

AB Invalda

Annual accounts for the year
2005

Contents

Company details	2
Annual report	3
Report of the auditor to the shareholders of AB Invalda	4
Profit and loss account	5
Balance sheet	6
Statement of changes in shareholders' equity	8
Cash flow statement	9
Notes	10

Company details

AB Invalda

Telephone: + 85 279 06 01
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Registered: Šeimyniškių g. 3,
Vilnius, Lithuania LT 09312

Board

Alvydas Banys (Chairman)
Vytautas Bučas
Dailius Juozapas Mišeikis
Darius Šulnis

Management

Darius Šulnis (President)
Zita Vaitkevičienė (Chief Financial Officer)

Auditors

KPMG Baltics, UAB
Vilnius, Lithuania

Banks

AB SEB Vilniaus bankas
Nordea bank Finland Plc Lithuanian branch
AB bankas Hansabankas

Annual report

The Board and the Management have today discussed and authorized for issue the annual accounts and the annual report and have signed the annual accounts on behalf of the company.

The accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate.

We recommend the accounts to be approved at the Annual General Meeting.

Vilnius, 14 April 2006.

Management:

Darius Šulnis
President

Board:

Alvydas Banys
(Chairman)

Vytautas Bučas

Dailius Juozapas Mišeikis

Darius Šulnis



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Report of the auditor to the shareholders of AB Invalda

We have audited the accompanying balance sheet of AB Invalda (the Company) as at 31 December 2005, and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended.


These financial statements, as set out on pages 4 - 27, are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

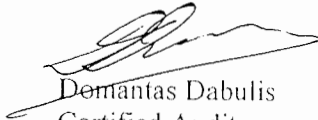
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In accordance with the Lithuanian legislation, a report on the Company's activities is presented separately from the annual accounts. It is our additional responsibility to report concerning the consistency of the report on the Company's activities with the audited financial statements. We reviewed the report on the Company's activities for the year 2005 and issued a separate review report dated 14 April 2006 in which we state that no inconsistencies with the financial statements came to our attention.

Vilnius, 14 April 2006
KPMG Baltics, UAB


Leif Rene Hansen
Danish State Authorised
Public Accountant


Demantas Dabulis
Certified Auditor

Profit and loss account

	Note	2005	2004
		Litas	Litas
Turnover	3	1,018,800	13,786,603
Cost of sales	4	866,619	5,327,050
Gross profit		152,181	8,459,553
Direct costs	5	75,003	96,867
Administration expenses	6	1,158,404	1,223,160
Other operating income		29,995	
Operating profit		-1,051,231	7,139,526
Financial income and expenses, net	7	10,604,876	5,412,094
Profit before taxes		9,553,645	12,551,620
Corporate income tax	8	-66,308	1,186,916
Net profit for the year		9,619,953	11,364,704
Earnings per share (Litas)	9	0.24	0.29

The notes set out in pages 10 to 27 form an integral part of these financial statements.

Balance sheet

	Note	31 12 2005	31 12 2004
		Litas	Litas
ASSETS			
Non-current assets			
Tangible assets	10	323,776	176,800
Intangible assets	11	280	760
Investment in subsidiaries and associates	12	83,376,200	42,000,983
Other investments	13	36,618	43,927
Total non-current assets		<u>83,736,874</u>	<u>42,222,470</u>
Current assets			
Prepayments		48,428	36,825
Short-term loans granted	17	29,754,674	18,305,303
Trade receivables	16	573,945	537,377
Other receivables	15	383,410	5,140
Investment held for sale	14	2,533,332	2,998,838
Other assets held for sale		33,367	33,367
Cash and cash equivalents	18	4,326	1,133,130
Total current assets		<u>33,331,482</u>	<u>23,049,980</u>
TOTAL ASSETS		<u><u>117,068,356</u></u>	<u><u>65,272,450</u></u>

The notes set out in pages 10 to 27 form an integral part of these financial statements.

