

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2006 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the shareholders of AB Invalda

We have audited the accompanying 2006 financial statements of AB Invalda, a joint stock company registered in the Republic of Lithuania ("the Company"), and consolidated financial statements of AB Invalda and subsidiaries ("the Group") which comprise the balance sheets as of 31 December 2006, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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


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

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


Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AB Invalda and the Group as of 31 December 2006, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 000514



Jonas Akelis
Auditor's licence
No. 000003



Ramūnas Bartašius
Auditor's licence
No. 000362

The audit was completed on 8 May 2007.

AB INVALIDA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(all amounts are in LTL thousand unless otherwise stated)

GENERAL INFORMATION

Board of Directors (at 31 December 2006)

Mr. Alvydas Banys (chairman of the Board)
Mr. Vytautas Bučas
Mr. Dailius Juozapas Mišeikis
Mr. Darius Šulnis

Management

Mr. Darius Šulnis (president)
Mr. Raimondas Rajeckas (chief financial officer)

Registered office and company code

Šeimyniškių St. 3,
Vilnius,
Lithuania
Company code 121304349

Bankers

Nordea Bank Finland Plc.
AB DnB Nord bankas
Akcinė bendrovė Šiaulių bankas
AB SEB Vilniaus bankas
AB bankas „Hansabankas“
AB Sampo Bankas

Auditor

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

The financial statements were approved and signed by the Management and the Board of Directors on 8 May 2007.

Management:

Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief financial officer

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

AB INVALIDA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's income statements

	Notes	Group		Company	
		2006	2005	2006	2005
Revenue	5				
Furniture production revenue		133,539	120,117	-	-
Rent and other real estate income		35,702	65,104	-	-
Financial mediation revenue		24,825	12,713	-	-
Pharmacy revenue		16,171	62,988	-	-
Other production and services revenue		14,092	22,099	-	-
Hotel revenue		14,020	12,665	-	-
Total revenue		238,349	295,686	-	-
Other income	6.1	24,846	15,197	17,719	182
Valuation gains	12	50,497	-	-	-
Valuation losses	12	(4,601)	-	-	-
Changes in inventories of finished goods and work in progress		(1,497)	(2,072)	-	-
Raw materials and consumables used		(94,114)	(94,699)	-	-
Salaries and related expenses		(61,025)	(56,640)	(1,336)	(419)
Depreciation and amortisation	10,11,13	(16,152)	(20,816)	(125)	(77)
Subcontractor expenses		(12,354)	(22,336)	-	-
Premises rent and utilities		(9,866)	(10,244)	(265)	(146)
Fees for securities		(7,108)	-	(195)	(24)
Vehicles maintenance costs		(3,839)	(424)	(54)	(25)
Other taxes		(3,678)	(2,060)	(210)	(197)
Advertising and other promotion expenses		(3,052)	(3,528)	(67)	(75)
Goodwill impairment	13,14	(2,980)	-	-	-
Repair and maintenance of premises		(1,004)	(2,309)	-	-
Loss on sales of shares		(965)	(2,049)	-	-
Other operating expenses		(15,979)	(57,955)	(695)	(270)
Finance expenses	6.2	(19,716)	(8,107)	(4,229)	(407)
Finance income	6.3	6,040	16,544	20,714	11,012
Share of profit from associates and joint ventures	1	27,686	112	-	-
Profit before tax		89,488	44,300	31,257	9,554
Income tax expense	7	(13,936)	(5,178)	(2,441)	66
Profit for year		75,552	39,122	28,816	9,620
Attributable to:					
Equity holders of the parent		65,533	20,326	-	-
Minority interest		10,019	18,796	-	-
Basic and diluted earnings per share (in LTL)	8	1.51	0.50	-	-

AB INVALIDA**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's balance sheets

	Notes	Group		Company	
		As of 31 December 2006	As of 31 December 2005	As of 31 December 2006	As of 31 December 2005
		(restated)		(restated)	
ASSETS					
Non-current assets					
Property, plant and equipment					
Hotels	10	49,821	51,194	-	-
Other property, plant and equipment	11	147,449	166,736	630	324
Total property, plant and equipment		197,270	217,930	630	324
Investment properties	12	391,303	296,038	-	-
Intangible assets	13, 14	5,659	9,403	8	-
Non-current financial assets					
Investments into subsidiaries	1	-	-	67,141	70,692
Investments into associates and joint ventures	1	186,509	41,881	118,797	12,684
Other non-current investments	15	1,851	38,602	1,771	37
Granted loans	16	15,338	906	30,350	-
Total non-current financial assets		203,698	81,389	218,059	83,413
Deferred tax asset	7	1,131	3,161	-	-
Total non-current assets		799,061	607,921	218,697	83,737
Current assets					
Inventories	17	18,499	32,092	-	-
Trade and other receivables	18	60,822	58,787	-	957
Short term loans granted	16	8,499	29,746	16,981	29,755
Prepaid income tax		4,173	1,950	-	-
Prepayments and other current assets		1,832	4,697	4	48
Other current investments	19	35,959	23,024	-	2,533
Cash and cash equivalents	20	9,161	32,749	82	4
Total current assets		138,945	183,045	17,067	33,297
Non-current assets classified as held for sale	21	-	20,766	-	33
Total assets		938,006	811,732	235,764	117,067

(cont'd on the next page)

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's balance sheets (cont'd)

		Group		Company	
		As of 31 December 2006	As of 31 December 2005	As of 31 December 2006	As of 31 December 2005
	Notes				
		(restated)		(restated)	
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1,22	45,008	41,735	45,008	41,735
Share premium		50,588	19,815	50,588	19,815
Reserves	23	28,683	32,452	3,068	3,358
Retained earnings		203,860	147,034	47,675	19,245
Foreign exchange reserve		(48)	472	-	-
		328,091	241,508	146,339	84,153
Minority interest		40,407	93,782	-	-
Total equity		368,498	335,290	146,339	84,153
Liabilities					
Non-current liabilities					
Non-current borrowings	24	246,347	188,252	2,901	-
Financial lease liabilities	25	6,267	810	-	-
Government grants	27	109	1,417	-	-
Provisions	28	105	113	-	-
Deferred tax liability	7	35,976	31,619	-	-
Other non-current liabilities		197	1,498	-	-
Total non-current liabilities		289,001	223,709	2,901	-
Current liabilities					
Current portion of non-current borrowings	24	80,104	34,702	1,350	-
Current portion of financial lease liabilities	25	1,467	538	-	-
Current borrowings	24	138,819	114,061	81,770	31,850
Trade payables		24,707	49,632	552	62
Provisions	28	-	936	-	-
Income tax payable		2,785	9,788	1,218	-
Advances received		19,360	4,438	-	-
Other current liabilities	29	13,265	38,638	1,634	1,002
Total current liabilities		280,507	252,733	86,524	32,914
Total equity and liabilities		938,006	811,732	235,764	117,067

(the end)

AB INVALDA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's statements of changes in equity

Group	Notes	Equity attributable to equity holders of the parent							Minority interest	Total equity
		Share capital	Share premium	Revaluation reserve	Fair value reserves	Other reserves	Translation reserve	Retained earnings		
Balance as of 31 December 2004		40,417	4,033	-	14,826	11,133	(4)	31,204	101,609	135,127
Profit for the year	8	-	-	-	-	-	-	20,326	18,796	39,122
Total income and expenses for the year		-	-	-	-	-	-	20,326	18,796	39,122
Minority of subsidiaries acquired		-	-	-	-	-	-	-	-	-
Change in reserves		-	-	-	80	-	610	-	690	454
Issue of new shares	22	1,318	15,413	-	-	-	-	-	16,731	16,731
Equity dividends	9	-	-	-	-	-	-	(6,063)	(6,063)	(6,063)
Dividends of subsidiaries		-	-	-	-	-	-	-	(7,267)	(7,267)
As reported as of 31 December 2005		41,735	19,446	-	14,906	11,133	606	45,467	133,293	201,214
Change in accounting policy and errors	3	-	369	19,716	(11,633)	(1,670)	(134)	101,567	108,215	134,076
Balance as of 31 December 2005 (restated)		41,735	19,815	19,716	3,273	9,463	472	147,034	241,508	335,290
Net gain (loss) on available-for-sale investments		-	-	-	159	-	-	-	159	159
Income and expenses for the year recognised directly in equity		-	-	-	-	-	-	3,946	3,946	3,946
Total income and expenses for the year recognised directly in equity		-	-	-	159	-	-	3,946	4,105	4,105
Profit for the year	8	-	-	-	-	-	-	65,533	10,019	75,552
Total income and expenses for the year		-	-	-	159	-	-	69,479	10,019	79,657
Minority of subsidiaries acquired		-	-	-	-	-	-	(8,234)	(47,480)	(55,714)
Issue of new shares	22	3,273	30,773	-	-	-	-	-	34,046	34,046
Revaluation reserve release		-	-	(1,325)	-	-	-	1,325	-	-
Change in reserves		-	-	-	-	(2,603)	(520)	2,603	(520)	(520)
Equity dividends	9	-	-	-	-	-	-	(8,347)	(8,347)	(8,347)
Dividends of subsidiaries		-	-	-	-	-	-	-	(15,914)	(15,914)
Balance as of 31 December 2006		45,008	50,588	18,391	3,432	6,860	(48)	203,860	328,091	368,498

AB INVALIDA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's statements of changes in equity (cont'd)

Company	Notes	Share capital	Share premium	Legal reserve	Fair value reserve	Retained earnings	Total
Balance as of							
31 December 2004		40,417	4,402	1,605	370	16,670	63,464
Net profit for 2005		-	-	-	-	9,620	9,620
Total income and expenses for the year		-	-	-	-	9,620	9,620
Dividends for 2004	9	-	-	-	-	(6,063)	(6,063)
Transferred to legal reserve		-	-	982	-	(982)	-
Changes in fair value reserve		-	-	-	401	-	401
Issue of new shares	22	1,318	15,413	-	-	-	16,731
Balance as of							
31 December 2005		41,735	19,815	2,587	771	19,245	84,153
Net profit for 2006		-	-	-	-	28,816	28,816
Total income and expenses for the year		-	-	-	-	28,816	28,816
Dividends for 2005	9	-	-	-	-	(8,347)	(8,347)
Transferred to legal reserve		-	-	481	-	(481)	-
Changes in fair value reserve		-	-	-	(771)	-	(771)
Issue of new shares	22	3,273	30,773	-	-	-	34,046
Minority acquisition		-	-	-	-	8,442	8,442
Balance as of							
31 December 2006		45,008	50,588	3,068	-	47,675	146,339

Consolidated and parent Company's cash flow statements

	Group		Company	
	2006	2005	2006	2005
Cash flows from (to) operating activities				
Net profit	75,552	39,122	28,816	9,620
Adjustments for non-cash items:				
Valuation gain, net	(45,896)	-	-	-
Depreciation and amortization	16,152	20,816	127	77
(Gain) on disposal of property, plant and equipment	(17,758)	(1,667)	-	-
(Gain) on disposal of investments	(12,516)	(7,059)	(17,727)	(145)
Share of net profits of associates and joint ventures	(27,686)	(112)	-	-
Interest (income)	(4,938)	(2,114)	(2,412)	(1,434)
Interest expenses	17,203	7,030	4,223	366
Deferred taxes	6,970	(6,389)	-	-
Current income tax expenses	6,966	11,567	-	-
Allowance for receivables	1,346	141	-	-
Allowance for inventories	643	-	-	-
Change in provisions	105	-	-	-
Dividend income	-	(166)	(18,302)	(9,576)
Loss (gain) from other financial activities	1,411	(13,187)	4	39
	17,554	47,982	(5,271)	(1,053)
Changes in working capital:				
(Increase) decrease in inventories	(22,268)	9,661	-	-
Decrease (increase) in trade and other receivables	13,154	35,827	10,444	(831)
Decrease in other current assets	10,696	-	45	-
(Decrease) increase in trade payables	(24,925)	(9,994)	(8,872)	1,095
Income tax paid	(2,260)	(10,129)	621	(1,472)
(Decrease) increase in other current liabilities	(8,934)	-	631	-
Net cash flows (to) from operating activities	(16,983)	73,347	(2,402)	(2,261)

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Consolidated and parent Company's cash flow statements (cont'd)

