

jui 24-0225

Kauno tiekimas AB financial accounting for 2005

List of documents

Auditorių biuras UAB auditors' s report

Kauno tiekimas AB balance sheet 31 December 2005

Kauno tiekimas AB Income statement 31 December 2005

Kauno tiekimas AB Statement of changes in equity 31 December 2005

Kauno tiekimas AB Cash flow statement 31 December 2005

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB "KAUNO TIEKIMAS"

1. We have audited AB "KAUNO TIEKIMAS" balance sheet of 31 December 2005 and profit (loss) accounts of the year 2005, statements on changes in equity, cash flows statements and notes on the accounts for the year that ended on the 31st of December 2005 that are attached hereto. These financial statements were arranged in conformity with International Accounting Standards that are applicable in EU. Company's Direction is responsible for these financial statements. Our duty is to make a report on these financial statements on the basis of the conducted audit.

2. We have conducted the audit up to International Audit Standards. According to these standards, audit has to be planned and done in such a way so that it is ascertained there are no significant errors in the provided information. Evidence showing amounts and revelations of the financial statements were examined. Moreover, the applied accounting principles and assessment made by the Direction, as well as general presentation of financial statements in conformity with reporting procedure was evaluated. Thus, we believe that the conducted audit is sufficient grounds for our report.

3. In our estimation, financial statements represent AB "KAUNO TIEKIMAS" financial status for the 31st of December 2005, activity results and cash flows of the year 2005 correctly in all significant aspects, and are drawn up in conformity with International Financial Accounting Standards that are applied in EU.

4. We have audited Company's activity report for the reporting financial year 2005 of AB "KAUNO TIEKIMAS", which is attached to the financial statements of the year 2005 audited. Company's Direction is liable for this report as well as activity planning and forecasts. On the basis of the conducted audit, our duty is to estimate whether data provided in the Company's activity report correspond to annual financial statements.

The audit was limited to examination of Company's activity report, and a conclusion was drawn that there are no significant discrepancies in this report in comparison with annual financial statements. We did not audit assessment of Company's activity report made by the Direction, future plans and forecasts, as this is not the aim of the audit. Consequently, we do not present respective estimation.

On the basis of the audit conducted, we hereby state that no major discrepancies have been observed in the Company's activity report for the year 2005, in comparison with financial statements for the year 2005.

April 3, 2006
Gedimino pr. 26 Vilnius

UAB "Auditorių biuras"
Audit Company's Certificate No. 000535

Director, auditor
Auditor's certificate No. 000221

Roma Račienė

Kauno tiekimas AB

(enterprise name)

Ident.number 133523653, Palemono st.171,Kaunas

(enterprise identification number, address, other information)

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Minutes No _____

28 April 2006

BALANCE SHEET

31 December 2005

2005

in litas

(reporting period)

To specify - in litas or thousands of litas

	ASSETS	Note No.	Financial year	Previous financial year
A.	NON-CURRENT ASSETS		19.225.971	2.218.349
I.	INTANGIBLE ASSETS	3,1	4.375	2.148
I.1.	Development works			
I.2.	Goodwill			
I.3.	Licences and patents			
I.4.	Computer software		4.375	2.148
I.5.	Other intangible assets			
II.	TANGIBLE ASSETS	3,2	1.663.942	2.216.201
II.1.	Land			
II.2.	Buildings and constructions		1.385.521	1.889.691
II.3.	Plant and equipment		1.521	3.385
II.4.	Vehicles		159.822	199.260
II.5.	Other property, plant and equipment		117.078	123.865
II.6.	Construction in progress			
II.7.	Other tangible assets			
III.	FINANCIAL ASSETS	4	17.557.654	0
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year			
III.4.	Other financial assets		17.557.654	
B.	CURRENT ASSETS		462.847.348	202.152.208
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS		232.740.396	127.910.980
I.1.	Inventories	3,3	3.640.943	11.658.501
I.1.1.	Raw materials and completing products		3.461	8.486
I.1.2.	Work in progress			
I.1.3.	Finished products			
I.1.4.	Goods for resale		3.637.482	11.650.015
I.2.	Prepayments	3,4	229.099.453	116.252.479
I.3.	Contracts in progress			
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR	3,4	229.339.445	63.790.588
II.1.	Trade amounts receivable		123.087.557	51.474.129
II.2.	Receivables from subsidiaries and associates			
II.3.	Other amounts receivable		106.251.888	12.316.459
III.	OTHER CURRENTS ASSETS		122.050	10.074.007
III.1.	Current investments		122.050	10.070.083
III.2.	Time deposits			
III.3.	Other currents assets			3.924
IV.	CASH AND CASH EQUIVALENTS		645.457	376.633
	TOTAL ASSETS:		482.073.319	204.370.557

EQUITY AND LIABILITIES		Note No.	Financial year	Previous financial year
C.	EQUITY		15.973.852	11.038.047
I.	CAPITAL		10.180.884	10.180.884
I.1.	Authorised (subscribed)	3,5	10.180.884	10.180.884
I.2.	Subscribed uncalled share capital (-)			
I.3.	Share premium			
I.4.	Own Shares (-)			
II.	REVALUATION RESERVE (RESULTS)			
III.	RESERVES		480.879	201.864
III.1.	Legal reserve		99.233	66.218
III.2.	Reserve for acquiring own shares			
III.3.	Other reserves		381.646	135.646
IV.	RETAINED EARNINGS (LOSSES)		5.312.089	655.299
IV.1.	Profit (loss) of the reporting year	3,6	4.935.805	629.083
IV.2.	Profit (loss) of the previous year		376.284	26.216
D.	GRANTS AND SUBSIDIES			
E.	AMOUNTS PAYABLE AND LIABILITIES		466.099.467	193.332.510
I.	NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES		0	0
I.1.	Financial debts		0	0
I.1.1.	Leases and similar obligations			
I.1.2.	To credit institutions			
I.1.3.	Other financial debts			
I.2.	Trade amounts payable			
I.3.	Amounts received in advance			
I.4.	Provisions		0	0
I.4.1.	For covering liabilities and demands			
I.4.2.	For pensions and similar obligations			
I.4.3.	Other provisions			
I.5.	Deferred taxes			
I.6.	Other amounts payable and non-current liabilities			
II.	CURRENT AMOUNTS PAYABLE AND LIABILITIES	3,9	466.099.467	193.332.510
II.1.	Current portion of non-current debts			1.365
II.2.	Financial debts		20.822.844	13.197.802
II.2.1.	To credit institutions		20.822.844	13.197.802
II.2.2.	Other debts			
II.3.	Trade amounts payable		431.702.887	166.966.468
II.4.	Amounts received in advance		263.581	229.382
II.5.	Profit tax liabilities		119.263	142.684
II.6.	Liabilities related with labour relations		217.528	93.009
II.7.	Provisions			
II.8.	Other amounts payable and current liabilities		12.973.364	12.701.800
	TOTAL EQUITY AND LIABILITIES:		482.073.319	204.370.557