Balance sheet

	Notes	2005 12 31	2004 12 31
		Litas	Litas
EQUITY AND LIABILITIES			
Capital and reserves			
	19		
Share capital		41,734,662	40,417,339
Share premiums		19,814,710	4,402,031
Legal reserve		2,586,815	1,605,265
Fair value reserve		771,218	370,105
Retained earnings		19,244,796	16,668,994
Total capital and reserves		84,152,201	63,463,734
Non-current liabilities			
Interest bearing loans and borrowings	20	31,850,000	
Trade creditors	21	62,129	31,923
Other creditors	21	1,004,026	1,776,793
Total non-current liabilities		32,916,155	1,808,716
Total liabilities		32,916,155	1,808,716
TOTAL EQUITY AND LIABILITIES		117,068,356	65,272,450

The notes set out in pages 10 to 27 form an integral part of these financial statements.

Statement of changes in shareholders' equity

Litas	Share capital	Share premiums	Legal reserve	Fair value reserve	Retained earnings	Total
Capital and reserves as at 1 January 2004	38,000,000	542,669	1,505,246		7,379,309	47,427,224
Effect of change of accounting policies					-75,000	-75,000
Restated balance as at the beginning of previous financial year	38,000,000	542,669	1,505,246		7,304,309	47,352,224
Net profit for 2004					11,364,704	11,364,704
Dividends					-1,900,000	-1,900,000
Allocated to legal reserve			100,019		-100,019	0
Reserves formed				370,105		370,105
Increase/decrease in share capital	2,417,339	3,859,362				6,276,701
Balance as at the end of previous financial year	40,417,339	4,402,031	1,605,265	370,105	16,668,994	63,463,734
Dividends					-6,062,601	-6,062,601
Allocated to legal reserve			981,550		-981,550	0
Reserves formed				401,113		401,113
Increase/decrease in share capital	1,317,323	15,412,679				16,730,002
Net profit for 2005					9,619,953	9,619,953
Capital and reserves as at 31 December 2005	41,734,662	19,814,710	2,586,815	771,218	19,244,796	84,152,201

The notes set out in pages 10 to 27 form an integral part of these financial statements.

Cash flow statement

Litas	2005	2004
Net result	9,619,953	11,364,704
Adjustments:		
Depreciation and amortisation	77,199	139,397
Gain/loss on disposal of financial assets	-145,365	
Net cash inflow from ordinary activities before any change in working capital	9,551,787	11,504,101
Change in trade and other receivables	-11,398,349	329,154
Change in loans granted	-11,449,371	-15,105,303
Change in assets for resale		-10,753
Change in trade creditors and other creditors	1,095,205	-60,749
Net cash inflow from ordinary activities	-12,200,728	-3,343,550
Net interest received/paid	1,030,456	498,385
Profit tax paid/received	-1,472,262	-61,385
Net cash inflow from Company's activities	-12,642,534	-2,906,550
Acquisition of property, plant and equipment	-223,695	-6,455
Sale of investments	1,011,984	
Acquisition of investments	-41,367,908	
Dividends received	9,575,948	5,413,001
Net cash flow from investing activities	-31,003,671	5,406,546
Issue of shares	16,730,002	
Current loans received	31,850,000	
Dividends paid out	-6,062,601	-1,749,570
Net cash inflow/(outflow) from financing, net	42,517,401	-1,749,570
Net cash inflow/outflow from operating activities investing activities and financing	-1,128,804	750,426
Cash and cash equivalents at 1 January.	1,133,130	382,704
Cash and cash equivalents at 31 December	4,326	1,133,130

The notes set out in pages 10 to 27 form an integral part of these financial statements.

Notes

1 Significant accounting policies

The joint stock company AB Invalda (the Company) is domiciled in Vilnius, Lithuania. The Company's shares are listed in the Current List on the National Stock Exchange of Lithuania.

The main activities of the Company are investment and reinvestment in securities, trade in securities and supervision of business financial activities of controlled companies.