	Group		Company	
	2006	2005	2006	2005
Cash flows from (to) investing activities				
(Acquisition) of tangible non-current assets (except investment properties)	(48,347)	(48,574)	(449)	(224)
Proceeds from sale of tangible non-current assets (except investment properties)	11,040	30,276	67	-
(Acquisition) of investment properties	(90,259)	(77,938)	-	-
Proceeds of sale of investment properties	17,573	-	-	-
(Acquisition) of subsidiaries, net of cash acquired	(4,214)	(86,475)	(12,104)	(40,356)
Proceeds from sales of subsidiaries	23,726	12,214	38,504	-
(Acquisition) of associates	(98,705)	(63,154)	(85,763)	-
Proceeds from sales of associates	17,193	-	15,484	-
Loans (granted)	(9,997)	(27,961)	(119,186)	(11,449)
Repayment of granted loans	15,906	-	107,132	-
Dividends received	869	166	25,502	9,576
Interest received	4,938	2,114	276	1,434
(Acquisition) of minority interest	(2,330)	-	-	-
Other cash flow from investing activities	(121)	-	-	-
Net cash flows (to) investing activities	(162,728)	(259,332)	(30,537)	(41,019)
Cash flows from (to) financing activities				
Cash flows related to company shareholders				
Issue of shares	-	16,730	-	16,730
Dividends (paid)	(8,347)	(6,063)	(7,918)	(6,063)
Dividends to minority	(15,914)	-	-	-
	(24,261)	10,667	(7,918)	10,667
Cash flows related to other sources of financing				
Proceeds from loans	286,944	218,586	105,574	31,850
Issue of bonds	6,000	-	-	-
(Repayment) of loans	(99,691)	(13,036)	(62,016)	-
Interest (paid)	(17,203)	(7,030)	(2,619)	(366)
Financial lease (payments)	(334)	-	-	-
Other cash flows from financing activities	4,678	-	-	-
	180,394	198,520	40,939	31,484
Net cash flows from financial activities	156,133	209,187	33,021	42,151
Impact of currency exchange on cash and cash equivalents	(10)	-	(4)	-
Net (decrease) increase in cash and cash equivalents	(23,588)	23,202	78	(1,129)
Cash and cash equivalents at the beginning of the year	32,749	9,547	4	1,133
Cash and cash equivalents at the end of the year	9,161	32,749	82	4

(the end)

AB INVALDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006**

(all amounts are in LTL thousand unless otherwise stated)

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

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

Šeimyniškių St. 3,
Vilnius,
Lithuania.

The Company is a holding entity and is engaged in investment and reinvestment in securities and supervision of business activities of controlled companies. The main activities of the Group include investments to real estate, financial mediation, pharmacy, furniture manufacturing, hotel management, road and bridge construction, other production and services.

The Company's shares are traded on the Current List of Vilnius Stock Exchange.

As of 31 December 2006 and 2005 the shareholders of the Company were:

	2006		2005	
	Number of shares held	Percentage	Number of shares held	Percentage
UAB Nenuorama	9,448,043	20.99%	9,488,043	22.73%
Mr. Dailius Juozapas Mišeikis	6,792,556	15.09%	6,792,556	16.28%
Mr. Vytautas Bučas	5,882,003	13.07%	5,882,003	14.09%
Mr. Alvydas Banys	5,364,493	11.92%	5,324,493	12.76%
Mr. Darius Šulnis	4,471,762	9.94%	1,317,323	3.16%
Other minor shareholders	13,049,519	28.99%	12,930,244	30.98%
Total	45,008,376	100.00%	41,734,662	100.00%

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as of 31 December 2006 and 2005. On 21 November 2005 the share capital of the Company was increased to LTL 41,734,662 by issuing 1,317,323 ordinary shares with the par value of LTL 1 each. On 30 June 2006 the share capital of the Company was increased to LTL 45,008,376 by issuing 3,273,714 ordinary shares with the par value of LTL 1 each. Subsidiaries and associated companies did not hold any shares of the Company as of 31 December 2006 and 2005. The Company did not hold its own shares.

As of 31 December 2006, the number of employees of the Company was 11 (as of 31 December 2005 – 6). As of 31 December 2006, the number of employees of the Group was 2,066 (as of 31 December 2005 – 2,795).

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

The Group consists of the Company and the following subsidiaries (hereinafter referred to as "the Group"):

Company	Registration country	31 December 2006		31 December 2005		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
AB Invaldos Nekilnojamojo Turto Fondas	Lithuania	56.21	6,557	56.21	6,557	Real estate investor Real estate management and administration
UAB Invalda Real Estate	Lithuania	100.00	764	100.00	764	Holding company
UAB Pozityvios Investicijos*	Lithuania	-	-	75.00	356	Financial mediation
AB FMĮ Finasta	Lithuania	100.00	7,202	100.00	7,352	Financial mediation
AB Finasta Įmonių Finansai**	Lithuania	100.00	150	-	-	Financial mediation
AB Vilniaus baldai	Lithuania	68.90	11,133	68.75	11,019	Furniture manufacturing
AB Valmeda	Lithuania	100.00	7,805	100.00	15,005	Hotel management
UAB Kelionių Viešbučiai	Lithuania	100.00	50	100.00	50	Hotel management
AB Minija	Lithuania	88.88	6,496	66.16	4,831	Furniture manufacturing
UAB Saulės Investicija**	Lithuania	75.00	150	-	-	Real estate investor Intermediation in operation with real estate, property valuation
UAB Inreal**	Lithuania	100.00	400	-	-	Construction management
UAB Invalda Construction Management	Lithuania	100.00	367	75.00*	367	Financial mediation
UAB Finasta Investicijų Valdymas	Lithuania	100.00	2,609	75.00*	1,100	Real estate investor
UAB PVP Nida	Lithuania	100.00	10	75.00*	10	Financial mediation
UAB DB Voltera	Lithuania	69.42	62	52.07*	62	Real estate investor
UAB Aikstentis	Lithuania	75.00	8	56.25*	8	Real estate investor
UAB Broner	Lithuania	73.35	6,227	72.84*	6,197	Real estate investor
UAB Wembley Neringa	Lithuania	63.39	400	63.39*	400	Real estate investor
UAB Finansų Spektras	Lithuania	100.00	1,000	75.00*	1,000	Financial mediation
UAB Finansų Spektro Investicija	Lithuania	100.00	703	75.00*	703	Financial mediation
UAB Finasta Rizikos Valdymas	Lithuania	100.00	97	100.00	10	Financial mediation
UAB Hidroprojektas	Lithuania	97.99	2,274	73.49*	2,274	Production and services
UAB Vilniaus Senamiesčio Restauravimo Direkcija	Lithuania	100.00	1,978	75.00*	1,978	Real estate investor
UAB Trakų kelias	Lithuania	100.00	512	75.00*	512	Real estate investor
UAB Naujoji Švara	Lithuania	100.00	1,501	75.00*	1,501	Real estate investor
UAB Ineturas	Lithuania	100.00	2,000	75.00*	2,000	Real estate investor
UAB Invalda Service	Lithuania	100.00	500	75.00*	500	Facility management
UAB Kelio Ženkilai	Lithuania	100.00	1,520	75.00*	1,520	Road signs production, furniture manufacturing
OOO Bazilika	Russia	100.00	471	63.75*	471	Furniture manufacturing
OOO Bazilika Invest	Russia	100.00	1	63.75*	1	Furniture manufacturing
UAB Ekotra	Lithuania	100.00	500	75.00*	500	Real estate investor
UAB IBC Logistika	Lithuania	100.00	1,400	75.00*	1,400	Real estate investor
UAB Saistas	Lithuania	100.00	1,884	48.76*	1,219	Real estate investor

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CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

Company	Registration country	31 December 2006		31 December 2005		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
SIA Inreal	Latvia	100.00	499	75.00*	152	Intermediation in operation with real estate, property valuation
SIA Gravity	Latvia	100.00	766	-	-	Real estate investor
AB Sanitas	Lithuania	-	-	43.12	26,140	Pharmacy
UAB Altisana	Lithuania	-	-	43.12	1,413	Pharmacy
Hoechst-Biotika s.r. o.	Slovenia	-	-	43.12	43,985	Pharmacy
Inreal LLC	Ukraine	87.79	1,080	60.00*	225	Intermediation in operation with real estate, property valuation
Incredo LLC**	Ukraine	100.00	27	-	-	Real estate investor
UAB Šimtamargis**	Lithuania	100.00	300	-	-	Real estate investor
Finasta Asset Management AS**	Latvia	100.00	496	-	-	Financial mediation
UAB Nerijos Būstas	Lithuania	100.00	1,000	75.00*	10	Real estate investor
UAB Riešės Investicija**	Lithuania	100.00	1,500	-	-	Real estate investor
Finasta LLC**	Ukraine	100.00	322	-	-	Financial mediation
UAB Dizaino Institutas	Lithuania	100.00	2,677	-	-	Real estate investor
UAB Apželdinimas	Lithuania	-	-	75.00*	17,000	Real estate investor
AB Klaipėdos Konditerija	Lithuania	-	-	98.13	4,288	Production and services
			<u>75,398</u>		<u>162,880</u>	
Less indirect ownership Investments into subsidiaries (Company)			(8,257)		(92,188)	
			<u>67,141</u>		<u>70,692</u>	

(the end)

* On 30 June 2006 AB Pozityvios Investicijos was merged to the Company. Consequently the Company became the direct shareholder of the subsidiaries held by UAB Pozityvios Investicijos, the effective share of the Group in these companies increased.

**These companies were newly established in 2006.

In June 2006 the Company acquired UAB Dizaino Institutas and in May 2006 – SIA Gravity (in 2005 AB Pozityvios investicijos owned 49% of SIA Gravity shares).

AB Klaipėdos Konditerija was sold in August 2006, UAB Apželdinimas in September 2006 (Note 4).

In April 2006 AB Sanitas issued new shares emission designated to finance the acquisition of Jelfa S.A. Due to the fact that other investors acquired bigger share, the share of AB Invalida effectively was diluted. Accordingly, following IFRS, AB Sanitas group was deemed as disposed since the issue of new shares and became an associate.

As of 31 December 2005 the Company together with its related parties had more than 50% of shares in AB Sanitas. Accordingly, AB Sanitas was consolidated as a subsidiary.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006**

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

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

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year	Assets	Share-holders equity	Liabilities	Revenue	Main activities
AB Umega	21.37	2,684	1,196	14,221	3,730	10,491	28,085	Production and services
UAB Panevėžio Melioracija	26.09	454	541	7,443	6,633	810	7,596	Production and services
UAB Girių Bizonas	17.34	26,250	(2,544)	264,374	57,456	206,918	109,938	Furniture manufacturing
UAB VIPC Klaipėda	42.00	3,672	343	36,230	22,662	13,568	1,193	Real estate investor
UAB ŽVF Projektai	21.46	2	(4)	37	5	32	-	Investment property
UAB Žemės Vystymo Fondas	21.46	161	190	8,030	3,156	4,874	712	Investment property
UAB Žemės Vystymo Fondas 11	21.46	21	5	7,769	2,058	5,711	1,007	Investment property
UAB Žemės Vystymo Fondas 12	21.46	21	(56)	4,927	25	4,902	371	Investment property
AB Agrovaldymo grupė	21.46	355	4,856	92,426	41,774	50,652	36,379	Agriculture
UAB Žemės Vystymo Fondas 14	21.46	2	(88)	1,427	(78)	1,505	-	Investment property
UAB Žemės Vystymo Fondas 15	21.46	2	(21)	373	(11)	384	-	Investment property
UAB Žemės Vystymo Fondas 16	21.46	2	(2)	8	8	-	-	Investment property
UAB Žemės Vystymo Grupė 3	21.46	21	(109)	1,603	(10)	1,613	7	Investment property
UAB Žemės Vystymo Grupė 4	21.46	2	(2)	8	8	-	-	Investment property
UAB Žemės Vystymo Grupė 5	21.46	2	(2)	8	8	-	-	Investment property
UAB Žemės Vystymo Grupė 6	21.46	2	(2)	8	8	-	-	Investment property
AB Sanitas Group	34.71	105,276	(7,335)	725,453	310,898	414,555	179,582	Pharmacy Roads and bridge construction
AB Kauno Tiltai Group	38.59	12,625	7,552	138,491	41,427	97,064	158,607	
		151,554						
Less other than Company's interest		(38,417)						
Investment into associates (Company)		113,137						

AB Kauno Tiltai holds 100% shares of UAB Taurakelis, UAB Kėdainių Automobilių Keliai, UAB Ekvairas and 24.97% shares of UAB Kelprojektas, 30.30% shares of MPRD Lenkija, 50% shares of TUB Konsorciumas Tiltra. AB Sanitas holds 100% shares of UAB Altisana, Hoechst-Biotika s.r.o. and Jelfa S.A. UAB Girių Bizonas is an associate of AB Vilniaus Baldai.

