and cash equivalents	126,281	118,227	75,664	65,152
Loans and receivables	375,562	350,269	260,075	219,145
Other financial assets				
Held-to-maturity investments	21,539	21,539	-	-
Available-for-sale investments	1,084	1,084	1,084	1,084
Total	398,185	372,892	261,159	220,229
Financial liabilities	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Trade payables	54,921	52,459	66,230	60,974
Other accounts payable	139,087	127,399	80,907	58,247
Financial liabilities carried at amortised cost	194,008	179,858	147,137	119,221

Credit risk

As at 31 December 2011 and 2010, exposure to credit risk was related to the following items:

	Group At 31 December 2011	Company At 31 December 2011	Group At 31 December 2010 (restated)	Company At 31 December 2010 (restated)
Financial assets	397,101	371,808	260,075	219,145

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group and the Company have a significant credit risk concentration, because exposure to credit risk is shared among 10 main customers, which accounted for approximately 93 and 94 per cent of the Group's and the Company's total trade and other accounts receivable (financial assets), respectively, as at 31 December 2011. Amounts payable by the major customer, distribution network operator LESTO AB, accounted for 66 and 66 per cent of the Group's and the Company's total receivables (financial assets), respectively.

When entering into contracts with customers (suppliers of balancing electricity) LITGRID requires to pay a cash deposit of the established amount or to provide a bank guarantee in accordance with the procedure and conditions stipulated in the Description of the Procedure for Ensuring Fulfilment of Obligations of Balancing Electricity Suppliers of LITGRID AB approved by the Company's general director. BALTPool UAB requires from the participants of the power exchange to provide cash deposits and/or guarantees in accordance with the terms of settlement stipulated in the Rulebook for Lithuanian Day Ahead Electricity Market. In other cases, since the main customers are trustworthy customers (LESTO AB, which is Visagino Atominė Elektrinė UAB group company, and large corporate customers), the Group/Company does not require any collateral from its customers.

Since April 2011 Achema AB does not pay to LITGRID (administrator of PSO service fees) PSO service fees collected for electricity generated and consumed for internal needs. On 22 July 2011, LITGRID AB filed a legal claim to Kaunas County Court by which it claimed from Achema AB to cover LTL 2,292 thousand debt for April-June 2011. Given the fact that the Supreme Administrative Court of Lithuania (SACL) currently investigates the case relating to legitimacy of administrative acts regulating PSO tariffs, the outcome of the dispute with Achema AB depends on the outcome of the case investigated by SACL. On 30 January 2012, SACL adopted the decision to suspend the case until the Constitutional Court of the Republic of Lithuania completes its investigation of the request submitted by the members of the Lithuanian Parliament (Seimas) to investigate whether the provisions of the Lithuanian Law on Electric Energy are not in breach of the Constitution of the Republic of Lithuania. The outcome of the case may affect the balance of PSO service fees administered by the Company, however, it will have no impact on the Company's net profit (loss) because the Company acts as an agent and PSO service fees administered by it are recognised only as amounts receivable (payable). As at 31 December 2011, the outstanding debt of Achema AB amounted to LTL 5,121 thousand.

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30. Financial risk factors (continued)

The Group/Company invests its liquid funds only in low risk money market and debt instruments, i. e. time deposits bonds of trustworthy financial institutions, government securities. When making investments the priority objective is to ensure the security of funds and in pursue of this objective to maximise return on investments. Investments are made only in debt financial instruments of financial institutions or governments with not lower than AA- rating according to Fitch Rating agency (or equivalent rating of other rating agencies). In the table below are provided ratings of the banks where the Group/Company holds its cash and cash equivalents (Note 13), time deposits (Note 11) and other financial assets (Note 35):

Nordea	AA-
Danske bank	A
Swedbank	A
SEB	A+
Unicredit	A-

Trade and other receivable are mainly from the state controlled entities and large manufacturers with no history of defaults.

For ageing analysis of the Group's/Company's trade and other receivables see Note 9 and Note 10. The management does not expect any losses from financial assets that are neither past due nor impaired as all.

Liquidity risk

The Group's policy is to ensure funding of its operations so that the Group will have sufficient cash and/or committed credit facilities and overdrafts to meet its contractual obligations at any time. The liquidity risk is managed by making forecasts of cash flows of the Group companies.

The Group's cash flows from operating activities were positive in 2011, therefore its exposure to liquidity risk is insignificant. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2011 were 1.82 and 1.81, respectively (31 December 2010: 1.42 and 1.40, respectively). The Company's liquidity and quick ratios as at 31 December 201 were 1.88 and 1.86, respectively (31 December 2010: 1.50 and 1.49, respectively).

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted payments. This table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Balances with repayment terms up to 12 months are equal to their carrying amounts, because the impact of discounting is insignificant.