As at 31 December 2005 the major shareholders were as follows:

Name and address	Number of shares	Shareholding %
UAB Nenuorama	9,488,043	22,73
Vytautas Bučas	5,882,003	14,09
Dailius Juozapas Mišeikis	6,792,556	16,28
Alvydas Banys	5,324,493	12,76
Darius Šulnis	1,317,323	3,16
Others	12,930,244	30,98
	<u>41,734,662</u>	<u>100</u>

By decision of the extraordinary General Meeting of 21 November 2005 the Company's authorized capital was increased to 41,734,662 Litass by additional cash contributions by issuing 1,317,323 ordinary registered shares with the nominal value of 1 Litas each. The priority right to acquire the newly issued shares to the shareholders of the company was cancelled. An exclusive right to acquire the Company's shares was provided to Darius Šulnis.

The reason for cancellation of the priority right is to increase effectiveness of management of AB Invalda and establish a more clear structure of the shareholders, for that purpose it was decided to acquire 8 500 ordinary shares of AB FMI Finasta from Darius Šulnis with the nominal value of Litas 100 each, i.e. this amounts to 25% of the authorised capital (after these actions the shareholding held amounts to 100%), 1,771 ordinary registered shares of UAB Invalda Real Estate which amounts to 25% of the authorised capital (after these actions the shareholding held amounts to 100%) and 170,000 ordinary registered shares with the nominal value of 5 Litas each which amounts to 7.7% of the total authorised capital (after November 2005, having changed the nominal value of shares to Litas 1, the total shareholding of AB Invalda amounts to 39.21%). In November 2005, AB Invalda acquired 76,924 ordinary shares

UAB Kelesta with the nominal value of Litas 130, which amounts to 50% of the authorised capital. In December 2005 AB Invalda acquired 95,610 ordinary shares of UAB Minija with the nominal value of Litas 13 each which amounts to 65.74% of the authorized capital.

As at 31 December 2005, the staff of the Company was 6 employees (2004: 5).

Statement of compliance

These financial statements are separate financial statements of the parent company AB Invalda and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), further to the IAS Regulation (EC 1606/2002).

The financial statements were authorised for issue and signed by the management on behalf of the Company on 14 April 2006.

The consolidated financial statements were issued on 14 April 2006 and are available for public.

The financial statements for 2005 have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretations Committee of the IASB. Therefore, when preparing the opening balance sheet as to the IFRS as at 1 January 2004, balances have been restated.

Basis of preparation

The financial statements are presented in Litas. They are prepared on the historical cost basis except that financial assets available-for-sale are stated at fair value. Non current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to Litas at foreign exchange rates ruling at the dates the values were determined.

Derivative financial instruments

The company does not have derivative financial instruments.

Tangible non-current assets

Tangible non-current assets is accounted at acquisition cost less accrued depreciation and impairment losses. Depreciation is charged to the profit and loss account on a straight line basis during the useful lifetime of the assets which in the Company is as follows:

Vehicles	6 years
Other non-current assets	3 – 6 years

Intangible non-current assets

Intangible non-current assets is booked at cost less accrued amortization and impairment losses. The amortization is estimated by the straight line method. The amortization period is 3 to 4 years.

Investments in subsidiaries and associates

In the separate financial statements of the parent company, investments in subsidiaries and associates are stated at cost less impairment, if any.

Other investments

Investments in equity securities held by the Company, except for investments in subsidiaries and associates, are classified as being available-for-sale and are initially recognized at fair value plus direct cost. Subsequently, the investments are re-measured to their fair value with any resultant gain or loss being recognised directly in equity, except for impairment losses. They are included in non current assets unless management intends to dispose of the investments within 12 months of the balance sheet date. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value

of financial instruments classified as available for sale is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

Trade and other receivables

Trade receivables are carried at original amounts outstanding less allowance for anticipated losses. An estimate is made for doubtful and bad receivables based on the review of all outstanding amounts at the year-end.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances and call deposits with original maturity of less than 3 months.

Impairment

The carrying amounts of the Company's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset..