In the beginning of 2006 the joint venture of AB Invalda group UAB Kelesta acquired and latter was merged to AB Kauno Tiltai, a roads and bridge construction company. On this transaction AB Invalda share decreased to 38.59%. The Group has significant influence over the operating activities of AB Kauno Tiltai Group.

Associates of the Group as of 31 December 2005 were as follows (amounts stated relate to 100% of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting year	Assets	Share-holders equity	Liabilities	Revenue	Main activities
AB Umega	21.37	2,684	588	9,150	2,989	6,161	20,183	Production and services
AB Panevėžio Melioracija	19.57	454	1,235	7,443	6,347	1,096	11,097	Production and services
UAB Girių Bizonas	16.72	25,000	(1,094)	138,839	58,749	80,090	85,747	Furniture manufacturing
UAB VIPC Klaipėda	31.50	3,672	(1,050)	7,626	(1,038)	8,664	321	Real estate investor
UAB Žemės Vystymo Fondas 11	7.49	10	(257)	3,962	(157)	4,119	25	Investment property
UAB Žemės Vystymo Fondas	7.49	10	(352)	4,468	(279)	4,747	263	Investment property
AB Agrovaldymo Grupė	18.75	350	5,273	60,543	19,419	41,124	30,263	Agriculture
SIA Gravity (Latvia)	36.75	12	(171)	1,752	(146)	1,898	-	Real estate investor
		32,192						
Less other than Company's interest		(29,508)						
Investment into associates (Company)		2,684						

All investments into associates are above 20%. The amounts stated in the table are below 20% as these associates are held by not fully owned subsidiaries of the Company.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006**

(all amounts are in LTL thousand unless otherwise stated)

1 General information (cont'd)

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

Joint venture	Registration country	Description
SIA Industrial and Logistics Centre Lapegles Group	Latvia	Real estate investor, management and administration
SIA Ammo	Latvia	Real estate investor
UAB MBGK Group	Lithuania	Real estate investor
UAB Laikinosios Sostinės Projektai	Lithuania	Real estate investor
UAB DOMMO Nerija	Lithuania	Real estate investor
Amber Viking Capital LLC	Ukraine	Production and services enterprises

SIA Industrial and Logistics Centre "Lapegles" subgroup includes 100% subsidiaries SIA Dommo, SIA Celniecibas Pasaule, SIA Dommo Biznesa Parks, SIA DB 120, SIA Sidateks, SIA Invest MIA (four last-mentioned companies are in the Group from 2006).

UAB MBGK subgroup comprises AB Invetex and AB Verpstas NT.

Group had a 50% share holding in the following jointly controlled entities in 2005:

Joint venture	Registration country	Description
SIA Industrial and Logistics Centre "Lapegles" Group	Latvia	Real estate investor, management and administration
SIA Ammo	Latvia	Real estate investor
UAB DOMMO Nerija	Lithuania	Real estate investor
UAB Kelesta	Lithuania	Roads and bridge construction
Amber Viking Capital LLC	Ukraine	Production and services enterprises

The share of the assets, liabilities, income and expenses of the jointly controlled entities at 31 December 2006 and 2005 and for the years then ended are as follows (amounts stated relate to 100% of these entities):

	2006	2005
Current assets	27,807	9,456
Non-current assets	209,567	160,844
Total assets	237,374	170,300
Current liabilities	104,790	10,309
Non-current liabilities	83,066	133,659
Total liabilities	187,856	143,968
Revenue	64,724	98
Expenses	(18,737)	(2,393)
Profit before income tax	45,987	(2,295)
Income tax expenses	(12,657)	-
Net profit	33,330	(2,295)

The Company's interest in joint ventures as of 31 December 2006 was LTL 5,660 thousand, as of 31 December of 2005 was LTL 10,000 thousand.

2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for the year ended 31 December 2006 are as follows:

2.1. Basis of preparation

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

Statement of compliance

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

Basis of consolidation

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

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

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interest by the Group are accounted using the Entity concept method, i.e. the difference between the carrying value of the net assets acquired from the minority in the Group's financial statements and the acquisition price is accounted directly in equity.

Functional and presentation currency

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

As of the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Company (LTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group and the Company have adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IAS 19 Amendment-Employee Benefits;
- IAS 21 Amendment-The Effects of Changes in Foreign Exchange Rates;
- IAS 39 Amendments-Financial Instruments: Recognition and Measurement;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6 Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment.

Adoption of these revised standards and interpretations had no material effect on the financial statements of the Group and the Company.

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

- IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 supersedes IAS 14 Segment Reporting once adopted by EU.
- amendments to IAS 1 ("Capital Disclosures") (effective for annual periods beginning on or after 1 January 2007). This amendment requires the Company and the Group to make new disclosures to enable users of the financial statements to evaluate the Company's and the Group's objectives, policies and processes of managing capital.
- IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006). This interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period.
- IFRIC 8 Scope of IFRS 2 (effective after endorsed by European Union, but not earlier than 1 May 2006). This interpretation requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.
- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation establishes that the entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Adoption of new and/or changed IFRSs and IFRIC interpretations (cont'd)

- IFRIC 12 Service Concession Agreements (effective after endorsed by European Union, but not earlier than 1 January 2008). The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements once adopted by EU.
- Amendments to IAS 23 Borrowing Costs (effective once adopted by the EU but not earlier than for annual periods beginning 1 January 2009, earlier application permitted). Revised IAS 23 requires that all borrowing costs must be capitalised to the extent they are directly attributable to the acquisition, construction or production of a qualifying asset. The choice to immediately recognise such costs as an expense is eliminated.

The Group and the Company expect that adoption of the pronouncements listed above as they become effective will have no significant impact on their financial statements, except for additional disclosures on IFRS 7. The Company and the Group are still estimating the impact of these requirements.

2.2. Property, plant and equipment

Hotels

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

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

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

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

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

Other property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

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

Buildings	8-80 years
Machinery and equipment	4-25 years
Vehicles	4-10 years
Other non-current assets	1.5-15 years

2 Accounting principles (cont'd)

2.2. Property, plant and equipment (cont'd)

Other property, plant and equipment (cont'd)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Construction in progress represents plant and properties under construction and is stated at cost. This includes the cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until the relevant assets are completed and put into operations.

2.3. Investment properties

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

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

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

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

2.4. Intangible assets

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

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 2-10 years.

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

2 Accounting principles (cont'd)

2.4. Intangible assets (cont'd)

Patents and licences

The patents have been granted for a period from 2 to 10 years by the relevant government agency with the option of renewal at the end of this period. The licences provide the option for renewal based on whether the Group meets the conditions of the licence and may be renewed at little or no cost to the Group.

The asset's residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from intangibles.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5. Investment in associates

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

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

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

2.6. Investment in joint ventures

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

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

2 Accounting principles (cont'd)

2.7. Impairment of non-financial assets

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

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

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

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

Goodwill

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

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

2.8. Investments and other financial assets

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

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

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

2 Accounting principles (cont'd)

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

Financial assets at fair value through profit or loss

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in profit and loss.

Loans and receivables

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

Current receivables are subsequently carried at cost less impairment.

Held-to-maturity investments

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

Available-for-sale financial investments

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

Fair value

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

2 Accounting principles (cont'd)

2.9. Inventories

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

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

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

2.10. Cash and cash equivalents

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

2.11. Interest bearing loans and borrowings

Borrowings are initially recognised at the fair value less directly attributable transaction costs. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings.

2.12. Lease

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

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

Where reassessment is made, lease accounting is commenced or ceased from the date when the change in circumstances gave rise to the reassessment or at the date of renewal or extension period.

2 Accounting principles (cont'd)

2.12. Lease (cont'd)

Financial lease

Group as a lessee

The Group recognizes financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Group's composite interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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

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

Operating lease

Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

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

2.13. Revenue recognition

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

Sale of goods

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

Long term contracts

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

2 Accounting principles (cont'd)

2.13. Revenue recognition (cont'd)

Rental income

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

Interest income

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

Dividend income

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

2.14. Borrowing costs

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

2.15. Income tax and deferred tax

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

In 2005 the standard income tax rate in Lithuania was 15%. On 1 January 2006 the Provisional Social Tax Law came into effect, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006, companies will have to pay an additional 4% tax calculated based on the income tax principles, and for the following year a 3% tax starting from 1 January 2007. After the year 2007 the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%.

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

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

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

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

2.16. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the government grant relates to an expense item, it is recognised as income over the period necessary to match the government grant on a systematic basis to the costs that it is intended to compensate. Where the government grant relates to an asset, it is set up as deferred income.

2 Accounting principles (cont'd)

2.17. Segments

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

In these financial statements secondary information is reported geographically. The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

2.18. Provisions

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

2.19. Use of estimates in the preparation of financial statements

Estimates and assumptions

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

Uncertainties relating to estimates

The preparation of the financial statements requires to a certain extent assumptions and estimates to be made which have an effect on the carrying amounts of recognised assets and liabilities, income and expenses and contingent liabilities. The assumptions and estimates are based on parameters which are derived from the current knowledge at the time. In particular, the circumstances prevailing at the time of preparing the financial statements and the realistic future development of the global and industry environment were used to estimate cash flows. Where these conditions develop differently than assumed, and beyond the sphere of influence of management, the actual figures may differ from those anticipated. If there are deviations between actual and anticipated development, the assumptions, and where necessary, the carrying amounts of the relevant assets and liabilities, are adjusted accordingly.

At the date of preparing the financial statements, the underlying assumptions and estimates were not subject to any significant risk such that from today's point of view, it is not likely that the carrying amounts of assets and liabilities will have to be adjusted significantly in the subsequent fiscal year.

2 Accounting principles (cont'd)

2.20. Contingencies

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

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

2.21. Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

2.22. Subsequent events

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

2.23. Comparative figures

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

The Group has changed the presentation of income statement from disclosing expenses by function to expenses by nature, as it better reflects the specifics of the Group.

3 Changes in accounting policies and other corrections

Hotels

Until the year 2006 hotels assets were accounted at cost less accumulated depreciation and impairment losses, if any. In 2006 the Group changed accounting principles adopting the common industry practice and changed the accounting policy for hotels to fair value model as defined under IAS 16 requirements. The management of the Group believes that the change in accounting policy will result in more relevant information in the financial statements.

The change of accounting for hotels assets was accounted for following the requirements of IAS 8. Due to the fact that the Company adopted IFRS in the year 2005 for the first time and the Lithuanian accounting legislation did not require the disclosure on fair value of hotels, the fair value of hotels as of 1 January 2005 was not evaluated. Therefore, the changes in accounting policies were accounted for by making corresponding adjustment to the balances as of 31 December 2005/1 January 2006, as this year was the earliest period for which retrospective application was practicable.

Due to this change, the hotels balance as of 31 December 2005 increased by LTL 22,215 thousand by reclassifying from other property, plant and equipment balance.

Investment properties

Until the year 2006 the investment properties were accounted at cost less accumulated depreciation and impairment losses, if any. In 2006 the Group changed accounting principles adopting the common industry practice and changed the accounting policy for investment properties to fair value model as defined under IAS 40 requirements. The management of the Group believes that the change in accounting policy will result in more reliable information in the financial statements.

The change of accounting for investment property was accounted for following the requirements of IAS 8. While adopting IFRS in the year 2005 for the first time the Group did not disclose the fair value of investment properties as of 31 December 2004, which was not in accordance with IAS 40 "Investment properties" disclosure requirements. In the year 2004 and afterwards the real estate prices increased significantly in the Lithuanian real estate market and, therefore, it is not practicable to assess the fair value of investment properties as of 31 December 2004 while preparing the financial statements for the year ended 31 December 2006. Therefore, the changes in accounting policies were accounted for by making corresponding adjustment to the balances as of 31 December 2005/1 January 2006, as this year was the earliest period for which retrospective application was practicable.

Due to this change, the investment property balance as of 31 December 2005 increased by LTL 166,481 thousand.

The amounts in the income statement for the year 2005 remained unchanged, and therefore, the valuation result of investment property result is not presented, depreciation expenses related to investment property amounting to LTL 3,294 remained unchanged. Due to this, the change of accounting policy did not result in any changes in earnings per share for the year ended 31 December 2005.

During the evaluation process there were several investment property items identified which were previously included in property, plant and equipment and held for sale items. Classification (at net book values, before effect of change in accounting principles, as described above) was adjusted accordingly.

Minority acquisitions

In 2005 and previous years accounting policy for accounting of acquisitions of minority interest in the subsidiaries was not clearly defined, due to lack of clear authoritative pronouncements in IFRS. Therefore the group applied different methods to account for acquisitions of minority interest. In 2006 the Company decided to consistently apply the entity method. According to this approach any differences between the acquisition price for minority interests and the minority interests recognized before the acquisition are directly recognized in retained earnings. Therefore the prior year transactions were reviewed and the transactions accounted using other than entity method were restated as of 31 December 2005/1 January 2006. The management of the Group believes that the change in accounting policy results in a more relevant and reliable information in the financial statements.