Group		From the fourth month up to one year	Within the second year	Within the third to the fifth year
	Up to 3 months			
At 31 December 2011				
Trade and other accounts payable	194,008	-	-	-
At 31 December 2010				
Trade and other accounts payable	147,137	-	-	-
Company		From the fourth month up to one year	Within the second year	Within the third to the fifth year
	Up to 3 months			
At 31 December 2011				
Trade and other accounts payable	179,858			
At 31 December 2010				
Trade and other accounts payable	119,221	-	-	-

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30. Financial risk factors (continued)

Market risk

a) Interest rate risk

The Group's and the Company's income, expenses and cash flows from operating activities are substantially independent from changes in market interest rates.

b) Foreign exchange risk

In order to manage the foreign exchange risk, the Group and the Company enter into purchase/sale contracts only in the euros or the litas. With effect from 2 February 2002, the litas has been pegged to the euro at the fixed exchange rate, therefore, foreign exchange risk substantially does not exist.

31. Fair value of financial assets and financial liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade receivables and other accounts receivable, time deposits, cash and cash equivalents, trade payables and other accounts payable and held to maturity investments.

Fair value is defined as the amount at which the asset or service could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. Fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

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

- The carrying amount of current trade and other accounts receivable, held-to-maturity financial assets, time deposits, cash and cash equivalents, current trade and other accounts payable approximates their fair value.
- The fair value of available-for-sale financial assets is determined based on the estimation of the value of the investee using the fair value, less costs to sell, method. The fair value determined is classified in the category of valuation models which are not based on observable market data

32. Contingent liabilities

Litigations

The administrative case was initiated on the basis of Achema AB (the claimant) claim for damages caused by illegitimate actions of state authorities. Achema AB claims that the state authorities acted illegitimately and beyond their competence when they adopted the Lithuanian Law on Electricity Energy, the provisions of which are in breach of the Constitution of the Republic of Lithuania and EU legal acts, and post-legislative acts (Order No. 1-214 of the Minister of Energy of 24 November 2009 *On determination of the list of PSO services in electricity energy sector*, Order No. 1-215 of the Minister of Energy of 24 November 2009 *On approval of description of procedure for provision of PSO services*, Order No. 03-328 of the National Control Commission for Prices and Energy of 17 December 2010 *On approval of description of the procedure for administration of PSO service fees*, and Order No. 03-82 of the National Control Commission for Prices and Energy of 19 October 2007 *On the methodology for calculation of tariffs of PSO services*) that are in breach of legal acts bearing superior power. Achema AB claims that damages incurred by it as a result of allegedly illegitimate actions of state authorities amounted to LTL 3,127 thousand. Given the fact that the Supreme Administrative Court of Lithuania is currently engaged in the investigation of legitimacy of regulatory administrative acts, Vilnius County Administrative Court on 7 December 2011 decided to suspend the investigation of this case until the Supreme Administrative Court completes the investigation of the aforementioned case. On 30 January 2012, SACL adopted the decision to suspend the case until the Constitutional Court of the Republic of Lithuania completes its investigation of the request submitted by the members of the Lithuanian Parliament (Seimas) to investigate whether the provisions of the Lithuanian Law on Electricity Energy are not in breach of the Constitution of the Republic of Lithuania. The management does not believe that these litigations will have any negative impact on the Group's/Company's financial statements. See Note 30 for more details.

33. Merger

Based on the reorganisation terms and conditions of LITGRID Turtas AB and LITGRID AB approved by the decisions of the extraordinary general meetings of shareholders of LITGRID AB and LITGRID Turtas AB on 24 January 2011, a transfer-acceptance statement was signed between LITGRID AB and LITGRID Turtas AB on 1 March 2011. On the basis of this transfer-acceptance statement, LITGRID Turtas AB took over all assets, rights and obligations of LITGRID AB in the manner prescribed in the reorganisation terms and conditions of LITGRID AB and LITGRID Turtas AB.

Mergers between entities under common control are accounted for as if the entities had always been combined.

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33. Merger (continued)

The table below includes the Company's statement of financial position as at 31 December 2010, adjusted for the effects of the merger of the subsidiary and the change in accounting policy (Note 3.18):