3



(signature)

General Director
title of the head of enterprise
administration

Irena Keblerienė
(full name)

KAUNO TIEKIMAS AB

(enterprise name)

Ident.number 133523653, Palemono str.171, Kaunas
(enterprise identification number, address, other information)

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Minutes No _____

28 April 2005

INCOME STATEMENT

31 December 2005

2005

(reporting period)

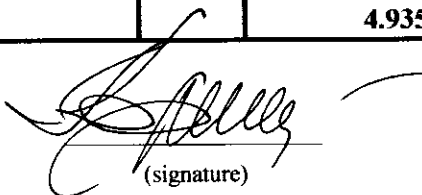
in litas

to specify – in litas or thousands of litas

No.	ITEMS	Note No.	Financial Year	Previous financial year
I.	SALES INCOME	3,10	639.630.864	313.144.867
II.	COST OF SALES	3,10	569.407.028	299.149.395
III.	GROSS PROFIT (LOSS)		70.223.836	13.995.472
IV.	OPERATING COSTS	3,10	55.425.579	12.428.016
IV.1.	Sales		49.239.769	8.736.943
IV.2.	General and administrative	3,13	6.185.810	3.691.073
V.	OPERATING PROFIT (LOSS)	3,10	14.798.257	1.567.456
VI.	OTHER ACTIVITIES		9.268.578	15.897
VI.1.	Income		9.271.980	19.436
VI.2.	Expenses		3.402	3.539
VII.	FINANCING AND INVESTING ACTIVITIES	3,11	-18.937.223	-785.275
VII.1.	Income		7.322.636	1.268.019
VII.2.	Expenses		26.259.859	2.053.294
VIII.	PROFIT (LOSS) FROM NORMAL ACTIVITIES		5.129.612	798.078
IX.	GAIN			
X.	LOSSES			
XI.	PROFIT (LOSS) BEFORE TAX		5.129.612	798.078
XII.	PROFIT TAX	3,15	193.807	168.995
XIII.	NET PROFIT (LOSS)		4.935.805	629.083

General director

title of the head of enterprise
administration



(signature)

Irena Keblerienė

(full name)

KAUNO TIEKIMAS AB

(enterprise name)

Ident.number 133523653, Palemono str.171 Kaunas

(enterprise registration number, address, other information)

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28 April 2006

CASH FLOW STATEMENT

31 December 2005

2005

in litas

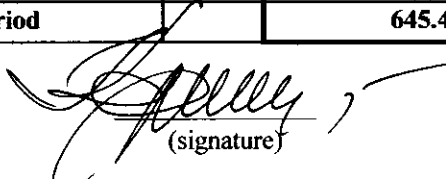
(reporting period)

to specify – in litas or thousands of litas

No.	ITEMS	Note No.	Financial Year	Previous financial year
I.	Cash flows from operating activities			
I.1.	Net profit (loss)	3,6	4.935.805	629.083
I.2.	Depreciation and amortization costs	3,1,3,2	200.787	173.371
I.3.	Decrease (increase) in amounts receivable after one year			
I.4.	Decrease (increase) in inventory	3,3	8.017.558	-4.029.236
I.5.	Decrease (increase) in advances received		-112.846.974	-67.721.664
I.6.	Decrease (increase) in contracts in progress			
I.7.	Decrease (increase) in trade receivables		-71.613.428	-41.852.095
I.8.	Decrease (increase) in amounts receivable from subsidiaries and associates			
I.9.	Decrease (increase) in other amounts receivable		-40.584.201	-12.308.896
I.10.	Decrease (increase) in other current assets		3.924	-5.070.114
I.11.	Increase (decrease) in non-current payables to suppliers and advances received			-1.365
I.12.	Increase (decrease) in current payables to suppliers and advances received		264.770.618	128.527.368
I.13.	Increase (decrease) in profit tax liability		-23.421	125.935
I.14.	Increase (decrease) in liabilities connected with labour relations		124.519	93.009
I.15.	Increase (decrease) in provisions			
I.16.	Increase (decrease) in other amounts payable and liabilities		-6.903.287	11.465.935
I.17.	Elimination of financing and investing activity results		-2.231.416	698.410
	Net cash flows from operating activities		43.850.484	10.729.741
II.	Cash flows from investing activities			
II.1.	Acquisition of non-current assets (excluding investments)		-168.995	-202.273
II.2.	Transfer of non-current assets (excluding investments)		1.641	95.732
II.3.	Acquisition of long-term investments	4	-3.150.485	
II.4.	Transfer of long-term investments			
II.5.	Loans granted	3,4	-66.860.327	
II.6.	Loans recovered	3,4	13.509.099	
II.7.	Dividends and interest received	3,11	2.829.408	
II.8.	Other increase in cash flows from investing activities			
II.9.	Other decrease in cash flows from investing activities			
	Net cash flows from investing activities		-53.839.659	-106.541
III.	Cash flows from financing activities			