3 Changes in accounting policies and other corrections (cont'd)

Error corrections

Even though acquisition of subsidiary UAB Apželdinimas in 2005 was accounted for finally, in 2006 it was found out that fair value of net assets as of the date of acquisition were incorrect. The Group has corrected an error what resulted in an increase in the value of property, plant and equipment by LTL 20,423 thousand with respective change in goodwill and deferred tax liability balances.

Even though acquisition of subsidiary UAB Saistas in 2005 was accounted for finally, in 2006 it was found out that fair value of net assets as of the date of acquisition were incorrect. The Group has corrected an error what resulted in an increase in the value of property, plant and equipment by LTL 2,430 thousand with respective change in goodwill and deferred tax liability balances.

It appeared that in 2005 investments in associate UAB Girių Bizonas was overstated by amount of LTL 10,005 thousand; and the minority acquisition of AB Sanitas amounting to LTL 6,317 thousand and minority acquisition of AB Vilniaus Baldai amounting to LTL 2,937 thousand performed by other Group companies was accounted not in accordance with the Group accounting policy, therefore these were corrected in these financial statements.

The Group's subsidiary Hoechst-Biotika s.r.o. is required by law to pay certain benefits to employees upon their retirement. In addition, this company is obliged under a trade union agreement to pay jubilee benefits to employees who have served a specified number of years of employment. Hoechst-Biotika s.r.o. did not recognise a provision for such employee's benefits in prior accounting periods. As a result, a provision of LTL 1,049 thousand (SKK 11,493 thousand) was recorded and the error was corrected in these financial statements.

Due to change in accounting policy and error corrections as outlined above the minority interest was recalculated and decreased by LTL 16,086 thousand. The goodwill amount decreased by LTL 6,039 thousand.

Furthermore, in previous years pre-acquisitions reserves on consolidation were not eliminated but rather retained earnings balance were adjusted. Having corrected errors as described above the Group also corrected elimination of pre-acquisition reserves.

All these error corrections were adjusted as of 31 December 2005/1 January 2006 as it was impracticable to recapture the data required for a retrospective correction as of 1 January 2005

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(all amounts are in LTL thousand unless otherwise stated)

3 Changes in accounting policies and other corrections (cont'd)

The effect of these corrections on the Group's comparative information for 2005 is as follows:

	As stated earlier	Assets reclassification	UAB Apželdinimas fair value at acquisition	Fair value model for investment properties and hotel	Errors and change in accounting policies related to acquisitions and minority acquisitions and other	Restated amounts
Balance sheet						
Assets:						
Property, plant and equipment	220,268	(55,962)	-	-	2,430	166,736
Hotels property	-	28,979	-	22,215	-	51,194
Investment property	75,964	33,170	20,423	166,481	-	296,038
Intangible assets	31,984	-	(16,542)	-	(6,039)	9,403
Investments in associates	51,886	-	-	-	(10,005)	41,881
Other current investments	32,278	-	-	-	(9,254)	23,024
Deferred tax assets	10,400	9	-	(7,074)	(174)	3,161
Trade and other receivables	93,026	-	-	-	204	93,230
Non-current assets classified as held for sale	26,962	(6,196)	-	-	-	20,766
Other assets	106,299	-	-	-	-	106,299
Total assets	649,067	-	3,881	181,622	(22,838)	811,732
Equity:						
Share premium	19,446	-	-	-	369	19,815
Reserves	26,645	-	-	15,323	(9,044)	32,924
Retained earnings	45,467	-	-	101,378	189	147,034
Minority interest	67,921	-	-	41,947	(16,086)	93,782
Non-current liabilities:						
Deferred tax liability	4,079	-	3,881	22,974	685	31,619
Provisions	-	-	-	-	1,049	1,049
Other liabilities	485,509	-	-	-	-	485,509
Total equity and liabilities as of 31 December 2005	649,067	-	3,881	181,622	(22,838)	811,732

Changes of accounting policy and error corrections did not resulted in any changes in earnings per share for the year ended 31 December 2005.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006**

(all amounts are in LTL thousand unless otherwise stated)

4 Business combinations and acquisition of minority interests

Acquisitions in 2006

UAB Medicinos Banko Investicijų Valdymas

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

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

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

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

AB INVALDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006**

(all amounts are in LTL thousand unless otherwise stated)

4 Business combinations and acquisition of minority interests (cont'd)*UAB Dizaino Institutas*

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

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

SIA Gravity

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

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

Other

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

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

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

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

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4 Business combinations and acquisition of minority interests (cont'd)

Disposals in 2006

AB Sanitas

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

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

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

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(all amounts are in LTL thousand unless otherwise stated)**4 Business combinations and acquisition of minority interests (cont'd)***AB Klaipėdos Konditerija*

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

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

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

UAB Apželdinimas

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

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

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

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(all amounts are in LTL thousand unless otherwise stated)

4 Business combinations and acquisition of minority interests (cont'd)

Acquisitions in 2005

Hoechst-Biotika s.r. o.

On 27 July 2005 the Group acquired 100% of Hoechst-Biotika s.r. o. shares (acquired by the subsidiary AB Sanitas, at that time effective ownership of the Group was 43.12%). The acquired company produces and distributes medicines, mainly injection preparations, tablets and ointments.

The fair value of the identifiable assets and liabilities of Hoechst-Biotika s.r.o. as at the date of acquisition were:

	Fair value recognised on acquisition (restated)
Property, plant and equipment	35,945
Intangible assets	109
Other non-current assets	550
Inventories	17,623
Trade receivables	25,300
Other current assets	958
Total assets	80,485
Current financial liabilities	11,766
Trade and other creditors	21,784
Equity minority interest	26,697
Total liabilities	60,247
Net assets	20,238
Goodwill arising on acquisition	(1,272)
Total consideration	18,966
Cash acquired	(957)
Total purchase consideration, net of cash acquired	18,009

Recognised fair value of Hoechst-Biotika s.r. o. liabilities at acquisition moment were corrected in this reporting period due to provision of employees benefits in total amount of LTL 1,049 thousand.

The fair value of these assets and liabilities of Hoechst-Biotika s.r. o. at acquisition moment approximated the carrying values of assets and liabilities.

The disclosure of the Group's revenue and net result if the acquisition of subsidiary Hoechst-Biotika s.r. o. had been performed as of 1 January 2005 would be impracticable as all product licenses, trade marks, major sales and supply contracts of the acquired subsidiary in force before the acquisition were cancelled or removed from disposition of the Group as part of the transaction. After this acquisition the Group company AB Sanitas started to negotiate with new contractors for toll manufacturing, to transfer it's own products to Hoechst-Biotika s.r. o.

4 Business combinations and acquisition of minority interests (cont'd)*UAB Apželdinimas*

On 17 June 2005 the Group acquired all the shares in UAB Apželdinimas domiciled in Kaunas, Lithuania. The company is engaged in landscape planning, however, business activities currently are insignificant. This acquisition is considered by the Group as an investment into real estate to be developed in Kaunas, Antakalnio St. 40, subject to obtaining reconstruction permission from the Kaunas city municipality.

The carrying and the fair values of the identifiable assets and liabilities of UAB Apželdinimas as at the date of acquisition were:

	Carrying value	Fair value recognised on acquisition
Investment property	755	21,178
Property, plant and equipment	37	37
Inventories	7	7
Trade receivables	28	28
Other current assets	6	6
Total assets	833	21,256
Trade and other liabilities	(376)	(376)
Deferred tax liabilities	-	(3,880)
Liabilities	(376)	(4,256)
Net assets	457	17,000
Goodwill arising on acquisition		-
Total consideration		17,000
Cash acquired		6
Total purchase consideration, net of cash acquired		16,994

If the acquisition of UAB Apželdinimas would had been performed as of 1 January 2005, the revenue and the net result of the Group would not differ materially.

Even though acquisition of subsidiary UAB Apželdinimas in 2005 was accounted for finally, in 2006 it was found out that fair value of net assets as of the date of acquisition were incorrect. The Group has corrected an error what resulted the increase in value of property, plant and equipment by LTL 20,423 thousand with respective change in goodwill and deferred tax liability balances.

5 Segment information

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

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

Real estate

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

Financial mediation

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

Pharmacy

The pharmacy segment produces injections preparations, tablets, ointments.

Furniture production

The furniture segment includes furniture design, production and sale.

Hotels management

The hotels management segment renders room revenue, restaurant revenue, conference facilities revenue.

Roads and bridge construction

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

Other production and service segments

The other production and service segment is involved in designing water management objects, agricultural investment, hardware articles production, land reclamation works and other.

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

The Company is operating in one geographical and business segment.

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(all amounts are in LTL thousand unless otherwise stated)

5 Segment information (cont'd)

The following tables present revenues and profit and certain assets and liabilities information regarding the Group's business segments:

Year ended 31 December 2006	Real estate	Financial mediation	Pharmacy	Furniture production	Hotels mana- gement	Roads and bridge construction	Other production and service	Elimina- tion and other	Total
Revenue									
Sales to external customers	35,702	24,825	16,171	133,539	14,020	-	14,092	-	238,349
Inter-segment sales	2,091	5,650	-	70	555	-	110	(8,476)	-
Total revenue	37,793	30,475	16,171	133,609	14,575	-	14,202	(8,476)	238,349
Results									
Other income	54,934	4,585	4,314	1,795	104	-	1,474	-	67,206
Unallocated income	-	-	-	-	-	-	-	9,576	9,576
Segment expenses	(44,109)	(25,135)	(16,077)	(142,318)	(12,458)	-	(8,620)	482	(248,235)
Unallocated expenses	-	-	-	-	-	-	-	(5,094)	(5,094)
Share of profit of the associates and joint ventures	27,012	-	(4,277)	(987)	-	2,915	3,023	-	27,686
Profit (loss) before income tax	75,630	9,925	131	(7,901)	2,221	2,915	10,079	(3,512)	89,488
Income tax expenses	(7,787)	(2,007)	(330)	197	(435)	-	(3,574)	-	(13,936)
Net profit for the year	67,843	7,918	(199)	(7,704)	1,786	2,915	6,505	(3,512)	75,552

As of 31 December 2006

Assets and liabilities

Segment assets	499,679	112,949	-	102,546	62,173	-	4,204	(50,670)	730,881
Investment in associate	41,621	-	107,905	17,265	-	15,988	3,730	-	186,509
Unallocated assets	-	-	-	-	-	-	-	20,616	20,616
Total assets	541,300	112,949	107,905	119,811	62,173	15,988	7,934	(30,054)	938,006
Segment liabilities	326,529	81,596	-	97,207	34,147	-	1,603	(34,722)	506,360
Unallocated liabilities	-	-	-	-	-	-	-	63,148	63,148
Total liabilities	326,529	81,596	-	97,207	34,147	-	1,603	28,426	569,508

Other segment information

Capital expenditure:

Tangible assets	43,368	610	819	3,202	67	-	281	-	48,347
Investment properties	90,259	-	-	-	-	-	-	-	90,259
Intangible assets	25	134	14	240	10	-	128	-	551
Depreciation and amortization	521	645	2,318	10,443	1,899	-	150	-	15,976
Fair value loss on investment properties	4,601	-	-	-	-	-	-	-	4,601
Impairment losses recognised in income statement	852	-	-	2,128	-	-	-	-	2,980

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5 Segment information (cont'd)

Year ended 31 December 2005	Real estate	Financial mediation	Pharmacy	Furniture production	Hotels management	Not allocated	Total
Revenue	65,104	12,713	62,988	120,117	12,665	22,099	295,686
Results							
Unallocated income	-	-	-	-	-	15,496	15,496
Segment expenses	(54,142)	(10,073)	(57,983)	(114,864)	(10,660)	(19,272)	(266,994)
Share of profit of an associates and joint ventures	-	-	-	-	-	112	112
Profit (loss) before income tax	10,962	2,640	5,005	5,253	2,005	18,435	44,300
Income tax expenses	911	(1,832)	(1,247)	(971)	(284)	(1,755)	(5,178)
Net profit for the year	11,873	808	3,758	4,282	1,721	16,680	39,122
As of 31 December 2005							
Assets and liabilities							
Segment assets	300,943	174,899	146,515	125,063	57,439	6,873	811,732
Segment liabilities	176,686	96,974	93,825	77,484	23,195	8,278	476,442
Other segment information							
Capital expenditure:							
Tangible assets	29,209	751	9,702	26,503	123	297	66,585
Investment properties	98,293	-	-	-	-	-	98,293
Intangible assets	51	130	733	325	5	70	1,314
Depreciation and amortization	3,970	569	7,026	7,364	1,459	428	20,816

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5 Segment information (cont'd)

The Group's geographical segments Lithuania, Slovakia, Latvia and Ukraine are based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding Group's geographical segments:

Year ended 31 December 2006	Lithuania	Slovakia	Latvia	Ukraine	Total
Revenue					
Sales to external customers	232,762	2,483	2,897	207	238,349
Segment revenue	232,762	2,483	2,897	207	238,349
Other segment information					
Segment assets	748,119	-	2,242	1,136	751,497
Investment in an associate	186,509	-	-	-	186,509
Total assets	934,628	-	2,242	1,136	938,006

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

Year ended 31 December 2005	Lithuania	Slovakia	Latvia	Total
Revenue				
Sales to external customers	265,952	27,069	2,665	295,686
Segment revenue	265,952	27,069	2,665	295,686
Other segment information				
Segment assets	715,386	53,646	819	769,851
Investment in an associate	41,881	-	-	41,881
Total assets	757,267	53,646	819	811,732

Capital expenditure:				
Tangible assets	65,825	599	161	66,585
Investment properties	98,293	-	-	98,293
Intangible assets	631	682	1	1,314

There were no material inter-segment sales in 2006 and 2005.