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Sales income

Revenue from sale of financial assets or real estate is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement where delivery has been affected

by the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Sales costs

Sales costs include investment acquisition cost (balance value of non-current assets for 2004).

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable result for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years, if any. The effective profit tax rate amounts to 15% (2004: 15%).

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in either providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments

Risk management

Foreign exchange risk

The Company's transactions in foreign currency are related to repayment of loans and interest in EUR only. Litas has been pegged to Euros at a fixed rate of 3.4528.

Interest rate risk

The Company's borrowings are subject to variable interest rates.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

2 Segment reporting

The main activities of the Company are investment and reinvestment into securities, therefore information on business segments of subsidiaries and associated companies is provided in the consolidated financial statements. Income from investment, i.e. dividends, is accounted in the financial statements of the parent company.

3 Sales income	2005	2004
	<u> </u>	<u> </u>
Sales income of real estate		10,947,269
Sales income of financial assets	1,012,000	2,160,000
Rent income	6,800	676,431
Other income		2,903
	<u> </u>	<u> </u>
	<u>1,018,800</u>	<u>13,786,603</u>

In September 2004, the company sold total real estate to the subsidiary AB Invalda Nekilnojamo Turto Fondas. In 2005, the Company sold 460 000 shares of AB Lietuvos Telekomas.

4 Cost of sales	2005	2004
	<u> </u>	<u> </u>
Acquisition cost of real estate		3,571,480
Acquisition cost of financial assets	866,619	1,755,570
	<u> </u>	<u> </u>
	<u>866,619</u>	<u>5,327,050</u>

5 Direct costs	2005	2004
	<u> </u>	<u> </u>
Administration fee		59,144
Advertising	20,218	18,323
Securities accounting, commission fee on securities transactions	54,785	19,400
	<u> </u>	<u> </u>
	<u>75,003</u>	<u>96,867</u>

The administration fee for 2004 was paid to the associated company UAB Invalda Real Estate for administration of real estate.

	2005	2004
6 Administration costs	Litais	Litais
Salaries and social insurance	419,059	416,567
Other taxes	197,089	131,746
Fees to the Stock Exchange	24,100	12,200
Professional services	106,800	107,400
Write off of not used assets	75,749	166,354
Office and other maintenance costs	145,981	188,635
Depreciation and amortisation of assets	77,199	139,397
Property insurance	16,565	9,850
Other	95,862	51,011
	1,158,404	1,223,160
 7 Financial income and costs, net	 2005	 2004
Financial income:	Litais	Litais
Dividends received	9,575,948	4,914,023
Interest on loans from group companies	1,432,544	498,385
Bank interest on deposits	1,032	428
Others	2,007	165
	11,011,531	5,413,001
Financial costs:		
Loan interest	365,504,	
Others	41,151	907
	406,655	907
Financial income and costs, net	10,604,876	5,412,094

In 2005, dividends received from subsidiaries and associated companies amount to 9,421,822 Litais (in 2004 – 4,842,888 Litais).

Income from loan interest increased due to issue of new loans to other companies of the AB Invalda group (see note 17).

Interest costs are related to loans received from AB SEB Vilniaus Bankas and the subsidiary Valmeda in 2005.

	2005	2004
8 Corporate income tax	Litas	Litas
Current tax	2,396	1,191,896
Adjustment of income tax for previous period	-68,704	-4,980
Income tax for the period	-66,308	1,186,916

Reconciliation of the effective tax rate is as follows:

	2005		2004	
Result before taxes		9,553,645		12,551,620
Income tax of 2005	15%	1,433,047	15.0%	1,882,743
Non-deductible costs	0.3%	29,145	0.3%	41,276
Non-taxable income/dividends	-15%	-1,436,392	-5.9%	-737,103
Effect of non-utilised tax loss (from securities)	-0.2%	-21,807		
Sponsorship	-0.1%	-1,597		
Corporate income tax of previous period	-0.7%	-68,704		
		-66,308		1,186,916
	-0.7%		9.4%	

Corporate income tax rate for 2006 amounts to 19%, for 2007 to 18% and from the year 2008 to 15%.