No.	ITEMS	Note No.	Financial Year	Previous financial year
III.1.	Cash flows related to enterprise owners:			
III.1.1.	Emission of shares			
III.1.2.	Owners' contributions against losses			
III.1.3.	Purchase of own shares			
III.1.4.	Dividends paid			
III.2.	Cash flows arising from other financing sources		10.257.999	-13.258.132
III.2.1.	Increase in financial debts		105.299.832	70.865.764
III.2.1.1.	Loans received		105.299.832	70.865.764
III.2.1.2.	Issue of bonds			
III.2.2.	Decrease in financial debts		-93.849.872	-85.273.622
III.2.2.1.	Loans repaid		-90.501.305	-83.346.532
III.2.2.2.	Purchase of bonds			
III.2.2.3.	Interest paid	3,11	-3.348.567	-1.927.090
III.2.2.4.	Payments of lease (finance lease) liabilities			
III.2.3.	Increase in other enterprise liabilities			
III.2.4.	Decrease in other enterprise liabilities			
III.2.5.	Other increase in cash flows from financial activities			1.268.019
III.2.6.	Other decrease in cash flows from financial items	3,11	-1.191.961	-118.293
	Net cash flows from financing activities		10.257.999	-13.258.132
IV.	Cash flows from extraordinary items		0	0
IV.1.	Increase in cash flows from extraordinary items			
IV.2.	Decrease in cash flows from extraordinary items			
V.	The effects of changes in foreign exchange rates on cash and cash equivalents balance			-7.911
VI.	Net increase (decrease) in cash flows		268.824	-2.642.843
VII.	Cash and cash equivalents at the beginning of period		376.633	3.019.476
VIII.	Cash and cash equivalents at the end of period		645.457	376.633

General director
title of the head of enterprise
administration


(signature)

Irena Keblerienė
(full name)

Kauno tiekimas AB

(enterprise name)

Palemono str. 171, Kaunas idn.No.133523653

(enterprise identification number, address, other information)

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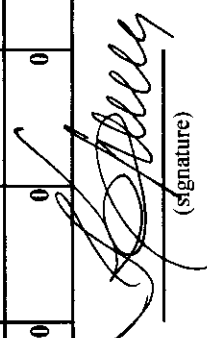
STATEMENT OF CHANGES IN EQUITY

(reporting period)	2005					31 December 2005					Indicate – litas or thousands of litas	
	Paid up authorised capital	Share premium	Own shares (-)	Revaluation reserve (results) of non-current tangible assets	Revaluation reserve (results) of financial assets	Legal reserves compulsory	Legal reserves Acquisition of own shares	Other reserves	Retained earnings (losses)	Total		
1. Balance at the beginning of previous financial year (31 12 2003)	10.180.884					55.448		50.868	69.164	10.408.964		
2. Result of change in accounting policies												
3. Result of correcting essential errors												
4. Recalculated balance at the beginning of previous financial year	10.180.884	0	0	0	0	55.448	0	50.868	69.164	10.408.964		
5. Increase / decrease in non-current tangible assets value												
6. Increase / decrease in financial assets value												
7. Acquisition / sales of own shares												
8. Profit / loss, excluded from Income Statement												
9. Net profit / loss of the reporting period									629.083	629.083		

	1	2	3	4	5	6	7	8	9	10	11
10. Dividends											0
11. Other payments											0
12. Formed reserves						10.770			43.078	-53.848	0
13. Used reserves									-10.900	10.900	0
14. Increase / reduction of authorised capital											0
15. Balance at the end of previous financial year (31 12 2004)	10.180.884	0	0	0	0	66.218	0	50.868	84.778	655.299	11.038.047
16. Increase / decrease in non-current tangible assets value											0
17. Increase / decrease in financial assets value											0
18. Acquisition of own shares											0
19. Profit / loss, excluded from Income Statement											0
20. Net profit / loss of the reporting period										4.935.808	4.935.808
21. Dividends											0
22. Other payments											0
23. Formed reserves						33.015			251.000	-284.015	0
24. Used reserves									-5.000	5.000	0
25. Increase / reduction of authorised capital											0
26. Balance at the end of reporting financial year(31 12 2005)	10.180.884	0	0	0	0	99.233	0	50.868	330.778	5.312.092	15.973.855

General Director

(title of the head of enterprise administration)



(signature)

Irena Keblerienė

(full name)

AB Kauno Tiekimas

Company code: 133523653; address: Palemono g.171, Kaunas

APPROVED
28 April 2006
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**EXPLANATORY NOTES
TO FINANCIAL STATEMENTS 2005**

I. GENERAL PROVISIONS

1. Registration date

AB Kauno Tiekimas (hereinafter the "Company") was registered on 26 November 1992, register No 92-1072.

2. Financial year

The financial year of the company starts on 1 January and ends on 31 December.

3. Information on branches and representative offices of the company

The company has one branch. The branch was registered on 8 November 2002. The code of the branch is 235944730.

4. Information on subsidiaries of the company

The company has no subsidiaries.

5. Information on associates

The company has no associates.

6. Activities of the company

The main activities of the company include rent of its own real estate, services, and wholesale.

7. Material conditions under which the company is operating and which are likely to influence the development of the company

A customs post, warehouses, and an IE terminal are located on the territory of the company. Wholesale trade of materials for alumina production is likely to be expanded.

7.1. Strategic products

The subsidiary of the company is supplying hydrate of sodium and bauxites for the alumina factory in Bosnia and sells alumina produced in the said factory.

7.2. Economic environment

Although the market demand for alumina is growing, the prices of the energy resources are increasing, which leads to shrinking profits from this trade.

7.3. Social environment

Since July 2005 the minimum wages have been increased and this resulted in higher wage costs.

7.4. Technical and technological factors

The long—term real estate owned by the company was constructed long ago; thus it needs to be repaired in order to preserve its condition that would bring about economic benefits.

7.5. Environmental factors

The company is renting out the cement elevator owned thereby, where wholesale trade and packaging of cement is taking place. Due to this operation, the company is paying the environmental tax for pollution from stationary pollution sources. The company also pays the environmental tax for pollution from mobile pollution sources, i.e. the cars, tractors, and railway vehicles owned by the company.

8. Changes in the authorised capital

There have been no changes in the authorised capital over the accounting year.