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6 Other revenues and expenses

6.1. Other income

	Group		Company	
	2006	2005	2006	2005
Gain from sales of non-current assets	-	1,786	-	-
Gain on sale of securities	10,307	9,106	17,679	152
Gain on sale of investment properties	6,563	-	-	-
Rent and services	-	1,949	-	-
Proceeds from sales of current assets	-	345	-	-
Excess of subsidiary's net assets acquired over the cost of acquisition (Note 4)	949	-	-	-
Gain on deemed partial disposal of AB Sanitas	3,174	-	-	-
Reversal of impairment loss of receivables and prepayments	-	226	-	-
Other	3,853	1,785	40	30
	<u>24,846</u>	<u>15,197</u>	<u>17,719</u>	<u>182</u>

6.2. Finance expenses

	Group		Company	
	2006	2005	2006	2005
Interest expenses	(17,203)	(7,030)	(4,225)	(366)
Foreign currency exchange loss	(951)	(807)	(4)	-
Other finance expenses	(1,562)	(270)	-	(41)
	<u>(19,716)</u>	<u>(8,107)</u>	<u>(4,229)</u>	<u>(407)</u>

6.3. Finance income

	Group		Company	
	2006	2005	2006	2005
Interest income	4,938	2,114	2,412	1,434
Foreign currency exchange gain	598	940	-	-
Profit from securities held for trading	20	5,010	-	-
Dividend income	-	166	18,302	9,576
Other finance income	484	8,314	-	2
	<u>6,040</u>	<u>16,544</u>	<u>20,714</u>	<u>11,012</u>

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7 Income tax

	Group		Company	
	2006	2005	2006	2005
Income tax expenses				
Current year income tax	(7,115)	(11,486)	(2,444)	-
Prior year current income tax correction	149	(81)	3	66
Deferred tax income (expenses)	(6,970)	6,389	-	-
Income tax (expenses) income charged to the income statement	(13,936)	(5,178)	(2,441)	66
	Group		Company	
	2006	2005	2006	2005
Deferred tax asset		(restated)		
Losses available for offset against future taxable income	1,336	542	-	-
Property, plant and equipment	302	1,620	-	-
Fair value adjustment on investments	95	714	-	-
Receivables	179	50	-	-
Inventories	277	109	-	-
Accruals	219	371	-	-
Provisions		199	-	-
Other	164	106	-	-
Deferred tax asset before valuation allowance	2,572	3,711	-	-
Less: valuation allowance	(339)	(203)	-	-
Deferred income tax asset, net	2,233	3,508	-	-
Asset netted with liability	(1,102)	(347)	-	-
Deferred income tax asset, net	1,131	3,161	-	-
Deferred tax liability				
Property, plant and equipment	(6,130)	(5,918)	-	-
Investment properties	(27,814)	(24,915)	-	-
Investments	(3,132)	(1,133)	-	-
Other	(2)	-	-	-
Deferred income tax liability	(37,078)	(31,966)	-	-
Liability netted with asset	1,102	347	-	-
Deferred income liability asset, net	(35,976)	(31,619)	-	-

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7 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% and 19% rates. Movements in pre-tax components of temporary differences for the Group are as follows:

	Balance as of 31 December 2005	Recognized in income statement	Recognized in equity	Acquired and disposed subsidiaries	Balance as of 31 December 2006
Tax loss carry forward	3,317	5,308	-	(247)	8,378
Property, plant and equipment – asset	8,511	2,015	-	(8,511)	2,015
Property, plant and equipment – liability	(44,861)	66	-	-	(44,795)
Investment property	(155,228)	(51,512)	-	25,825	(180,915)
Investments	(1,964)	(788)	(1,171)	(10,181)	(14,104)
Fair value adjusted on investments	3,756	472	-	(3,756)	472
Receivables	321	826	-	48	1,195
Accruals	1,962	(135)	-	(384)	1,443
Inventories	788	1,057	-	-	1,845
Provisions	1,049	-	-	(1,049)	-
Other assets	519	-	-	-	519
Other liabilities	-	(7)	-	-	(7)
Temporary differences before valuation allowance	(181,830)	(42,698)	(1,171)	1,745	(223,954)
Less: valuation allowance	(1,067)	(2,260)	-	1,067	(2,260)
Total temporary differences	(182,897)	(44,958)	(1,171)	2,812	(226,214)
Deferred income tax, net	(28,458)	(6,970)	(240)	823	(34,845)

The balance of tax loss carry forward as of 31 December 2006 can be carried till 2011.

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

	Group		Company	
	2006	2005	2006	2005
Profit before income tax	89,488	44,300	31,257	9,554
Tax calculated at the tax rate of 19% (2005 – 15%)	(17,003)	(6,645)	(5,939)	(1,433)
Tax non-deductible (expenses)	1,813	404	3,495	1,433
Change in allowance for deferred tax	136	(203)	-	-
Tax loss carry forward expiry (recognition)	(753)	-	-	-
Correction of prior year current income tax	149	68	3	66
Differences of tax rates to subsidiaries	52	(23)	-	-
Change in tax rate	1,670	1,221	-	-
Income tax (expenses) recorded in the income statement	(13,936)	(5,178)	(2,441)	66

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8 Earnings per share

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

The weighted average number of shares for 2006 and 2005 were as follows:

Calculation of weighted average for 2006	Number of shares (thousand)	Par value	Issued/365 (days)	Weighted average (thousand)
Shares issued as of 31 December 2005	41,735	1	365/365	41,735
30 June 2006	3,273	1	184/365	1,650
Shares issued as of 31 December 2006	45,008	1	-	43,385
Calculation of weighted average for 2005	Number of shares (thousand)	Par value	Issued/365 (days)	Weighted average (thousand)
Shares issued as of 31 December 2004	40,417	1	365/365	40,417
2 November 2005	1,318	1	40/365	144
Shares issued as of 31 December 2005	41,735	1	-	40,561

Diluted earnings per share equal basic earnings per share as there were no potential shares issued as of 31 December 2006 and 2005.

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

	2006	2005
Net profit (LTL thousand), attributable to the equity holders of the parent	65,533	20,326
Weighted average number of ordinary shares (thousand)	43,385	40,561
Earnings per share (in LTL)	1.51	0.50

9 Dividends per share

	2006	2005
Dividends approved (LTL thousand)	8,347	6,063
Number of ordinary shares at the date when dividends were declared (thousand)	41,735	40,417
Dividends per share (in LTL)	0.20	0.15

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10 Hotels

	Group	
	2006	2005
		(restated)
Cost:		
Balance at the beginning of the year	53,558	31,343
Additions	-	-
Fair value adjustment	-	22,215
Balance as the end of the year	53,558	53,558
Accumulated depreciation:		
Balance at the beginning of the year	2,364	1,569
Charge for the year	1,373	795
Balance as the end of the year	3,737	2,364
Net book value	49,821	51,194

As of 31 December 2006 hotels with the carrying value of LTL 49,377 thousand were pledged to the banks as collaterals for the loans (Note 24). As of 31 December 2005 hotels with the carrying value LTL 50,720 thousand were pledged to the banks.

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

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11 Other property, plant and equipment
Group

	Land	Buildings	Machinery and equipment	Vehicles	Construction in progress	Other assets	Total
Cost:							
Balance as of 31 December 2004	1,521	44,122	50,228	2,911	15,250	9,925	123,957
Additions	261	1,199	16,507	1,122	44,937	2,559	66,585
Acquisition of subsidiaries	821	47,352	20,244	976	2,072	2,357	73,822
Disposals and write-offs	-	(2,404)	(2,846)	(335)	(1,736)	(1,450)	(8,771)
Transfers	-	2,049	1,346	-	(3,348)	(47)	-
Transfer from/to investment properties	(1,783)	(3,134)	(61)	-	(25,095)	(80)	(30,153)
Foreign currency exchange difference	28	769	373	14	-	30	1,214
Reclassified to held for sale assets	-	(20,526)	(676)	-	-	-	(21,202)
Balance as of 31 December 2005	848	69,427	85,115	4,688	32,080	13,294	205,452
Additions	-	63	1,972	627	43,762	1,923	48,347
Acquisition of subsidiaries	-	3,800	-	-	-	7	3,807
Deemed partial disposal of AB Sanitas	(851)	(25,249)	(17,956)	(825)	(9,736)	(1,242)	(55,859)
Disposals and write-offs	-	(5,340)	(2,602)	(772)	(121)	(2,205)	(11,040)
Transfers	-	421	111	-	(491)	(41)	-
Transfer from/to investment properties	-	(6,322)	-	-	6,012	-	(310)
Foreign currency exchange difference	3	10	13	4	-	5	35
Balance as of 31 December 2006	-	36,810	66,653	3,722	71,506	11,741	190,432
Accumulated depreciation:							
Balance as of 31 December 2004	-	11,021	17,232	1,162	-	4,952	34,367
Charge for the year	-	3,498	10,124	617	-	1,812	16,051
Disposals and write-offs	-	(1,015)	(2,768)	(220)	-	(1,173)	(5,176)
Transfer from/to investment properties	-	(1,063)	(41)	-	-	(67)	(1,171)
Foreign currency exchange difference	-	19	18	-	-	-	37
Reclassified to held for sale assets	-	(5,247)	(145)	-	-	-	(5,392)
Balance as of 31 December 2005	-	7,213	24,420	1,559	-	5,524	38,716
Charge for the year	-	2,167	9,291	551	-	2,086	14,095
Disposals and write-offs	-	(212)	(2,208)	(467)	-	(1,332)	(4,219)
Deemed partial disposal of AB Sanitas	-	(1,728)	(3,458)	(246)	-	(177)	(5,609)
Foreign currency exchange difference	-	-	-	-	-	-	-
Balance as of 31 December 2006	-	7,440	28,045	1,397	-	6,101	42,983
Net book value as of 31 December 2006	-	29,370	38,608	2,325	71,506	5,640	147,449
Net book value as of 31 December 2005	848	62,214	60,695	3,129	32,080	7,770	166,736

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11 Other property, plant and equipment (cont'd)**Company**

	Vehicles	Other property, plant and equipment	Total
Cost:			
Balance as of 31 December 2004	372	326	698
Additions	324	7	331
Disposals	(195)	(216)	(411)
Balance as of 31 December 2005	501	117	618
Additions	228	210	438
Disposals	(117)	(7)	(124)
Balance as of 31 December 2006	612	320	932
Accumulated depreciation:			
Balance as of 31 December 2004	287	235	522
Charge for the year	70	7	77
Disposals	(164)	(141)	(305)
Balance as of 31 December 2005	193	101	294
Charge for the year	89	36	125
Disposals	(111)	(6)	(117)
Balance as of 31 December 2006	171	131	302
Net book value as of 31 December 2006	441	189	630
Net book value as of 31 December 2005	308	16	324

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2006 amounts to LTL 14,095 thousand and LTL 125 thousand, respectively (in the year 2005 respectively LTL 16,051 thousand and LTL 77 thousand).

Property, plant and equipment of the Group with a net book value of LTL 104,427 thousand as of 31 December 2006 (LTL 163,333 thousand as of 31 December 2005) was pledged to banks as a collateral for the loans (see Note 24).

