Financial statements for 2005

AB LISCO Baltic Service

Index

Financial statement for 2005

AB LISCO Baltic Service

Auditors’ Report to the shareholders of AB Lisco Baltic Service

We have audited the accompanying unconsolidated balance sheet of AB Lisco Baltic Service as at 31 December 2005 and the related unconsolidated statements of income, shareholders’ equity and cash flows (together “unconsolidated financial statements”) for the year then ended. We have also audited the accompanying consolidated balance sheet of AB Lisco Baltic Service and its subsidiaries as at 31 December 2005 and the related consolidated statements of income, shareholders’ equity and cash flows (together “consolidated financial statements”) for the year then ended. These financial statements as set out on pages 4 to 51 are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the unconsolidated financial statements of AB Lisco Baltic Service and the consolidated financial statements of AB Lisco Baltic Service and its subsidiaries based on our audit.

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

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

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

In accordance with Lithuanian legislation, a report on the Company’s activities is presented separately from the annual statutory accounts. It is our additional responsibility to report concerning the consistency of the report on the Company’s activities with the audited financial statements. We reviewed the report on the Company’s activities for the year ended 31 December 2005 and issued a separate review report in which we stated that no inconsistencies with the financial statements came to our attention.

Klaipėda, 29 March 2006
"KPMG Baltics", UAB

Leif Rene Hansen Danish State Authorised Public Accountant	Rokas Kasperavičius Lithuanian certified auditor

Income statement

Parent company LTL '000				Consolidated LTL '000	
2004	**2005**	**Note**	**Items**	**2004**	**2005**
196.175	**214.870**	1,2	**Revenue**	**221.847**	**245.258**
			Costs		
-84.410	-91.788	3	Operating costs related to vessels	-97.302	-112.009
-32.292	-33.807		Freight costs	-12.668	-10.190
-33.246	-34.544	4	Staff costs	-42.257	-42.125
-12.868	-18.996	5	Other activity, sales and administrative costs	-12.216	-18.928
-162.816	*-179.135*		*Total costs*	*-164.443*	*-183.252*
33.359	**35.735**		**Operating profit before amortisation EBITDA**	**57.404**	**62.006**
1.999	-749		Profit (loss) from sales of vessels, buildings and terminals	1.999	-749
		9,10	*Impairment and depreciation*		
-24.405	-15.226		Vessels	-32.799	-27.340
-461	-367		Other non-current assets	-1.027	-861
-24.866	*-15.593*		*Total impairment and depreciation*	*-33.826*	*-28.201*
10.492	**19.393**		**Operating profit (EBITA)**	**25.577**	**33.056**
0	2	12	Share of profit (loss) in associated companies	0	2
0	0		Effect of goodwill/negative goodwill	0	0
3.439	4.906	6	Net financing costs	-5.349	-5.005
13.931	**24.301**		**Profit before taxation**	**20.228**	**28.053**
-1.831	-4.691	7	Income tax	-2.456	-5.099
12.100	**19.610**		**Profit for the year**	**17.772**	**22.954**
			Attributable to		
12.100	19.610		Shareholders of LISCO BALTIC SERVICE	17.772	22.954
0	0		Minority	0	0
12.100	19.610			17.772	22.954
		8	**Basic earnings per share**		
			Earnings per share (EPS) ct	5,41	6,99
			Diluted earnings per share ct	5,41	6,99

Draft profit appropriation

-41.139	Retained earnings at the end of previous year
9.653	Income (costs) directly recognised in equity
19.610	Profit for the year
-11.876	**Retained profit (loss) at the end of financial year**
3.635	Transfers from reserves
8.241	Transfers from legal reserve
0	**Retained profit (loss) for distribution**
0	Proposed dividends