9 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The average number of own shares acquired is eliminated from the weighted average number of the shares in issue.

Litas	2005	2004
Net profit for the year	9,619,953	11,364,704
Weighted average number of shares in issue	40,527,116	38,604,335
Earnings per share	0.24	0.29

The company has no dilutive potential shares or convertible shares. The diluted earnings per share are the same as basic earnings per share.

10 Non-current tangible assets

Litas	Vehicles	Other tangible assets	Total
Costs as at 1 January 2005	372,304	326,245	698,549
Additions	323,369	7,305	330,674
Transfer	-194,773	-216,457	-411,230
Costs as at 31 December 2005	500,900	117,093	617,993
Depreciation as at 1 January 2005	287,156	234,593	521,749
Depreciation during the year	69,799	6,921	76,720
Disposals	-163,543	-140,709	-304,252
Depreciation as at 31 December 2005	193,412	100,805	294,217
Net book value as at 31 December 2005	307,488	16,288	323,776

11 Non-current intangible assets

Litas	Software	Other intangible assets	Total
Costs as at 1 January 2005	4,916	2,740	7,656
Additions			
Transfer		-1,300	-1,300
Costs as at 31 December 2005	4,916	1,440	6,356
Depreciation as at 1 January 2005	4,916	1,980	6,896
Depreciation during the year		480	480
Disposals		-1,300	-1,300
Depreciation as at 31 December 2005	4,916	1,160	6,076
Net book value as at 31 December 2005	0	280	280

12 Investment in subsidiaries and associates

Litas	2005	2004
Investment in subsidiaries	70,692,485	37,091,417
Investment in associated companies	12,683,715	4,909,566
Investment in subsidiaries and associated companies	83,376,200	42,000,983

Subsidiaries

Name of the company	Registration date	Address	Number of securities	Nominal value of securities	Book value of securities	Authorised capital	Securities share %	Vote share %
AB „Invaldos nekilnojamojo turto fondas“	28 01 1997	A.Juozapavičiaus 6/2, Vilnius	4,477,540	1	6,557,170	7,965,440	56,21	56,21
UAB „Invalda Real Estate“	22 12 1994	A.Juozapavičiaus 6/2, Vilnius	7,084	100	763,977	708,400	100	100
UAB „Pozityvios investicijos“	14 12 2001	Konstitucijos pr.23, Vilnius	3,000	100	355,500	400,000	75	75
AB FMĮ „Finasta“	21 01 1994	Konstitucijos pr.23, Vilnius	34,000	100	7,352,103	3,400,000	100	100
AB „Vilniaus baldai“	09 02 1993	Savanorių pr.178, Vilnius	2,592,888	4	9,911,612	15,545,068	66,72	66,72
AB „Klaipėdos konditerija“	09 05 1992	Šilutės pl.79, Klaipėda	198,457	10	4,288,103	2,022,480	98,13	98,13
AB „Valmeda“	06 11 1995	Šeimyniškių g.1, Vilnius	109,914	100	15,005,324	10,991,400	100	100
AB Sanitas	30 06 1994	Vytauto pr.3, Kaunas	4,313,095	1	21,639,952	11,000,000	39,21	39,21*
UAB „Minija“	07 04 1993	Lentpjūvės g.14, Plungė	95,610	13	4,818,744	1,890,616	65,74	66,89
					70,692,485			

* AB Sanitas is a subsidiary due to the fact that the Invalda Group together with other related persons holds controlling interest (more than 50%) of this company.