Property, plant and equipment of the Group and the Company with acquisition cost of LTL 10,982 thousand and LTL 147 thousand respectively were fully depreciated as of 31 December 2006 (as of 31 December 2005 respectively LTL 10,725 thousand and LTL 140 thousand) but were still in active use. These assets consist buildings, machinery and equipment, vehicles and other property, plant and equipment.

Borrowing cost incurred by the Group and capitalized to the acquisition, construction or production of a qualifying asset amounted to LTL 1,022 thousand for the year 2006 (nil for the year 2005).

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12 Investment properties

	Investment properties
Fair value as of 31 December 2005	296,038
Additions	90,259
Disposals	(41,200)
Transfer from property, plant and equipment	310
Gain from fair value adjustment	50,497
Loss from fair value adjustment	(4,601)
Fair value as of 31 December 2006	391,303

Investment properties of the Group include office buildings, warehouses, land and flats. Majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 15,394 thousand in 2006 (LTL 9,927 thousand in 2005). The direct operating expenses arising from investment properties that generated rental income during the year 2006 amounted to LTL 7,213 thousand (LTL 6,749 thousand in the year 2005).

Investment properties are stated at fair value, which has been determined based on the valuations performed by UAB OBER-HAUS Nekilnojamias Turtas, an accredited independent valuer, as at 31 December 2006 and 31 December 2005 for the current and previous year respectively. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using Sales comparison approach and Income approach methods. Income approach method is based on the assumption that defined correlation between net activity future income and fair value of the object exists. Capitalisation rate used to determine fair value as of 31 December 2006 was 8% – 9%. Sales comparison approach method refers to the prices of the analogous transactions in the market.

The biggest investment properties additions in year 2006 and 2005 are related to investment properties acquisition from AB Teo group companies by AB Invalidos Nekilnojamiojo Turto Fondas. According to the agreement, part of the investment properties with an acquisition value of LTL 21,500 thousand were acquired at the end of the year 2005. The investment properties with an acquisition value of LTL 50,700 thousand were acquired in the middle of the year 2006.

As disclosed in Note 3 the Group changed the accounting policy applied to investment properties to fair value model in 2006. As the fair value was not evaluated as of 31 December 2004, the table on the next page summarises the prior period amounts according to cost model and change of investment properties balance due to application of the new accounting policy.

Major part of disposals relate to disposal of UAB Apželdinimas (see Note 4 for more details).

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12 Investment property (cont'd)

Group	Investment properties (restated)
Cost:	
Balance as of 31 December 2004	55,663
Additions	77,938
Disposals	(30,884)
Transfers	33,008
Balance as of 31 December 2005	135,725
Accumulated depreciation	
Balance as of 31 December 2004	3,123
Charge for the year	3,294
Disposals	(1,420)
Transfers	1,171
Balance as of 31 December 2005	6,168
Net book value as reported 31 December 2005	129,557
Fair value adjustment (Note 3)	166,481
Fair value as of 31 December 2005	296,038

There were no restrictions on the realisation of investment property or the remittance of income and proceeds of disposals as of 31 December 2006 and 2005. No material contractual obligations to purchase, construct, repair or enhance investment property existed at year end.

As of 31 December 2006 almost all investment property was pledged to the banks as collateral for the loans (Note 24) but their fair value can not be defined as pledged items were not evaluated on a separate basis. As of 31 December 2005 buildings with the net book value LTL 92,528 thousand were pledged to the banks.

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(all amounts are in LTL thousand unless otherwise stated)

13 Intangible assets

Group	Goodwill	Licenses	Software	Other intangible assets	Total
Cost:					
Balance as of 31 December 2004	4,899	50	1,870	192	7,011
Additions	-	40	1,274	-	1,314
Acquisition of subsidiaries	2,669	228	175	-	3,072
Disposals and write-offs	-	(78)	(103)	(1)	(182)
Foreign currency exchange difference	-	-	16	-	16
Balance as of 31 December 2005	7,568	240	3,232	191	11,231
Additions	-	3	544	4	551
Acquisition of subsidiaries	243	-	-	-	243
Disposals and write-offs	-	(13)	(65)	-	(78)
Deemed partial disposal of AB Sanitas	-	(178)	(820)	-	(998)
Foreign currency exchange difference	-	-	3	-	3
Balance as of 31 December 2006	7,811	52	2,894	195	10,952
Accumulated amortisation:					
Balance as of 31 December 2004	-	10	1,176	116	1,302
Charge for the year	-	107	521	48	676
Disposals and write-offs	-	(73)	(77)	(1)	(151)
Foreign currency exchange difference	-	-	1	-	1
Balance as of 31 December 2005	-	44	1,621	163	1,828
Charge for the year	-	38	625	21	684
Impairment	2,980	-	-	-	2,980
Disposals and write-offs	-	(1)	(32)	-	(33)
Deemed partial disposal of AB Sanitas	-	(38)	(128)	-	(166)
Balance as of 31 December 2006	2,980	43	2,086	184	5,293
Net book value as of 31 December 2006	4,831	9	808	11	5,659
Net book value as of 31 December 2005	7,568	196	1,611	28	9,403

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13 Intangible assets (cont'd)

Company	Software	Other intangible assets	Total
Cost:			
Balance as of 31 December 2004	5	3	8
Disposals and write-offs	-	(1)	(1)
Balance as of 31 December 2005	5	2	7
Additions	10	-	10
Disposals and write-offs	-	-	-
Balance as of 31 December 2006	15	2	17
Accumulated amortisation:			
Balance as of 31 December 2004	5	2	7
Charge for the year	-	1	1
Disposals and write-offs	-	(1)	(1)
Balance as of 31 December 2005	5	2	7
Charge for the year	2	-	2
Disposals and write-offs	-	-	-
Balance as of 31 December 2006	7	2	9
Net book value as of 31 December 2006	8	-	8
Net book value as of 31 December 2005	-	-	-

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

Part of intangible assets of the Group and the Company with the acquisition value of LTL 752 thousand and 6 thousand, respectively, as of 31 December 2006, was fully amortised (LTL 742 thousand and 5 thousand respectively as of 31 December 2005) but was still in use.

14 Impairment testing of goodwill

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

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

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15 Other non-current investments

The main amount of other non-current investments as of 31 December 2005 was investment in Jelfa S.A. shares.

16 Granted loans

The Company's granted loans are described below:

Company	Maturity date	Annual interest rate	Outstanding balance in LTL thousand 2006	Outstanding balance in LTL thousand 2005
Non-current loans granted				
AB Agrovaldymo Grupė	2016 12 31	10.5%	1,749	-
AB Vilniaus Baldai	2008 12 31	7%	16,389	-
AB Kauno Tiltai	2008 12 28	7%	1,174	-
UAB VIPC Klaipėda	2008 12 19	7%	1,477	-
UAB Žemės Vystymo Fondas	2015 01 03 – 04	10.5%	382	-
UAB Žemės Vystymo Fondas 11	2015 10 04 – 12 31	10.5%	393	-
UAB Žemės Vystymo Fondas 12	2017 07 31	10.5%	443	-
SIA Industrial and Logistics Centre "Lapegles"	2008 12 31	6%	7,255	-
Other	2009 09 30	7%	1,088	-
			30,350	-
Current loans granted				
UAB Aikstentis	2007 12 31	7%	80	-
AB Minija	2007 12 31	7%	2,093	-
AB Agrovaldymo Grupė	2007 02 28	10.5%	1,000	-
AB Sanitas	2007 03 31	5%	2,210	-
UAB Kelio Ženkilai	2007 12 31	7%	1,980	-
UAB Nerijos Būstas	2007 12 31	7%	3,709	-
UAB Dommo Nerija	2007 12 31	7%	270	-
UAB Laikinosios Sostinės Projektai	2007 12 31	7%	2,222	-
UAB Žemės Vystymo Fondas	2007 12 31	10.5%	148	-
SIA Inreal	2007 12 31	6%	508	-
SIA AMMO	2007 12 31	6%	2,476	-
AB Vilniaus Baldai	2006 12 31	5%	-	10,591
UAB Ekotra	2006 12 30	5%	-	200
UAB IBC Logistika	2006 12 30	5%	-	2,480
UAB Ineturas	2006 06 30	5%	-	7,564
UAB Invalida Real Estate	2005 12 31 – 2006 06 30	5%	-	1,635
UAB Naujoji Švara	2006 06 30	5%	-	2,061
UAB Pozityvios Investicijos	2006 03 31	5%	-	5,224
Other			285	-
			16,981	29,755
Total			47,331	29,755

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006**

(all amounts are in LTL thousand unless otherwise stated)

16 Granted loans (cont'd)

The Group's granted loans are described below:

Company	Maturity date	Annual interest rate	Outstanding balance in LTL thousand 2006
Non-current loans granted			
AB Agrovaldymo Grupė	2016 12 31	10.5%	1,749
UAB VIPC Klaipėda	2008 12 19	7%	1,477
UAB Žemės Vystymo Fondas	2015 01 03 – 2015 01 04	10.5%	382
UAB Žemės Vystymo Fondas 11	2015 10 04 – 2015 12 31	10.5%	393
UAB Žemės Vystymo Fondas 12	2017 07 31	10.5%	443
SIA Industrial and Logistics Centre Lapegles	2008 12 31	6%	8,411
AB Kauno Tiltai	2008 12 28	7%	1,174
Other			1,309
			15,338
Current loans granted			
AB Agrovaldymo Grupė	2007 02 28	10.5%	1,000
UAB Dommo Nerija	2007 12 31	7%	270
UAB Laikinosios Sostinės Projektai	2007 12 31	7%	2,222
UAB Žemės Vystymo Fondas	2007 12 31	10.5%	148
SIA AMMO	2007 12 31	6%	2,476
AB Sanitas	2007.03.31	5%	2,210
Other			173
			8,499
Total			23,837

As of 31 December 2005 Group's granted loans amounted to LTL 30,652 thousand. The majority of current loans granted as of 31 December 2005 were granted to associates. For more details refer to Note 32.

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17 Inventories

	Group	
	2006	2005
Raw materials	13,254	20,086
Finished goods	2,838	6,922
Work in progress	3,438	4,843
Goods for resale	92	721
	19,622	32,572
Less: net realisable value allowance	(1,123)	(480)
	18,499	32,092

The acquisition cost of the Group's inventories accounted for at net realisable value as of 31 December 2006 amounted to LTL 1,123 thousand (LTL 480 thousand as of 31 December 2005). Changes in the allowance for inventories for the years 2006 and 2005 have been included into operating expenses.

As disclosed in Note 24, inventories of the Group with the acquisition cost of LTL 10,400 thousand as of 31 December 2006 (LTL 300 thousand as of 31 December 2005) were pledged to banks as collateral for the loans.

18 Trade and other receivables

	Group		Company	
	2006	2005	2006	2005
Trade and other receivables, gross	62,431	59,050	-	957
Less: allowance for doubtful trade and other receivables	(1,609)	(263)	-	-
	60,822	58,787	-	957

Changes in allowance for doubtful trade receivables for the year 2006 and 2005 have been included into operating expenses in the income statement.

19 Other current investments

	Group		Company	
	2006	2005	2006	2005
Equities	32,244	22,514	-	2,533
Bonds	2,706	98	-	-
Other	1,009	412	-	-
	35,959	23,024	-	2,533

The Company's investments into equities as of 31 December 2005 comprised 934,809 shares of AB Teo LT estimated at fair value, which was LTL 2.71 per share as of 30 December 2005.

The main Group's investments into equities as of 31 December 2006 comprise investment into Bank of Georgia – LTL 5,043 thousand, AB Grigiškės – LTL 4,577 thousand, AB Vilniaus Vingis – LTL 6,554 thousand, AB Specializuotas Transportas – LTL 6,900 thousand. The maturity date of the bonds is from 2007 till 2010 and interest rate from 3.6% to 8%.

The main Group's investments into equities as of 31 December 2005 comprised investment into AB Teo LT – LTL 5,244 thousand, Bank of Georgia – LTL 1,393 thousand, AB Grigiškės – LTL 5,474 thousand, AB Šiaulių Bankas – LTL 2,001 thousand, AB Lietuvos Jūrų Laivininkystė – LTL 1,406 thousand.

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20 Cash and cash equivalents

	Group		Company	
	2006	2005	2006	2005
Cash at bank	8,141	30,615	82	4
Cash on hand	1,020	2,134	-	-
	<u>9,161</u>	<u>32,749</u>	<u>82</u>	<u>4</u>

21 Non-current assets classified as held for sale

	Group		Company	
	2006	2005	2006	2005
Real estate in Vytauto Ave. / Kaunakiemio St., Kaunas	-	12,533	-	-
Building for resale in Veiverių St., Kaunas	-	8,200	-	-
Other	-	33	-	33
	<u>-</u>	<u>20,766</u>	<u>-</u>	<u>33</u>

Two major assets held for sale are owned by AB Sanitas as of 31 December 2005.