9. Number of employees

At the end of the previous financial year the company employed 55 persons. Over the accounting year, the number of employees rose to 65.

II. ACCOUNTING POLICY

1. Legal framework used as basis for preparing the financial accountability

The company maintains the accounting and prepares the financial statements in pursuance of the following legal acts governing the financial accountability:

- international accounting standards;
- the Accounting Law of the Republic of Lithuania;
- the Law on Financial Statement of Entities of the Republic of Lithuania;
- other legislation of the Republic of Lithuania.

2. Asset and equity item valuation methods applied for the purpose of preparing financial statements:

In AB Kauno Tiekimas Balance Sheet of 31 December 2005, the assets are stated as follows:

- intangible assets: at the acquisition cost less accumulated amortization;
- non-current tangible assets: at the acquisition (production) cost less accumulated depreciation;
- other financial assets: at the fair value on 30-12-2005
- other inventories: at the acquisition value;
- goods for resale: at the acquisition value or net realisable value, whichever is smaller;
- amounts receivable: at the fair value less doubtful debts;
- other items on the Balance Sheet are valued at the acquisition cost.

3. Tangible and intangible non-current assets

3.1. Intangible assets

In the Balance Sheet, the intangible assets are stated at their residual value (the accumulated amortization and the impairment value are deducted from the acquisition cost).

Non-pecuniary identifiable assets without a material form that are held in the company's disposition and that are used by the company in anticipation to get direct and indirect economic benefits are classified in the category of Intangible Assets.

The directly proportional (linear) method is used to calculate amortization. The quick sale value is LTL1.

The amortization costs are classified as the operating costs of the company. The running costs of intangible assets as well as other subsequent costs are attributed to the costs of the accounting period when they were incurred.

Software is stated in Intangible Assets. Its period of amortization is 3 years.

After the transfer of intangible assets, the Profit and Loss Account, under Other Operations, reflects the result of the transaction: profit or loss.

3.2. Tangible assets

Assets are classified as tangible, if: they are held and controlled by the company, the company expects them to bring economic benefits in the future periods, they will be used for a period longer than one year, their acquisition (production) cost can be reasonably established, and their value is larger than the minimum value established for that group. The minimum value established for all groups of non-current tangible assets is LTL1,000.

The directly proportional (linear) method is used to calculate the depreciation of non-current tangible assets. The quick sale value is LTL1. The depreciation costs are classified in the category of the operating costs of the company.

The following average life has been established for assets groups:

No	Non-current tangible asset group	Useful life (years)
1	Buildings and constructions	6 - 85
2	Plant and equipment	15
3	Vehicles	3 - 11
4	Other property, plant and equipment	2 - 18

At the moment of acquisition the non-current tangible assets are recognized in the accounting at the acquisition (production) cost. In the Balance Sheet, the tangible assets are stated at the acquisition cost less accumulated depreciation.

Useful life is extended and the serviceability is improved	The asset acquisition cost is increased by the value of works and the useful life period is revised
Serviceability is improved	The asset acquisition cost is increased by the value of works
Useful life is extended	The asset acquisition cost is increased by the value of works and the useful life period is revised
Serviceability is not improved nor useful life is extended; just the relevant operation condition is maintained	The cost of works is recognized as the operating costs of the accounting period

In the accounting year, AB Kauno Tiekimas transferred the fuel storage as a non-pecuniary (property) contribution to another company, which was revaluated by an independent property evaluator before the transfer. The result of revaluation is revenue of LTL12,502.

3.3. Non-current asset depreciation accounting

The non-current asset depreciation accounting methods have not been applied in the company.

4. Financial asset accounting

When the company first recognizes financial assets, its value is set at the acquisition cost, i.e. the value of the consideration paid. The value of the paid consideration is determined with respect of the total amount paid for the financial assets or the value of other transferred assets. The value of consideration is usually determined based on the transaction price. The following non-current and current assets are attributed to the financial assets of the company: securities of other companies.

At the beginning of 2005, the financial assets were recognized in the accounting as Current Assets. At the end of the accounting year, the management adopted a resolution to reclassify the assets that are not planned to be sold within 12 months out of Current into Non-Current Assets. The assets that remain under Current Assets are intended to be sold within one year.

5. Inventories accounting policy

Current assets of the company that are consumed for generating revenue within one year are classified as Inventories. In the accounting and financial statements, inventories are grouped into:

- raw materials and completion goods;
- goods purchased for resale.

In the financial statements, the inventories are stated with respect of the acquisition (production) costs or the net realisable value, whichever is less.

FIFO method is used to assign the acquisition cost of inventories.

The acquisition cost of the goods purchased for resale, raw materials, and completion goods includes the purchase price less discounts on the purchase, purchase related taxes and levies (except for those that will be recovered at a later stage), significant delivery costs, and the costs of preparing the inventories for use.

The cost of purchased in foreign currency is calculated at the official exchange rate of the currency of the Republic of Lithuania on the purchase date irrespective of the payment date. The purchase date is defined according to the contract terms in pursuance of INCOTERMS.

The net realisable value of inventories is calculated in accordance with the quantified inventories sales price on the financial statement date less the quantified inventories sales costs. At the end of the accounting year, the value of goods stored in the warehouse of the company in Lithuania is set at the realizable value. The balance value of these goods is LTL409,494. The impairment value of the goods amounts to LTL133,047.

6. Receivables

When the receivables are registered in the accounting, they are stated at the value of the receivable consideration. When the annual financial statements are being prepared, the receivables are stated at the net value, i.e. after the doubtful debts are deducted. The doubtful debt expense is carried at the Profit and Loss Account for the accounting period. In 2005, doubtful debts in the amount of LTL21,986 have been included into expense.

7. Revenue and expense recognition methods

The sales revenue is recognised on accumulation basis, i.e. it is registered in the accounting when it is earned irrespective of the receipt of revenue. Only the increase of the economic benefits of the company is considered income. The value added tax is not recognised as revenue. The revenue size is agreed by the company and the customer. That represents the fair value of the goods and services considering the offered and prospective discounts, the return of sold goods, and price-off.