Balance sheet - assets

Parent company LTL '000				Consolidated LTL '000	
2004	**2005**	**Note**	**Balance sheet at 31 December 2005**	**2004**	**2005**
0	*0*	9	*Total intangible assets*	*1*	*0*
4.940	4.829		Buildings	7.244	7.083
0	0		Terminals	0	0
186.955	155.266		Vessels	393.832	354.722
678	475		Machinery and equipment	1.699	1.016
1.429	1.255		Work in progress and prepayments	4.399	1.254
194.002	*161.825*	10	*Total tangible assets*	*407.174*	*364.075*
10.735	10.485	11	Investments in group companies	-	-
84	86	12	Investments in associated companies	84	86
76.376	79.484	13	Receivable amounts	0	0
9.950	7.600	15	Deferred taxes	9.950	7.600
97.145	*97.655*		*Total investments*	*10.034*	*7.686*
291.147	**259.480**		**Total non-current assets**	**417.209**	**371.761**
1.940	3.006		Inventories	2.381	3.476
12.670	17.163	13	Receivable amounts	17.288	23.584
480	235		Prepayments	926	704
79.627	134.772		Cash at bank and in hand	91.664	150.352
94.717	**155.176**		**Total current assets**	**112.259**	**178.116**
385.864	**414.656**		**Total assets**	**529.468**	**549.877**

Balance sheet - shareholders equity and liabilities

Parent company LTL '000				Consolidated LTL '000	
2004	**2005**	**Note**	**Balance sheet at 31 December 2005**	**2004**	**2005**
332.547	332.547	14	Share capital	332.547	332.547
-1.668	-1.668		Own shares	-1.668	-1.668
52.737	52.737		Reserves	50.210	50.076
-31.486	-11.876		Retained earnings	-26.592	-3.638
0	0		Proposed dividends	0	0
352.130	371.740		Shareholders equity	354.497	377.317
0	0		Minority	0	0
352.130	**371.740**		**Total shareholders equity**	**354.497**	**377.317**
0	0	17	Financial liabilities	124.686	111.787
0	0		Deferred taxes	0	0
0	0		Pension and jubileer liabilities	0	0
3.100	4.950	16	Other liabilities	3.100	4.950
3.100	*4.950*		*Total long-term liabilities*	*127.786*	*116.737*
10.459	10.776	17	Financial debts	12.687	12.672
5.924	10.139		Payble to suppliers	13.076	20.046
0	0		Other provisions	0	0
1.549	1.705		Income tax	1.690	1.840
8.804	12.866	18	Other payable amounts	15.388	18.207
3.898	2.480		Accrued income	4.344	3.058
30.634	*37.966*		*Total current liabilities*	*47.185*	*55.823*
33.734	**42.916**		**Total liabilities**	**174.971**	**172.560**
385.864	**414.656**		**Total shareholders equity and liabilities**	**529.468**	**549.877**

For pledged assets and etc. refer to notes 10 and 17
For guarantees and surety obligations, etc. refer to note 24
For contractual liabilities refer to notes 19 and 24
For related parties refer to note 26
For test on impairment of assets refer to note 27
For significant accounting assumptions and decisions refer to note 28