22 Share capital

On 21 November 2005 the share capital of the Company was increased to LTL 41,734,662 by issuing 1,317,323 ordinary shares with the par value of LTL 1 each. The Company sold these shares for LTL 12.70 for each. Proceeds from the share capital increase were LTL 16,731 thousand, including the share premium amounting to LTL 15,413 thousand. As of 31 December 2005 the share capital of the Company comprised of 41,734,662 ordinary shares with the nominal value of LTL 1 per share.

On 30 June 2006 the share capital of the Company was increased to LTL 45,008,376 by issuing 3,273,714 ordinary shares with the par value of LTL 1 each. The Company exchanged these shares for LTL 10.40 for each (see next paragraph for more details). Proceeds from the share capital increase was LTL 34,047 thousand, including the share premium amounting to LTL 30,773 thousand.

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

23 ReservesForeign currency translation reserve

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

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

Fair value reserves

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

23 Reserves (cont'd)Revaluation reserve

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

Other reserves

Other reserves of the Group comprise mainly legal reserve, which is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10% of the share capital. The reserve can be used only to cover the accumulated losses. As of 31 December 2006 legal reserve amounted to LTL 4,876 thousand, LTL 1,984 thousand comprised other reserves (as of 31 December 2005 – LTL 4,002 thousand and LTL 5,461 thousand, respectively).

24 Borrowings

	Group		Company*	
	2006	2005	2006	2005
Non-current				
Long-term bank borrowings, non current portion	246,270	188,109	-	-
Other borrowings	77	143	2,901	-
	<u>246,347</u>	<u>188,252</u>	<u>2,901</u>	<u>-</u>
Current				
Long-term bank borrowings, current portion	80,104	34,702	1,350	-
Short-term bank borrowings	118,942	99,479	60,193	30,000
Other borrowings	19,877	14,582	21,577	1,850
	<u>218,923</u>	<u>148,763</u>	<u>83,120</u>	<u>31,850</u>
Total borrowings	<u>465,270</u>	<u>337,015</u>	<u>86,021</u>	<u>31,850</u>

*Major amount of Company's borrowings are from related parties. Please refer to Note 32 for more details.

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24 Borrowings (cont'd)

Non-current borrowings of the Group include:

Lender	Original currency	Principal amount in original currency	Maturity Date	Outstanding balance in LTL thousand as of 31 December 2006	Outstanding balance in LTL thousand as of 31 December 2005
AB DnB NORD Bankas	LTL	3,300	March 2008	3,125	2,134
AB DnB NORD Bankas	EUR	956	December 2014	3,214	1,675
AB DnB NORD Bankas	EUR	4,258	December 2007	14,678	8,634
AB DnB NORD Bankas	LTL	4,000	June 2012	3,346	3,953
AB SAMPO Bankas	EUR	15,639	August 2008	38,926	9,855
AB SAMPO Bankas	EUR	9,369	July 2012	30,565	33,057
AB SAMPO Bankas	EUR	2,540	February 2010	5,370	7,070
AB SEB Vilniaus Bankas	EUR	4,241	June 2011	-	9,296
AB SEB Vilniaus Bankas	EUR	2,896	June 2011	-	8,619
AB SEB Vilniaus Bankas	LTL	30,000	February 2013	28,575	-
AB SEB Vilniaus Bankas	EUR	7,673	August 2007	26,494	7,050
AB SEB Vilniaus Bankas	EUR		2011	-	2,300
AB SEB Vilniaus Bankas	LTL	7,200	May 2009		7,200
AB SEB Vilniaus Bankas	LTL	28,589	January 2015		6,302
AB SEB Vilniaus Bankas	EUR	750	July 2008		2,303
AB SEB Vilniaus Bankas	LTL	2,500	July 2008		6,691
AB SEB Vilniaus Bankas	LTL	20,000	June 2006	-	19,333
HVB Bankas	EUR	522	July 2016	1,758	-
Nordea Bank Finland Plc.	EUR	40,000	December 2015	135,612	62,071
Nordea Bank Finland Plc.	EUR	8,523	December 2008	12,630	-
Nordea Bank Finland Plc.	EUR	7,166	December 2007	7,993	7,993
Tatra Bank	SKK	160,000	October 2006		17,275
Bonds issued	LTL	14,000	December 2007 – October 2008	14,088	-
Other	LTL			77	143
				326,451	222,954
Less current portion				(80,104)	(34,702)
Non-current borrowings				246,347	188,252

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24 Borrowings (cont'd)

Current borrowings of the Group include:

Lender	Original currency	Principal amount in original currency	Maturity date	Outstanding balance in LTL thousand as of 31 December 2006	Outstanding balance in LTL thousand as of 31 December 2005
AB DnB NORD Bankas*	EUR	14,480	January 2007	49,997	-
AB DnB NORD Bankas*	EUR	2,953	April 2007	10,196	-
AB DnB NORD Bankas	EUR	2,953	April 2007	-	10,196
AB DnB NORD Bankas	LTL	500	overdraft	12	-
AB DnB NORD Bankas	LTL	2,000	August 2007	1,386	1,959
AB DnB NORD Bankas	LTL	300	March 2007	287	7
AB SAMPO Bankas	LTL	5,000	November 2007	2,940	5,000
AB SAMPO Bankas	EUR	2,607	January 2007	-	9,000
AB SAMPO Bankas	LTL	12,482	February 2007	12,375	14,276
AB SEB Vilniaus Bankas*	LTL	30,000	2006	-	30,000
AB SEB Vilniaus Bankas	LTL	800	August 2007	-	-
AB SEB Vilniaus Bankas	LTL	9,905	2006	-	4,297
AB SEB Vilniaus Bankas	LTL	5,500	2006	-	4,522
AB SEB Vilniaus Bankas	EUR	2,896	2006	-	8,750
AB Šiaulių Bankas	LTL	2,500	March 2007	2,468	-
AB bankas Hansabankas	LTL	1,440	September 2007	1,440	-
AB bankas Hansabankas	LTL	6,268	October 2007	3,932	-
AB bankas Hansabankas	LTL	500	June 2007	255	-
Nordea Bank Finland Plc.	EUR	1,700	June 2007	-	3,272
Financial liabilities to banks according to REPO deals	LTL			33,654	19,755
Other	LTL			19,877	3,027
				138,819	114,061
Current portion of non-current borrowings				80,104	34,702
Current borrowings				218,923	148,763

*Company's bank borrowings make up LTL 60,193 thousand as of 31 December 2006 and 30,000 thousand as of 31 December 2005.

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24 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group	
	2006	2005
Property, plant and equipment	104,427	163,333
Hotels	49,377	50,720
Assets held for sale	-	7,712
Investment properties	391,303	92,528
Inventories	10,400	300
Cash	887	23,640

The shares pledged to the banks hold by the Company are following:

- Shares of AB Sanitas – 4,000 thousand from 9,791 thousand of held shares (the acquisition value of LTL 17,257 thousand).
- Shares of AB Vilniaus Baldai – 2,213 thousand from 2,599 thousand of held shares (the acquisition value of LTL 8,337 thousand).
- Shares of AB Kauno Tiltai – 31 thousand (all owned shares, the acquisition value of LTL 12,625 thousand)
- All shares owned by of UAB Aikstentis and UAB Laikinosios Sostinės Projektai (the acquisition value of LTL 513 thousand).

Major part of trading securities, held by the Group, were pledged to banks under REPO deals.

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

	Group		Company	
	2006	2005	2006	2005
Within one year	218,923	148,763	83,120	31,850
From one to five year	114,052	91,574	2,901	-
After five years	132,295	96,678	-	-
	<u>465,270</u>	<u>337,015</u>	<u>86,021</u>	<u>31,850</u>

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

	Group		Company	
	2006	2005	2006	2005
Borrowings	4.81	4.05	4.0	3.8

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25 Financial lease

The assets leased by the Group under financial lease contracts consist of buildings, investment properties, machines and equipment, vehicles and other fixtures, fittings, tools and equipment. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The terms of financial lease are from 36 months to 6 years. The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group	
	2006	2005
Buildings	501	553
Investment properties	12,750	7,231
Machines and equipment	426	1,428
Other fixtures, fittings, tools and equipment	5	11
Vehicles	369	426
	<u>14,051</u>	<u>9,649</u>

Principal amounts of financial lease payables at the year-end denominated in national and foreign currencies are as follows:

	Group	
	2006	2005
LTL	7,179	262
EUR	555	1,086
	<u>7,734</u>	<u>1,348</u>

As of 31 December 2006 the interest rate on the financial lease liabilities in LTL varies depending on the 6-months EUR LIBOR and EURIBOR and the margin varying from 1.4% to 2.5%. As of 31 December 2006 the interest rate on part of financial lease liabilities in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin varying from 1.2% to 2.3%, the interest rate on the rest of financial liabilities in EUR is fixed 6%.

Future minimal lease payments under the above mentioned financial lease contracts as of 31 December 2006 are as follows:

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

Financial lease obligations are accounted for as:

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

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25 Financial lease (cont'd)

Future minimal lease payments under the above mentioned financial lease contracts as of 31 December 2005 were as follows:

	<u>Group</u>
Within one year	570
From one to five years	828
After five years	<u>-</u>
Total financial lease obligations	1,398
Interest	<u>(50)</u>
Present value of financial lease obligations	<u>1,348</u>
Financial lease obligations are accounted for as:	
- current	538
- non-current	810

26 Operating lease

The Group and the Company concluded several contracts of operating lease. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2006, the lease expenses of the Group and the Company amounted to LTL 662 thousand and LTL 173 thousand respectively (LTL 347 thousand and LTL 111 thousand in 2005 accordingly).

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

	<u>Group</u>	<u>Company</u>
Within one year	880	259
From one to five years	1,158	884
After five years	<u>2</u>	<u>-</u>
	<u>2,040</u>	<u>1,143</u>
Denominated in:		
- EUR	12	-
- LTL	2,028	1,143

27 Government grants

As of 31 December 2005 the government grants comprised received grants by AB Sanitas from the Ministry of Economy of the Republic of Lithuania (public institution Lithuanian Business Development Agency) for the financing of constructions of a new production plant of AB Sanitas.

As of 31 December 2006 the grants comprise amounts received by AB Minija.

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28 Provisions

	Employee benefits	Constructor claims	Total
As of 1 January 2006	1,049	-	1,049
Decrease due to deemed partial disposal of AB Sanitas	(1,049)	-	(1,049)
Arising during the year	-	105	105
As of 31 December 2006		105	105
Non-current 2006	-	105	105
Current 2006	-	-	-
Non-current 2005	113	-	113
Current 2005	936	-	936

As of 31 December 2005 employee benefits comprised provisions in Hoechst-Biotika s.r.o. (the subsidiary of AB Sanitas). According to the law, these companies are obliged to pay certain one-off benefits to employees upon their retirement and jubilees benefits to the employees who had served a specified number of years in the company. As of 31 December 2006 AB Sanitas was not a subsidiary of the Company.

29 Other current liabilities

	Group		Company	
	2006	2005	2006	2005
Payable to Investment Amber Holding S.A.	-	14,000	-	-
Payable related to salaries and social security	5,055	5,553	168	22
Dividends payable	1,367	-	1,367	938
Other amounts payable	6,843	19,085	99	42
	13,265	38,638	1,634	1,002

The amount payable to Investment Amber Holding S.A. is related to the acquisition of shares of UAB Apželdinimas in 2005.

30 Financial assets and liabilities and risk management

Credit risk

The Company's and the Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. Concentration of the credit risk of the Group is not very significant: trade receivables from two major customers as of 31 December 2006 comprise less than 30% of all trade receivables.

The Group and the Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Group and the Company considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

Interest rate risk

The major part of the Group's and the Company's borrowings is with variable rates, related to LIBOR, EURIBOR, VILIBOR which creates an interest rate risk. There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 December 2006 and 2005.

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

The Group's current liabilities exceed current assets by LTL 141,562 thousand.

Foreign exchange risk

Major currency risks of the Group and the Company occur due to the fact that the Group and the Company borrows foreign currency denominated funds as well as is being involved in imports and exports. The Group's and the Company's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group and the Company does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL is pegged.

Fair value of financial instruments

The Group's and the Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings. Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models or other valuation methods as appropriate.