The goods are considered sold when the following conditions are met: the company transfers the risk, which is related to the sold goods, to the customer; the company no

longer possesses or controls the sold goods; the economic benefits related to the sales transaction are likely to be received and its size can be reliably quantified; the expenses related to the sales transaction can be reliably quantified.

In 2005, no AB Kauno Tiekimas merchandises were sold by extending a trade credit longer than one year.

The revenue from the company's financial and investment activities include: received dividends, positive influence of exchange rate differences, interest and late charges, revenue from financial assets revaluation.

The expense is recognised on the accumulation and comparison basis in the accounting period when the revenue related thereto is earned irrespective of the time when the money is spent.

Sales, general and administrative expenses are classified in the category of Operating Costs.

The result of the transfer of the used non-current tangible and intangible assets is classified as Other Activities excluding financial and investment activities.

The financial and investment activities include: interests, fines, late charges, result of exchange rate differences, and other revenue and expense of the financial and investment activities.

Fines and late charges are recognised on accumulation basis.

7. Methods of accounting for borrowing and other similar expenses

Interests charged on received loans and on property acquired on lease (financial lease) terms as well as other borrowing related expenses are recognised as expense in the periods when they emerge.

The company is using a credit line and factoring. In 2005, the interest and commission fees for using the credit line and factoring amounted to LTL1,870,721 and LTL2,161,500 respectively.

8. Description of accounting methods applied to taxes, foreign currency transactions, and offsetting

8.1. Taxes

The major taxes paid by the company include the property tax, the tax on land rent, the VAT, the profits tax, the social tax, and the pollution tax. The company withholds the income tax of individuals from the employees' salaries/wages and pays the same into the state budget. The company also pays the social insurance contributions.

8.2 Foreign currency transactions

At initial recognition, a foreign currency transaction is stated in the currency of the financial statement at the exchange rate on the transaction day. The Balance Sheet

currency items are stated in the currency of the financial statement at the exchange rate on the Balance Sheet date.

Business trip related expenses in foreign currency are reflected in the currency of the financial statement at the exchange rate on the day of leaving on business.

The Balance Sheet currency items are stated in the currency of the financial statement at the exchange rate on the Balance Sheet date.

The differences that emerge when the amounts stated in the currency items are paid at an exchange rate which is different from that at initial recognition or on the last day of the financial accounting (where the currency items have been recognised in the previous financial year) are recognized as revenue and expense of the accounting period.

The Profit and Loss Account, under Financial and Investment Activities, carries only the result of the currency rate differences.

8.3. Circumstances when only the net result of a business transaction is reflected in the financial statements

The financial statements show only the net result of a business transaction upon the transfer of non-current assets and the receipt of insurance refund for incurred losses.

9. Definition of cash and cash equivalents

The Cash and Cash Equivalents item reflects cash at bank and in hand. The company holds no current highly liquid debt securities.

10. Definition of business and geographical segments

AB Kauno tiekimas is developing two major business segment groups: sales of goods and rendering services.

The sales of goods include the sales of alumina, hydrate of sodium, etc.

The company is supplying hydrate of sodium and bauxites for the alumina factory in Bosnia and sells alumina produced in the said factory. Although the market demand for alumina is growing, the price of the energy resources is increasing, which leads to shrinking profits from this trade.

In 2005, the foreign sales of the company amounted to LTL638,162,231.

11. Provision formation principles

No provisions are formed in AB Kauno Tiekimas annual financial statements for 2005. The reserve of vacation pay and the related social insurance contribution for the next year are attributed to the current liabilities of the company and are stated on the Balance Sheet under Employment Related Liabilities.

12. Company policies and programmes in the fields of environmental protection, energy saving, use of ecological materials and waste utilisation, water pollution and reduction of emissions

The environmental policy of the company aims at reducing the atmospheric air, surface, and ground water pollution. For this purpose, an action plan for 2004-2006 on the reduction of atmospheric pollution has been drafted. Since continuous flows of cargo trucks are going on the territory of the company, the company keeps cleaning and maintaining the territory to prevent the pollution of the surface and ground water. To monitor the pollution, water analysis is performed every three months.

13. Accounting error correction policy

Errors in the Revenue and Expense items exceeding 0.5% of the revenue stated in the financial statements are consider material errors.

The following methods of correcting the accounting errors for the previous periods are used by the company:

1. Material mistakes are corrected retrospectively by adjusting the data for the previous financial years/periods that have been distorted due to the error. When the effect of the material error on the financial accounting of the previous periods can not be accurately assessed, the error is corrected prospectively by adjusting only the data of the accounting period.
2. Immaterial errors are corrected prospectively, i.e. they are corrected in the financial statements of the accounting period.

III. COMMENTS PRESENTED IN THE EXPLANATORY NOTES

The comments to AB Kauno Tiekimas Explanatory Notes comprise tables explaining material items of financial statements. The textual part provides concise further information.

3.1. Non-current intangible assets

Information on the changes in non-current intangible assets over the accounting year is provided in Table 3.1-1 *Non-current intangible assets*.

Table 3.1-1. **Non-current intangible assets**

Indices	Software, LTL
Residual value at the end of the previous financial year	2,148
a) Non-current intangible assets at acquisition cost	
At the end of the previous financial year	3,520
Changes of the financial year:	
- purchase of assets	3,400
At the end of the financial year	6,920
b) Amortization	

At the end of the previous financial year	1,372
Changes of the financial year:	
- amortization of the financial year	1,173
At the end of the financial year	2,545
d) Residual value at the end of the financial year (a) – (b) – (c)	4,375

Table 3.1-2 Useful life of intangible assets

Groups of intangible assets	Average useful life (in years)
Development works	
Goodwill	
Patents, licences, etc.	
Software	Three
Other intangible assets	

3.2 Non-current tangible assets

Revaluation methods have not been applied for AB Kauno Tiekimas non-current assets. The company has pledged its assets to a credit institution as a security for using the credit line. Information on the movement of the non-current tangible assets in the accounting year is given in Table 3.2.-1.