Statement on changes in shareholders' equity - consolidated

LTL '000	Share capital	Own shares	Reserves: Compulsory	Reserves: For acquisition of own shares	Reserves: Other	Reserves: Financial instruments revaluation reserve	Retained profit/loss	Dividends	Total
Shareholders equity as a 01 01 2004	323.907	-1.668	15.715	32.391	3.635	-231	-43.357		330.392
Change in accounting policies									
Adjusted shareholders equity at 01 01 2004	**323.907**	**-1.668**	**15.715**	**32.391**	**3.635**	**-231**	**-43.357**	**0**	**330.392**
Changes in shareholders equity in 2004									
Increase/decrease in the the value of financial							-12		-12
Effect of currency exchange fluctuations							1		1
Adjustment of financial instruments value						-2.296			-2.296
Income/costs recognised directly in equity	0	0	0		0	-2.296	-11	0	-2.307
Profit for the year							17.772	0	17.772
Total income/costs recognised	0	0	0		0	-2.296	17.761	0	15.465
Increase/decrease in share capital	8.640								8.640
Allocated reserves			996				-996		0
Changes in shareholders equity in 2004	**8.640**	**0**	**996**	**0**	**0**	**-2.296**	**16.765**	**0**	**24.105**
Shareholders equity as at 31 12 2004	**332.547**	**-1.668**	**16.711**	**32.391**	**3.635**	**-2.527**	**-26.592**	**0**	**354.497**
Shareholders equity as a 01 01 2005	**332.547**	**-1.668**	**16.711**	**32.391**	**3.635**	**-2.527**	**-26.592**	**0**	**354.497**
Changes in shareholders equity in 2005									
Effect of currency exchange fluctuations							-1		-1
Adjustment of financial instruments value						-133			-133
Income/costs recognised directly in equity	0	0	0	0	0	-133	-1	0	-134
Profit for the year							22.954	0	22.954
Total income/costs recognised	0	0	0	0	0	-133	22.953	0	22.820
Changes in shareholders equity in 2005	**0**	**0**	**0**	**0**	**0**	**-133**	**22.953**	**0**	**22.820**
Shareholders equity as at 31 12 2005	**332.547**	**-1.668**	**16.711**	**32.391**	**3.635**	**-2.660**	**-3.639**	**0**	**377.317**

Legal reserve

Following the legislation, annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can not be distributed.

Reserve for acquisition of own shares

The reserve is allocated and decreased at the shareholders' discretion.

Other reserves

Other reserves are allocated at the shareholders' discretion and can be distributed for covering losses and increasing the share capital.

Reserve for revaluation of financial instruments

This reserve is reviewed at the end of the financial year and movements in the reserve coincide with the movement of financial instruments. Refer to note 19.

Statement on changes in shareholders' equity - parent company

LTL '000	Share capital	Own shares	Reserves: Compulsory	Reserves: For acquisition of own shares	Reserves: Other	Retained earnings	Dividendai	Total
Shareholders equity as a 01 01 2004	323.907	-1.668	15.715	32.391	3.635	-42.578		331.402
Change in accounting policies								0
Adjusted shareholders equity at 01 01 2004	**323.907**	**-1.668**	**15.715**	**32.391**	**3.635**	**-42.578**	**0**	**331.402**
Changes in shareholders equity in 2004								
Increase/decrease in the the value of financial						-12		-12
Income/costs recognised directly in equity	0	0	0	0	0	-12	0	-12
Profit for the year						12.100		12.100
Total income/costs recognised	0	0	0	0	0	12.088	0	12.088
Allocated reserves			996			-996		0
Increase/decrease in share capital	8.640							8.640
Changes in shareholders equity in 2004	**8.640**	**0**	**996**	**0**	**0**	**11.092**	**0**	**20.728**
Shareholders equity as at 31 12 2004	**332.547**	**-1.668**	**16.711**	**32.391**	**3.635**	**-31.486**	**0**	**352.130**
Shareholders equity as a 01 01 2005	**332.547**	**-1.668**	**16.711**	**32.391**	**3.635**	**-31.486**	**0**	**352.130**
Changes in shareholders equity in 2005								
Change in accounting policies/deferred tax assets								0
Change in accounting policies/ dock evaluation								0
Income/costs recognised directly in equity	0	0	0	0	0	0	0	0
Profit for the year						19.610	0	19.610
Total income/costs recognised	0	0	0	0	0	19.610	0	19.610
Changes in shareholders equity in 2005	**0**	**0**	**0**	**0**	**0**	**19.610**	**0**	**19.610**
Shareholders equity as at 31 12 2005	**332.547**	**-1.668**	**16.711**	**32.391**	**3.635**	**-11.876**	**0**	**371.740**

The Company's share capital is divided into 332.547.434 ordinary shares at par value of 1 LTL each.