Associated companies

Name of the company	Registration data	Address	Number of securities	Nominal value of securities	Book value of securities	Authorised capital	Securities share %	Vote share %
AB Umeqa	25 09 2003	Metalo g.5, Utena	695	100	2,683,595	325,200	21.37	23.59
UAB Kelesta	2005 11 03	Konstitucijos pr.23, Vilnius	76,924	130	10,000,120	20,000,240	50	50
					12,683,715			

Pledges

To secure a loan from AB SEB Vilniaus bankas, in accordance with Agreement No.0040511020487-20 and amendment of 12 October 2005, 1 943 135 shares of AB Vilniaus Baldai with the nominal value of 7,772,540 Litas and 297,000 shares of AB Sanitas with the nominal value of 1,485,000 Litas are pledged. To secure liabilities of UAB Kelesta and UAB Vilniaus Baldai in accordance with the loan agreements from AB Sampo Bankas and AS Sampo Pank, 76,924 shares of UAB Kelesta with the nominal value of 10,000,120 Litas and 582,940 shares of UAB Vilniaus Baldai with the nominal value of 4 Litas each were pledged.

On 8 March 2006, the Company acquired 75 ordinary shares of UAB Saulės Investicija with the nominal value of 100 Litas each, amounting to 75%.

On 15 March 2006, the Company acquired 4 999 ordinary shares of UAB Laikinosios Sostinės Projektai“ with the nominal value of 1 Litas each, amounting to 49.99% of the authorised capital. On 30 March 2006 the shares were pledged to AB SEB Vilniaus Bankas to secure a loan issued to UAB „Laikinosios Sostinės Projektai“.

13 Other investments

Company name	Registration data	Address	Number of securities.	Nominal value of securities	Book value of securities	Authorised capital	Securities share %
UAB Kauterma	1996 10 15	R.Kalantos g.83, Kaunas	44	500	22,000	415,000	5,3
State treasury bonds			14,618	1	14,618		
					36,618		

14 Investment held for sale

Company name	Registration date	Address	Number of securities.	Nominal value of securities	Fair value of securities	Authorised capital	Securities share %
AB „Lietuvos telekomas“	1998 10 06	Savanorių pr.28, Vilnius	934 809	1	2 533 332	814 912 760	0,11

Shares of AB Lietuvos Telekomas are estimated at fair value, which as at 30 December 2005 was 2.71 Litas per share.

15 Receivables within 1 year

	2005	2004
	Litas	Litas
Prepaid corporate income tax	383,186	-
Prepaid road tax	-	5,070
Other	224	70
Net book value as at 31 December	383,410	5,140

16 Trade receivables

	2005	2004
	Litas	Litas
AB Vilniaus baldai	301,792	31,612
AB FMĮ Finasta	1,354	0
UAB Naujoji Švara	8,751	0
UAB Pozityvios investicijos	100,134	172,856
UAB Ineturas	105,905	192,695
UAB Invalda service	0	134
UAB Finansų spektras	0	52,356
AB Invaldos Nekilnojamojo Turto Fondas	0	43,977
UAB Invalda Real Estate	0	43,747
UAB IBC logistika	56,011	0
	573,945	537,377
Net book value as at 31 December	573,945	537,377

Trade receivables comprise accrued interest charged on loans issued to subsidiaries and associated companies, the maturity of which is the date of the loan repayment .

17 Short term loans issued

	2005	2004
	Litas	Litas
AB Vilniaus baldai	10,590,696	0,00
UAB Naujoji Švara	2,060,625	0,00
UAB Pozityvios investicijos	5,224,380	8,340,000
UAB Ineturas	7,564,316	5,865,303
UAB Finansų spektras		3,500,000
UAB Invalda Real Estate	1,635,000	600,000
UAB IBC logistika	2,479,657	0,00
UAB Ekstra	200,000	0,00
	29,754,674	18,305,303
Net book value as at 31 December	29,754,674	18,305,303

In 2005, loans in Litas issued to the AB Invalda group companies with the maturity date in June 2006 are issued with an annual interest rate of 5%.

	2005	2004
	Litas	Litas
18 Cash and cash equivalents		
Cash at bank	3,584	1,132,327
Cash in hand	742	803
	4,326	1,133,130
Cash and cash equivalents at 31 December		

19 Capital and reserves

Share capital

The share capital consists of 41,734,662 ordinary registered shares with the nominal value of 1 Litas each. The total amount of the share capital is 41,734,662 Litas.