Table 3.2-1 Non-current tangible assets

Indices	Buildings and structures	Plant and equipment	Vehicles	Other property	Total
1	2	3	4	5	6
Residual value at the end of the previous financial year	1,889,691	3,385	199,260	123,865	2,216,201
a) Purchasing cost					
At the end of the previous financial year	4,662,411	59,501	264,505	397,153	5,383,570
Changes of the financial year:					
- purchase of assets	126,000			39,595	165,595
- assets assigned and written down (-)	-894,960			-38,570	-933,530
At the end of the financial year	3,893,451	59,501	264,505	398,178	4,615,635
b) Revaluation					
At the end of the previous financial year					
Changes of the financial year:					
- value increase (impairment) + / (-)	12,502				12,502
- assets assigned to other persons and written down (-)	-12,502				-12,502
At the end of the financial year					
c) Depreciation					
At the end of the previous financial year	2,772,720	56,116	65,245	273,288	3,167,369
Changes of the financial year					
- depreciation of the financial	112,673	1,864	39,438	45,638	199,613

year - depreciation of assets assigned to other persons and written down (-)	-377,463			-37,826	-415,289
At the end of the financial year	2,507,30	57,980	104,683	281,100	2,951,693
d) Impairment value At the end of the previous financial year					
Changes of the financial year: - impairment value of the financial year - of assets assigned to other persons and written down (-)					
At the end of the financial year					
e) Residual value at the end of the financial year (a) + (b) - (c) - (d)	1,385,521	1,521	159,822	117,078	1,663,942

Table 3.2.-2. Pledged non-current tangible assets

No	Pledged asset and its address	Residual balance value on 31-12- 2005, LTL	Land (plot area, value, ownership)
1	2	4	5
1.	Administrative:- Customs Office No 1B2p-746.75 m ² Year of construction: 1964 Heated area: 618.25 m ²	90,464	10,885 ha LTL1,678,308; Rent for 99 years Pledge value LTL1
2.	Administrative: Canteen Inv. No 2B2p-728.09 m ² Year of construction: 1964 Heated area: 501.76 m ²	31,380	
3.	Warehouse Inv. No 3F1p – 1268.56 m ² Year of construction: 1964 Heated area: 48.49 m ²	27,137	
4.	Warehouse Inv. No 4F1p-1254.97 m ² Year of construction: 1964 Heated area: 24.05 m ²	27,127	
5.	Warehouse Inv. No 5F1p-1583.69 m ² Year of construction: 1964 Heated area: 42.16 m ²	201,722	
6.	Warehouse Inv. No 6F2p – 1806.61 m ² Year of construction: 1964 Heated area: 1806,61 m ²	47,064	
7.	Warehouse Inv. No 7F1p – 1583.5 m ² Year of construction: 1964 Heated area: 39.98 m ²	27,222	
8.	Warehouse Inv. No 8F1p – 1593.76 m ² Year of construction: 1964 Heated area: 48.66 m ²	27,885	
9.	Warehouse Inv. No 11F1g – 935.24 m ² Year of construction: 1981	1.0	

	Unheated		
10.	Vehicle scales Inv. No 12H1p – 93.01 m ² Year of construction: 1964	1.0	
11.	Wagon scales Inv. No 13H1p – 15.02 m ² Year of construction: 1964	1.0	
12.	Warehouse Inv. No 14F1g – 2605.74 m ² Year of construction: 1981 Heated area: 39.36 m ²	342,473	
13.	Mechanical workshops including:	33,482	
	Warehouse Inv. No 15F1g – 409.03 m ² Year of construction: 1984 Unheated		
	Water metering unit Inv. No 34H1p – 22.70 m ² Year of construction: 1990		
	Battery charging facilities Inv. No 35G1p - 21 m ² Year of construction: 1982		
	Boiler house Inv. No 36H1p – 39.86 m ² Year of construction: 1976		
	Electric lift truck charging station Inv. No 37G1p – 126.18 m ² Year of construction: 1982		
	Electric fork lift repair shop Inv. No 38G1p – 93.89 m ² Year of construction: 1984 Heated area: 78.79 m ²		
	Warehouse Inv. No 40F1p – 34.22 m ² Year of construction: 1974 Unheated		
	Garage Inv. No 41G1p – 24.92 m ² Year of construction: 1982 Unheated		
14.	Cement elevator including:	57,752	
	Pump house Inv. No 19H1p – 16.73 m ² Year of construction: 1967		
	Compressor room Inv. No 20H1p – 70.73 m ² Year of construction: 1966		
	Cement elevator Inv. No 21H1p – 181.72 m ² Year of construction: 1966		
15	Administration building Inv. No 22B4bp – 1392.81 m ² Year of construction: 1990 Heated area: 1384.17 m ²	189,869	
16,	Transformer house Inv. No 23H1p - 35,72 m ² Year of construction: 1966	1.0	
17.	Locomotive depot Inv. No 39G1p – 89.5 m ² Year of construction: 1974	13,231	

	Unheated		
18.	Bomb shelter 4210b; built-up area 144m ² ; volume 461m ³ ; construction completed in 1975		
19.	Fax machine B160 Bubble fax/copy	219	
20.	Computer Intel Cel 2.4GHz(79569	1,634	
21.	Computer Intel Celeron	1,457	
22.	Computer INTEL-CELERON 2.4 GHz	2,828	
23.	Computer PC 031212/1	275	
24.	Computer Vector SK-AK03 C1700/20	1,815	
25.	Computer Vector SK-AK03 C1700/25	140	
26.	Computer VECTOR SK-AK04	1,174	
27.	Metal filing cabinet Sbm 212	723	
28.	Metal cabinet DS P-04	1,277	
29.	Metal cabinet DS-2	368	
30.	Metal cabinet DS-2	368	
31.	Metal cabinet Sbm 213	830	
32.	Mobile telephone Nokia 6610	189	
33.	Monitor 755 DFX17	17	
34.	Monitor 755 DFX17*85 KHz 0.25m	170	
35.	Monitor 755 DFX17/2	60	
36.	Monitor Samsung SM755 DFx17	135	
37.	Monitor SM172x17*SLIM design	967	
38.	Notebook computer S200N P-M 1GHz	2,306	
39.	Notebook computer S200N P-M 1GHz	1,583	
40.	Notebook computer ThinkPad	1,091	
41.	Notebook computer OMNIBOOK XE4400	680	
42.	Notebook computer AMILO M7405	2,510	
43.	Notebook computer HP COMPAQ	1,008	
44.	Notebook computer HP NX8220	3,343	
45.	Notebook computer IBM R40E	1,748	
46.	Notebook computer mVector	1,484	
47.	Scanner ScanMaker 48 bit	484	
48.	Printer HP LJ1300 18 ppm	476	
49.	Steel-plated safe DS-B1	1,069	
50.	Telephone Nokia 6100	364	
51.	Monitor SM172x17*SLIM design	1,121	
52.	Monitor SM172x17*SLIM design	1,121	
53.	Monitor SM172x17*SLIM design	1,121	
	Total:	1,152,967	