The fair values of the Group's and the Company's principal financial instruments not carried at fair value are as follows:

- a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and short-term borrowings approximates their respective fair values.
- b) The fair values of non-current debt are based on the quoted market price for the same or similar issues or on the current rates available for debts with the same maturity profiles. The fair values of non-current borrowings with variable and fixed interest rates approximate their carrying amounts.

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(all amounts are in LTL thousand unless otherwise stated)

31 Commitments and contingenciesAB Minija

In 1997 AB Minija received a loan of LTL 1,779 thousand from AB Tauro Bankas. This bank went to the bankruptcy. During the liquidation process of the bank, AB Minija received a claim from liquidator of AB Tauro Bankas in the amount of LTL 1,086 thousand. In 1999, the court suspended the case regarding this claim. In 2003, the former managing director of the company signed a confirmation letter, accepting the company's liability of LTL 1,086 thousand to AB Tauro Bankas, but the liability was not recognised, as, according to the management, the fact that AB Minija will have to pay the amount, is remote. At the balance sheet date the case is not renewed, but due to recurring claims from the creditors of the bank, there is an uncertainty regarding the outcome of this case.

Operating lease commitments – Group as a lessor

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

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

		<u>2006</u>	<u>2005</u>
Within one year			
	-non-cancellable	3,690	1,880
	-cancellable	<u>9,658</u>	<u>5,041</u>
		13,348	6,921
From one to five years			
	-non-cancellable	8,756	1,961
	-cancellable	<u>20,395</u>	<u>4,267</u>
		29,151	6,228
After five years			
	-non-cancellable	2,809	492
	-cancellable	<u>19,998</u>	<u>66</u>
		<u>22,807</u>	<u>558</u>
		<u>65,306</u>	<u>13,707</u>

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

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

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32 Related party transactions

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

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

The Company's transactions with related parties in 2006 and related year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed to related parties	Amounts owed by related parties
AB Invaldos Nekilnojamojo Turto Fondas	11	77	-	-
UAB Invalda Real Estate	80	354	5,126	-
AB FMĮ Finasta	13	425	7,328	-
AB Vilniaus Baldai	655	-	-	16,389
AB Valmeda	-	527	8,536	-
AB Minija	27	-	-	2,097
UAB Saulės Investicija	29	-	-	10
UAB Invalda Construction Management	-	71	-	-
UAB Finasta Investicijų Valdymas	-	9	-	-
UAB PVP Nida	-	115	-	-
UAB Aikstentis	107	-	-	80
UAB Finansų Spektras	8	53	-	-
UAB Finansų Spekro Investicija	7	99	-	-
UAB Finasta Rizikos Valdymas	34	7	4,288	-
UAB Hidroprojektas	-	35	676	-
UAB Vilniaus Senamiesčio Restauravimo Direkcija	34	-	-	-
UAB Trakų Kelias	-	2	-	-
UAB Naujoji Švara	102	34	-	-
UAB Ineturas	83	254	-	-
UAB Invalda Service	-	1	-	-
UAB Kelio Ženkilai	51	-	-	1,980
UAB Ekotra	38	-	-	-
UAB IBC Logistika	234	-	-	-
SIA Inreal	12	-	-	508
SIA Gravity	8	-	-	98
AB-Sanitas	11	-	-	2,218
Inreal LLC	-	-	179	-
UAB Šimtamargis	7	-	-	-
AB Kauno Tiltai	1	-	-	1,175
UAB Nerijos Būstas	156	-	-	3,709
UAB Riešės Investicija	26	-	-	-
Finasta LLC	-	21	146	-
UAB Laikinosios Sostinės Projektai	81	-	-	2,222
UAB VIPC Klaipėda	2	-	-	1,478
UAB Žemės Vystymo Fondas	28	-	-	602

(cont'd in the next page)

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006

(all amounts are in LTL thousand unless otherwise stated)

32 Related party transactions (cont'd)

	Sales to related parties	Purchases from related parties	Amounts owed to related parties	Amounts owed by related parties
UAB Žemės Vystymo Fondas 11	21	-	-	443
UAB Žemės Vystymo Fondas 12	23	-	-	479
AB Agrovaldymo Grupė	53	-	-	2,753
UAB Dommio Nerija	7	-	-	270
SIA AMMO	59	-	-	2,476
SIA Industrial and Logistics Centre "Lapegles"	337	-	-	7,255
UAB Broner	26	-	-	-
UAB MBGK	3	-	-	-
AB Klaipėdos Konditerija	-	3	-	-
AB Pozityvios Investicijos	31	135	-	-
Amber Viking Capital	-	32	-	-
	2,405	2,254	26,279	46,242

(the end)

For terms and conditions relating to loans granted to related parties, refer to Note 16.

The difference between the receivables and payables from related parties and amounts under loans granted and received from related parties represent the accrued and unpaid interests for the loans. Major part of purchases and sales from related parties comprise interests expenses and income, also rent and utilities expenses from UAB Invalida Real Estate and the brokerage services provided by AB FMĮ Finasta.

The Company's borrowings from related parties for the ended as at 31 December 2006 and 2005 are as follows:

Company	Effective interest rate	Original currency	Principal amount in original currency	Maturity date	Outstanding balance in LTL 2006	Outstanding balance in LTL 2005
Non-current borrowings						
AB Valmeda	4.5%	LTL	12,251	September 2009	4,251	-
Less current portion of non-current borrowings	4.5%	LTL	12,251	September 2009	(1,350)	-
Total non-current borrowings					2,901	-
Current borrowings						
AB Hidroprojektas	4.5%	LTL	676	December 2007	676	-
AB Valmeda	4.5%	LTL	4,285	December 2007	4,285	1,850
UAB Invalida Real Estate	4.5%	LTL	5,036	December 2007	5,036	-
UAB Finasta Rizikos Valdymas	6.0%	LTL	5,000	March 2007	4,281	-
AB FMĮ Finasta	6.0%	LTL	7,282	March 2007	7,282	-
Other		LTL			17	-
Total current borrowings					21,577	1,850
Total					25,828	1,850

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(all amounts are in LTL thousand unless otherwise stated)

32 Related party transactions (cont'd)

The Company's transactions with related parties in 2005 and related year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed to related parties	Amounts owed by related parties
AB FMĮ Finasta	19	61	4	1
AB Vilniaus Baldai	302	-	-	10,892
UAB Ekotra	3	-	-	200
UAB Finansų Spektras	59	-	-	-
UAB IBC Logistika	57	-	-	2,480
UAB Ineturas	375	-	-	7,670
UAB Invalida Real Estate	147	146	35	1,635
UAB Invalidos Nekilnojamo Turto Fondas	494	-	-	-
UAB Kelesta	-	9,994	-	-
UAB Kelio Ženkilai	34	2,803	-	-
UAB Logistika	-	-	-	56
UAB Naujoji Švara	72	-	-	2,069
UAB Pozityvios Investicijos	405	-	-	5,325
UAB Valmeda	-	21	1,870	-
	1,967	13,025	1,909	30,328
Transactions with the shareholders:				
Shareholders of the Company (private persons)	-	16,730	-	-
	-	16,730	-	-

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2006**

(all amounts are in LTL thousand unless otherwise stated)

32 Related parties transactions (cont'd)

The related parties of the Group in 2006 and 2005 were associates, joint ventures and Company's shareholders (Note 1)

The Group's transactions with related party transactions in 2006 and related year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed to related parties	Amounts owed by related parties
UAB DOMMO Nerija	7	-	-	271
UAB VIPC Klaipėda	40	-	-	1,482
UAB Laikinosios Sostinės Projektai	110	1,981	2,117	3,059
UAB MBGK	87	233	55	547
SIA AMMO	419	-	-	2,482
SIA Industrial and Logistics Centre "Lapegles"	398	-	-	8,410
AB Agrovaldymo Grupė	71	-	-	2,753
UAB Žemės Vystymo Fondas	28	-	-	602
UAB Žemės Vystymo Fondas 11	21	-	-	443
UAB Žemės Vystymo Fondas 12	24	-	-	479
Amber Viking Capital LLC	-	-	-	6
AB Umega	49	28	-	56
AB Sanitas	349	28	-	2,418
Jelfa S.A.	-	-	-	1,518
AB Altisana	766	-	-	-
AB Kauno Tiltai	301	594	4	1,290
UAB Taurakelis	69	-	-	1
	2,739	2,864	2,176	25,817
Transactions with the shareholders:				
Shareholders of the Company (private persons)	1,306	25	-	380
UAB Nenuorama	7	366	-	-
	1,313	391	-	380

For terms and conditions relating to loans granted to related parties, refer to Note 16.

The amount owed by UAB Laikinosios Sostinės Projektai as of 31 December 2006 amounted to LTL 837 thousand for construction and developing services provided to UAB Invalida Construction Management and UAB Invalida Real Estate. Rest of amount is the Company loan to UAB Laikinosios Sostinės Projektai (Note 16) The Group owed to UAB Laikinosios Sostinės Projektai LTL 2,117 thousand for the purchased premises.

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(all amounts are in LTL thousand unless otherwise stated)

32 Related parties transactions (cont'd)

Related party transactions in 2005 and related year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Amounts owed to related parties	Amounts owed by related parties
SIA Industrial and Logistics Centre "Lapegles"	325	-	2,726*	14,555
AB Agrovaldymo Grupė	819	-	-	5,902
UAB Kelesta	1	1	1	5,541
AMMO SIA	168	4	595*	2,387
Gravity SIA	88	-	-	1,854
UAB VIPC Klaipėda	7	-	-	293
AB Umega	365	459	11	56
	1,773	464	3,333	30,588

Transactions with the shareholders:

Shareholders of the Company (private persons)	5	16,738	70	-
UAB Nenuorama	6	18	1,364	-
	11	16,756	1,434	-

*The Group owed to SIA Industrial and logistics centre Lapegles and AMMO SIA for unpaid equity.

The majority receivables from associated companies are current borrowings with annual interest rates of 4.8% - 12% and term ended in 2006.

In August – November 2005 the Group issued a few loans to the associate company SIA Industrial and Logistics Centre "Lapegles" amounting to LTL 842 thousand in total, with an annual interest rate of 6%. The maturity of the loans is 31 July 2007.

Terms and conditions of transactions with related parties

All transactions with related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable or payable. For the year ended 31 December 2006 and 2005, the Company has not made any provision for doubtful debts relating to amounts owed by related parties. Doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Remuneration for the management and other payments

The Company's management remuneration amounted to LTL 621 thousand in 2006 (LTL 204 thousand in 2005). In 2006 the Group's management remuneration amounted to LTL 4,290 thousand (LTL 4,027 in 2005). Loans given for the Group's management amounted to LTL 2,578 thousand in 2006 (LTL 549 thousand in 2005). The loans were short-term, bearing 6% interest. There were no loans outstanding as of 31 December 2006.

In year 2006 dividends amounting to LTL 3,946 thousand were paid out to the Company's management (LTL 2,690 in 2005). Dividends paid out to the Group's management amounted to LTL 3,946 thousand in 2006 (LTL 2,690 thousand in 2005).

In 2006 and 2005, the management of the Group and the Company did not receive any other loans, guarantees; no other payments or property transfers were made or accrued, except as stated above.

33 Subsequent events

The Company

On 26 January 2007, an extraordinary meeting of shareholders of the Company decided to approve the reorganisation of the Company and public limited company Nenuorama by merger, merging the private limited company Nenuorama, which prior to the preparation of the reorganisation conditions will be rearranged into the public limited company Nenuorama, to the Company, and assigned the board of the Company to prepare the reorganisation conditions and announce them in the manner set forth in the legal acts.

In February 2007 the Company sold 26.09% of UAB Panevėžio melioracija shares.

In January and April 2007 the credit extension agreements of with AB DnB NORD Bank were signed. The maturity date of EUR 14,480 thousand loan was extended to 31 January 2010. The maturity date of EUR 2,953 thousand loan was extended to 30 April 2009

In March 2007, the Company has chosen AB Finasta įmonių finansai as its consultant in the search for potential buyers of AB Valmeda which owns the hotels Holiday Inn Vilnius and Ecotel, and for the constructional design enterprise UAB Hidroprojektas. The sale process shall be attempted to be finalised by the beginning of summer if favourable offers from investors are received.

Considering the fact that AB Agrovaldymo Grupė decided to enlarge the companies and install a centralised model for their management with an intention to quote the shares on the securities market, the Company sold its owned shares of UAB Žemės vystymo fondas group to the company AB Agrovaldymo grupė in March 2007.

The draft of retained earnings distribution for the year 2006:

Distributable profit	47,675
Profit distribution:	
To legal reserves	1,433
To own shares reserve	34,500
Dividends	11,252
Retained earnings (deficit) after distribution	490

The proposed dividends are equal to LTL 0.25 per share.