All the shares have equal rights.

In 2005, 6,062,601 Litas was allocated from retained earnings for dividends.

Legal reserve

The legal reserve in the amount of Litas 2,586,815 is a compulsory reserve under the legislation of the Republic of Lithuania. Annual contributions of 5% of the net profit available for distribution are required until the legal reserve reaches 10% of the share capital. The legal reserve can only be used to cover losses. During 2005, an amount of Litas 981,550 was allocated to the legal reserve. The legal reserve complies with requirements stated in the Company Law.

Other reserves

As at 31 December 2005 the fair value reserve of shares of AB Lietuvos Telekomas held for sale amounted to Litas 771,218.

Reorganisation of the Invalda Group in 2004

During the year 2004, reorganization of several companies within the Invalda Group took place, where AB Invalda received shares of AB Invaldos Nekilnojamojo Turto Fondas (former name AB Pastana), AB Valmeda and AB Sanitas in exchange for shares of AB Gildeta held by the Company and newly issued own shares.

Litas	Exchanged shares		Shares received	
	Amount	Acquisition price	Amount	Acquisition price
AB Gildeta	85,500	8,580,187		
New issue of Invalda /to Nenuorama/	2,417,339	2,417,339		
AB Valmeda /from Gildeta, Kremi			54,403	7,476,400
AB Sanitas /from Kremi			545,655	2,226,271
AB Invaldos Nekilnojamojo Turto Fondas			298,941	5,154,217
Total		<u>10,997,526</u>		<u>14,856,888</u>
Result				<u>3,859,362</u>

The difference was booked in the financial statements of 2004 as a share premium. As investments in AB Invalda are booked at historical cost, financial statements of 2004 are adjusted and the resulting difference is booked to the equity as share premium.

20 Interest bearing loans and borrowings	2005	2004
	Litas	
Current liabilities		
AB SEB Vilniaus Bankas	30,000,000	0
AB Valmeda	1,850,000	0
Total current liabilities	<u>31,850,000</u>	<u>0</u>
Book value as at 31 December	<u>31,850,000</u>	<u>0</u>

Terms and repayment schedules

Litas	Total	Repayment terms	
		12 04 2006	30 06 2006
SEB Vilniaus Bankas, LTL 9,905,000 - variable interest at 6 months VILIBOR + 1.1%	30,000,000	30,000,000	
AB Valmeda, LTL 1,850,000 – non-variable interest at 4.5% p.a.	1,850,000		1,850,000
Total	31,850,000	30,000,000	1,850,000

On 13 February 2006, the Company received a credit of EUR 14,480,000 from NORD LB bank with maturity term on 31 January 2007. Part of the credit, amounting to Litas 30,000,000, will be paid to AB SEB Vilniaus Bankas to cover loan liabilities. On 23 February 2006, shares of AB Vilniaus Baldai and pledge notes of AB Sanitas were deregistered and 1,630,000 shares of AB Vilniaus Baldai and 4,000,000 shares of AB Sanitas were pledged to the benefit of NORD LB bank.

	2005	2004
21 Other creditors	Litas	Litas
Taxes	20,143	1,091,845
Valdas Balčiūnas prepayment of NT	3,432	0
International Chamber of Commerce „ICC Lietuva“	0	4,000
UAB Eniro Lietuva	531	531
UAB Statoil Lietuva	1,750	1,444
AB FMĮ Finasta	3,746	1,712
UAB Tarela	1,060	0
UAB Pačiolis	0	222
UAB Invalda Real Estate	34,744	0
AB Valmeda	20,299	0
UAB DB Voltera	0	3,976
State company Registrų Centras	0	39
Dividends to shareholders	938,096	546,193
Accrued costs	42,354	158,754
Net book value as at 31 December	<u>1,066,155</u>	<u>1,808,716</u>

22 Staff costs		2005	2004
Litas			
Salaries and social security contributions		419,059	416,567
Total		419,059	416,567

Staff costs include remuneration to the management (president, 2 vice-presidents and chief accountant).