Table 3.2-3. Useful life of tangible assets

Groups of non-current tangible assets	Average useful life (in years)
Buildings and structures	6 – 85
Plant and equipment	15
Vehicles	3 – 11
Other plant, equipment, tools, and fixtures	2 – 18
Other tangible assets	

Table 3.2-4. **Depreciated non-current tangible assets still in use**

Asset group	Acquisition cost (LTL)
Buildings and structures	382,106
Vehicles	12,258
Other equipment and tools	165,906
Machines and equipment	31,542
Total:	591,812

4. Non—current financial assets

At the beginning of 2005, the financial assets were classified as Current Assets. The company had current financial assets in the amount of LTL3,150,485. On the date of the financial statements, the securities traded on the stock exchange were measured at the fair value on that date. The result of the securities revaluation was a revenue of LTL4,459,136. A part of the securities was transferred as a non-pecuniary (property) contribution in exchange for the securities of another company; before the transfer the securities were revaluated by an independent property evaluator. The result of the revaluation of those securities is a revenue of LTL21,590. At the end of the accounting year, the management adopted a resolution to reclassify the financial assets that are not planned to be sold within 12 months out of Current into Non-Current assets. The assets that remain under Current Assets are intended to be sold within one year.

3.3. Inventories

The total inventories value, balance value, and the write-down to net realisable value are shown in

Table 3.3-1 **Inventories**

Indices	Raw materials and completion goods	Goods purchased for resale	Total
a) Inventories acquisition cost At the end of the previous financial year	8,486	11,768,918	11,777,404
At the end of the financial year	3,461	3,770,529	3,773,990
b) Write-down to net realisable value (reversal) At the end of the previous financial year		118,903	118,903
At the end of the financial year		133,047	133,047
c) Net realisable value at the end of the financial year (a) - (b)	3,461	3,637,482	3,640,943
Differences in cost methods where LIFO formula was applied			0
Value of pledged inventories			0
Inventories held by third persons			0

3.4. Receivables

Here are reflected the debts of the suppliers to the company that are related to the operations of the company and the trade debts incurred for the sold goods.

The information is provided in

Table 3.4-1 Receivables

Groups of major receivables	Balance value (LTL)
Prepayments to the suppliers	229,099,453
Trade debtors	123,087,557
Other amounts receivable	106,251,888

Over the accounting year, the company granted loans to other companies in the amount of LTL37,614,253 The repaid loans in 2005 came up to LTL4,235,850. The interest generated on the granted loans was LTL2,069,722.

3.5. Capital

The structure of the authorised capital is shown in

Table 3.5-1 Structure of authorised capital

Indices	Number of shares	Amount (LTL)
Share capital structure at the end of the financial year		
1. By types of shares		
1.1. Ordinary shares	10,180,884	10,180,884
1.2. Preference shares		
1.3. Employee shares		
1.4. Special shares		
1.5. Other shares		
TOTAL:	10,180,884	10,180,884
2. State or municipal capital		
Own shares held by the enterprise itself		
Shares held by subsidiaries		

3.6. Draft Distribution of Profit

AB Kauno Tiekimas profit is distributed in the manner prescribed by the Law on Companies. The financial statements are accompanied by the draft distribution of profit for 2005. The general meeting approves the annual financial statements of the company and the draft distribution of profit.

Table 3.6-1 Draft Distribution of Profit

Items	Amount (LTL)
Undistributed result – profit (loss) - at the end of the previous financial year	376,284
Net result of the financial year – profit (loss)	4,935,805
Including unrealized gain	4,493,228
Distributable result - profit (loss) - at the end of the	

financial year	5,312,089
Shareholders' contributions for covering losses	
Transfers from reserves	131,263
Distributable profit	5,443,352
Profit distribution:	
- to statutory reserves	246,790
- to other reserves	
- dividends	
- other	125,000
Undistributed result – profit (loss) - at the end of the financial year	5,071,562

3.7. Reserve formation purposes and restrictions of their use

The annual deductions to the legal reserve are established by the general meeting. The deductions to the legal reserve may not be less than 1/20 of the net profit and they shall be made until the legal reserve amounts to 1/10 of the authorised capital. Other reserves are formed and cancelled under the resolution of AB Kauno Tiekimas general meeting in the manner prescribed by the law.

3.8. Description of the principles of accounting for grants (subsidies) and assets received gratis.

In 2005, the company received no grants or gratis assets.

3.9. Debts due, liabilities

Total liabilities of the company come up to LTL466,099,467, including debts to suppliers in the amount of LTL431,702,887. Information on the financial debts of the company is provided in Table 3.9–1 *Condition of company liabilities*.

Table 3.9-1 Condition of company liabilities

Indices	Due debts or parts thereof		
	Within one financial year	After one financial year but no later than within five years	After five years
Classification of amounts due by type			
Financial debts: (Including debts to subsidiaries and associates)			
1. Lease (financial lease) or similar liabilities			
2. To credit institutions	20,822,844		
3. Other financial debts			
Other debts	445,276,623		
Including debts to suppliers	431,702,887		
TOTAL	466,099,467		

In 2005, the company was making payments in cash (bank transfers) as well as by way of offsetting: in its financial accounting the company was registering the settled commensurate counterclaims. The company has evidences that in the future it will not have to settle the liabilities by using its economic resources or loans (written agreements signed by the heads of the companies). In 2005, the total value of offsets amounted to LTL142,562.