	Company at 31 December 2010 (as previously reported)	Adjustments for merger of subsidiary	Elimination of intercompany transactions and reclassifica- tions	Adjustments for change in accounting policy	Company at 31 December 2010 (restated)
Non-current assets:					
Intangible assets	515	1,188	-	-	1,703
Property, plant and equipment	2,053,137	6,510	-	-	2,059,647
Prepayments for property, plant and equipment	698	-	-	-	698
Investments in subsidiaries	18,038	318	(9,748)	-	8,608
Investments in associates and jointly controlled entities	19,032	-	2,300	-	21,332
Deferred income tax assets	-	79	-	-	79
Available-for-sale financial assets	910	2,474	(2,300)	-	1,084
Total non-current assets	2,092,330	10,569	(9,748)	-	2,093,151
Current assets					
Inventories	1,750	1	-	-	1,751
Prepayments	57	301	-	-	358
Trade receivables	13,424	109,067	(13,424)	(57,410)	51,657
Other accounts receivable	1,639	9,095	(270)	57,410	67,874
Time deposits	-	43,000	-	-	43,000
Cash and cash equivalents	42,161	22,991	-	-	65,152
Total current assets	59,031	184,455	(13,694)	-	229,792
TOTAL ASSETS	2,151,361	195,024	(23,442)	-	2,322,943
EQUITY AND LIABILITIES					
Capital and reserves:					
Share capital	504,331	9,748	(9,748)	-	504,331
Share premium	29,621	-	-	-	29,621
Revaluation reserve	296,353	-	-	-	296,353
Legal reserve	47,665	-	-	-	47,665
Retained earnings (deficit)	982,423	69,388	-	(11,507)	1,040,304
Total equity	1,860,393	79,136	(9,748)	(11,507)	1,918,274
Non-current liabilities:					
Grants	42,349	-	-	-	42,349
Deferred income	15,417	-	-	-	15,417
Other non-current accounts payable and liabilities	234	204	-	-	438
Deferred income tax liabilities	193,627	-	-	-	193,627
Total non-current liabilities	251,627	204	-	-	251,831
Current liabilities					
Trade payables	22,548	98,300	(13,694)	(46,180)	60,974
Advance amounts received	1,724	302	-	-	2,026
Income tax payable	321	12,341	-	-	12,662
Other accounts payable	14,748	4,741	-	57,687	77,176
Total current liabilities	39,341	115,684	(13,694)	11,507	152,838
Total liabilities	290,968	115,888	(13,694)	11,507	404,669
TOTAL EQUITY AND LIABILITIES	2,151,361	195,024	(23,442)	-	2,322,943

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33. Merger (continued)

The table below includes the Company's statement of comprehensive income for the year ended 31 December 2010, adjusted for the effects of the merger of the subsidiary and the change in accounting policy (Note 3.18):

	Company at 31 December 2010 (as previously reported)	Adjustments for merger of subsidiary	Elimination of intercompany transactions and reclassifica- tions	Adjustments for change in accounting policy	Company at 31 December 2010 (restated)
Revenue					
Sales of electricity and related services	11,154	90,206	(11,094)	(47,446)	42,820
Other revenue	290	19	-	-	309
Total revenue	11,444	90,225	(11,094)	(47,446)	43,129
Operating expenses					
Purchase of electricity or related services	-	(64,933)	-	37,599	(27,334)
Lease of transmission network	-	(3,425)	3,425	-	-
Depreciation and amortisation	(10,792)	(123)	-	-	(10,915)
Wages and salaries and related expenses	(797)	(851)	-	-	(1,648)
Repair and maintenance expenses	(2,143)	-	-	-	(2,143)
Telecommunications and IT system expenses	(979)	(102)	-	-	(1,081)
Write-off of property, plant and equipment	(4,223)	-	-	-	(4,223)
Other expenses	(2,132)	(429)	(8)	-	(2,569)
Total operating expenses	(21,066)	(69,863)	3,417	37,599	(49,913)
OPERATING PROFIT (LOSS)	(9,622)	20,362	(7,677)	(9,847)	(6,784)
Finance income	-	73	-	-	73
PROFIT (LOSS) BEFORE INCOME TAX	(9,622)	20,435	(7,677)	(9,847)	(6,711)
Current year income tax expense	(322)	(3,077)	1,124	-	(2,275)
Deferred tax income/(expense)	1,741	78	-	-	1,819
	1,419	(2,999)	1,124	-	(456)
NET PROFIT (LOSS) FOR THE YEAR	(8,203)	17,436	(6,553)	(9,847)	(7,167)
COMPREHENSIVE INCOME(LOSS)	(8,203)	17,436	(6,553)	(9,847)	(7,167)
NET PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS	(8,203)	17,436	(6,553)	(9,847)	(7,167)

The above-mentioned merger had no impact on the Group's consolidated financial statements in 2010.

34. Commitments

Commitments to purchase property, plant and equipment are disclosed in Note 5.

35. Other financial assets

Other financial assets comprise the cash held in the Company's bank account which is the difference between PSO fees collected and disbursed. As at 31 December 2011 and 2010 PSO cash balance amounted to LTL 61,096 thousand and LTL 1,660 thousand, respectively.

In accordance with the regulations approved by the Commission, PSO cash balance has to be separated from the Company's/Group's cash and cash equivalents and can be used only for PSO fees disbursements.