At the end of 2005, the company employed 6 persons (in 2004 - 5 employees).

23 Financial relations to the management		2005	2004
Litas			
Remuneration		203,754	172,904
Remuneration to Board		0	120,000
Dividends		2,689,657	896,553
Total		2,893,411	1,189,457

24 Transactions with related parties

Transactions with related parties for 2005:

Sold:

Darius Šulnis	Securities	16,730,002
UAB Invalda Real Estate	Rental income	6,800
UAB Invalda Real Estate	Interest	139,926
UAB Naujoji Švara	Interest	72,406
UAB Ineturas	Interest	375,135
UAB IBC logistika	Interest	57,000
UAB Ekotra	Interest	3,334
UAB Pozityvios Investicijos	Interest	405,249
AB FMĮ Finasta	Interest	19,147
AB Vilniaus Baldai	Interest	301,792
UAB Finansų Spektras	Interest	58,553
UAB Kelio Ženkilai	Sales of assets (cars)	33,898
UAB NTF	Securities	494,000
UAB Kelio Ženkilai	Sales of assets (cars)s	33,898
Total		18,731,140

Purchased:

Darius Šulnis	Interest	16,730,002
AB FMĮ Finasta	Services /accounting of shares/	54,785
AB FMĮ Finasta	Securities	6,500
UAB Kelesta	Securities	9,993,620
UAB Invalda real estate	Rent, services/public utilities, renovation/	145,982
AB Valmeda	Interest, services	21,029
UAB Kelio ženklai	Securities	2,802,744
Total		29,754,662

Payables as at 31 December 2005:

AB Valmeda	Loans	1,850,000
AB Valmeda	Interest	20,299
AB FMĮ Finasta	Services	3,746
UAB Invalda real estate	Rent, services	34,744,
Total		1,908,789

Receivables as at 31 December 2005:

AB Vilniaus Baldai	Loan	10,590,696
AB Vilniaus Baldai	Interest	301,792
UAB Naujoji Švara	Loan	2,060,625
UAB Naujoji Švara	Interest	8,751
UAB Pozityvios investicijos	Loan	5,224,380
UAB Pozityvios investicijos	Interest	100,134
UAB Ineturas	Loan	7,564,316
UAB Ineturas	Interest	105,905
UAB Invalda Real Estate	Loan	1,635,000
UAB IBC Logistika	Loan	2,479,657
UAB Logistika	Interest	56,011
UAB EKOTRA	Loan	200,000
AB FMĮ Finasta	Dividends to shareholders	1,354
Total		30,328,621

25 Transition from Lithuanian Business Accounting Standards to IFRS

Litas	Equity as at 31 Dec. 2003	Result for 2003	Equity as at 31 Dec. 2004	Result for 2004
According to Lithuanian Business Accounting Standards	47,427,224	2,000,380	89,849,366	19,631,002
Effect of transition to IFRS				
Provision for remuneration to Board	-75,000	-75,000	-120,000	-120,000
Result of financial assets accounting by equity method			-30,495,099	-8,146,298
Share premium			3,859,362	
Fair value change reserve			370,105	
According to International Financial Statements	47,352,224	1,925,380	63,463,734	11,364,704

No other changes related to the Balance Sheet and the Income Statement neither as at 31 December 2004 nor as at 1 January 2004 are made.

26 Post balance sheet events

As of 1 January 2006, Algirdas Bučas resigned from the position of the Company's president and Darius Šulnis was elected for the position.

In the General Meeting of 12 January 2006, the former Board of the Company was dismissed and a new Board consisting of 4 persons – Alvydas Banys, Vytautas Bučas, Dailius Juozapas Mišeikis ir Darius Šulnis was elected.

Alvydas Banys was elected as the chairman of the Board.

The General Meeting of 12 January 2006 approved reorganisation of AB Invalda and UAB Pozityvios Investicijos by the method of merger, merging UAB Pozityvios Investicijos (which will be restructured to AB Pozityvios Investicijos before the reorganisation) to AB Invalda.