3.10. Information on business and geographic segments

AB Kauno Tiekimas renders services and carries out retail business in Lithuania, whereas the wholesale business is done in Bosnia. The information on the business and geographical segments is disclosed in Tables 3.10-1 and 3.10-2.

Table 3.10-1 Information on business segments

Indices	Segments (types of products, goods activities)				All enterprises	
	Services		Trade		2005	2004
	2005	2004	2005	2004		
Revenue	1,425,717	1,286,443	638,205,147	311,858,424	639,630,864	313,144,867
Expense	1,480,827	1,425,547	623,351,780	310,151,864	624,832,607	311,577,411
Operating profit	-55,110	-139,104	14,853,367	1,706,560	14,798,257	1,567,456

Table 3.10-2 Information on business segments

Indices	Segments (types of products, goods activities)				All enterprises	
	Lithuania		Bosnia		2005	2004
	2005	2004	2005	2004		
Revenue	1,468,633	1,323,251	638,162,231	311,821,616	639,630,864	313,144,867
Expense	1,531,468	1,475,799	623,301,139	310,101,612	624,832,607	311,577,411
Operating profit	-62,835	-152,548	14,861,092	1,720,004	14,798,257	1,567,456

3.11. Financial and investing activities revenue and expenses by material amounts

The financial and investing activities revenue and expenses by material amounts are shown in Table 3.11-1.

Table 3.11-1 Results of financial and investing activities

Indices	Financial year	Previous financial year
a) REVENUE FROM FINANCIAL AND INVESTING ACTIVITIES	7,322,636	1,268,019
Description of material amounts:		
Positive influence of exchange rate differences		886,913
Other financial revenue	7,322,636	381,106
Including received dividends	42,500	
Investment revaluation revenue	4,493,228	
Interests	2,070,091	
Late charges	716,817	
b) EXPENSES FOR FINANCIAL AND		

INVESTING ACTIVITIES	26,259,859	2,053,294
Negative influence of exchange rate differences	21,719,331	
Interests	3,348,567	1,927,090
Other financial expenses	1,191,961	126,204
Including bank charges	1,145,693	
c) RESULT OF FINANCIAL AND INVESTING ACTIVITIES (a - b)	-18,937,223	-785,275

3.12. Amounts of revenue from exchange of goods or services

In 2005, the company did not execute any exchange of goods or services. In exchange for real property and financial assets the company received other financial assets. The exchange value amounted to 5,591,468.

3.13. General administrative expenses

The main reasons for the increase of the general administrative expenses in 2005 as compared to 2004 include:

	Type of expenses	Increase of expenses in LTL
2005	Repair of premises	23,473
	Social insurance on vacation reserve and accumulation of vacation pay	79,670
	Salaries/wages and social insurance	1,110,478
	Sponsorship	15,000
	Business trips	417,172

3.14. Extraordinary gain and losses

No extraordinary gain or losses were registered in 2005.

3.15. Profits tax

In 2005, the company paid the budget advance profits tax in the amount of LTL74,544. The profits tax amount calculated for 2005 was LTL 193,807.

3.16. All material amounts recorded in off-balance sheet accounts

In 2005, there have been no material amounts of third persons' assets being kept, processed or used otherwise.

3.17. Amounts calculated to managers and related persons, other transferred assets and guarantees

The managers of the company include: the manager of the parent company, the general director, the branch director and the deputy director.

Table 3.17-1 Financial relations with company managers

Indices	Financial year	Previous financial year	Closing balance of the financial year
1	2	3	4
A. Amounts calculated during a year in connection with employment relations to:	175,136	115,450	
1. Managers	-	-	
2. Other connected persons			
B. Loans granted by the company to:	-	-	
1. Managers	-	-	
2. Other connected persons			
C. Loans obtained from:			
1. Managers	-	-	
2. Other connected persons	-	-	
D. Assets transferred gratis and presents to:			
1. Managers	-	-	
2. Other connected persons			
E. Miscellaneous guarantees issued on behalf of the company to:			
1. Managers	-	-	
2. Other connected persons			
F. Other material amounts calculated during a year to:			
1. Managers	-	-	
2. Other connected persons	-	-	
G. Other liabilities material to the company of:	-	-	
1. Managers			
2. Other connected persons			
H. Assets sold to:			
1. Managers	-	-	
2. Other connected persons			
Average number of managers during the year	4	4	

3.18. Nature of corrected errors, amounts of corrections and comparative data

When financial statements are made, an error is considered material when it comes up to 0.5 percent of the sales revenue stated in the financial accounting. When the financial statements of 31-12-2005 were made, the corrected errors and amounts of corrections did not exceed the established limit.

An error was corrected in 2005 (the size whereof was immaterial), i.e. the income received from the lessees for the actually consumed electricity, water, and the actually received telecommunication services was not recognized as revenue and the expenses were reduced by this amount. Consequently, the sales revenue of 2005 became incomparable to that of 2004. To preserve the comparability, the sales revenue and expenses of 2004 were reduced by the amount received from the lessees for the actually consumed electricity, water, and the actually received telecommunication services, i.e. by LTL275,245. The comparative table for 2004:

Indices	In the financial statements of 2004	In 2004 after correction of the error
Income	313,420,112	313,144,867
Expense	311,852,656	311,577,411
Result of operations	1,567,456	1,567,456

3.19. Annual inventory

The annual inventory supporting the data of the financial statements of 31-12-2005 was completed as follows:

as per 31-10-2005: materials and fuel;

as per 30-11-2005: non-current assets;

as per 31-12-2005: goods for resale, non-current assets, receivables and payable debts;

as per 31-12-2005: cash.

3.20. Brief description of material events after the balance sheet date

There have been no material events after the balance sheet date.



Irena Keblėriene
General Director

Kaunas
17 March 2005