Cash flow statement

Parent company LTL '000				Consolidated LTL '000	
2004	**2005**	**Note**	**Items**	**2004**	**2005**
33.359	**35.735**		**Operating profit before amortisation (EBITDA)**	**57.404**	**62.006**
-548	-466	20	Adjustments	64	-500
-11.046	1.862	21	Changes in working capital	-10.124	1.200
2.300	1.850		Changes in provisions	2.300	1.850
24.065	**38.981**		**Cash flows from operating activities**	**49.644**	**64.556**
3.439	4.680		Financial activity	-5.269	-5.244
-503	-2185		Taxes paid	-1.339	-2.599
27.001	**41.476**		**Net cash flows from ordinary activities**	**43.036**	**56.713**
-4.022	-5.416		Acquisition of vessels	-101.945	-7.136
9.323	21.596		Disposal of vessels	9.323	21.596
0	0		Disposal of vessel contracts	0	0
730	0	22	Disposal of buildings and terminals	1.500	0
740	121	22	Disposal of equipment	1.011	190
0	0		Intangible assets	0	0
0	0		Acquisition of companies and activities	0	0
-6	250	11	Capital increase in group companies	0	0
0	0		Acquisition of minority interests	0	0
0	226	6	Dividends from group companies	0	0
100	0	12	Dividends from associated companies	100	0
6.865	**16.777**		**Cash flows from investing activities**	**-90.011**	**14.650**
0	0		Received loans, secured by pledged vessels	66.466	0
0	0		Repayment of loans,secured by pledged vessels	-7.491	-12.578
0	0		Changes in other investments	0	0
-22.688	-3.108	23	Changes in other financial liabilities	0	0
0	0		Payment of financial leasing liabilities	-92	-97
0	0		Changes in operating credits	0	0
8.640	0		Changes in share capital	8.640	0
0	0		Dividends paid out to shareholders	0	0
-14.048	**-3.108**		**Cash flows from financing activity**	**67.523**	**-12.675**
19.818	**55.145**		**Cash flows during the year, total**	**20.548**	**58.688**
59.809	79.627		Cash at bank and in hand in the beginning of the year	71.116	91.664
			Effect of currency exchange		
79.627	**134.772**		**Cash at bank and in hand at the year end**	**91.664**	**150.352**

Information presented above cannot be directly derived from the income statement and the balance sheet.

Transition to International Financial Reporting Standards

Assets

Parent company LTL '000 2004			Balance sheet as at 31 December	Consolidated LTL '000 2004		
BAS	**Transition to IFRS**	**IFRS**		**BAS**	**Transition to IFRS**	**IFRS**
0		*0*	*Total intangible assets*	*1*		*1*
4.940		4.940	Buildings	7.244		7.244
0		0	Terminals	0		0
178.202	8.753 A	186.955	Vessels	389.368	4.464 A	393.832
678		678	Machinery and equipment	1.699		1.699
1.429		1.429	Work in progress and prepayments	4.399		4.399
185.249	*8.753*	*194.002*	*Total tangible assets*	*402.710*	*4.464*	*407.174*
19.918	-9.183 B	10.735	Investments in group companies	-		-
84		84	Investments in associated companies	84		84
76.376		76.376	Receivable amounts	0		0
9.050	900 D	9.950	Deferred taxes	9.050	900 D	9.950
105.428	*-8.283*	*97.145*	*Total investments*	*9.134*	*900*	*10.034*
290.677	**470 A**	**291.147**	**Total non-current assets**	**411.845**	**5.364 A,B**	**417.209**
1.940		1.940	Inventories	2.381		2.381
12.670		12.670	Receivable amounts	17.288		17.288
480		480	Prepayments	926		926
79.627		79.627	Cash at bank and in hand	91.664		91.664
94.717	**0**	**94.717**	**Total current assets**	**112.259**		**112.259**
385.394	**470**	**385.864**	**Total assets**	**524.104**	**5.364**	**529.468**

Shareholders equity and liabilities

2004				2004		
BAS	**Transition to IFRS**	**IFRS**	**Balance sheet as at 31 December**	**BAS**	**Transition to IFRS**	**IFRS**
332.547		332.547	Share capital	332.547		332.547
-1.668		-1.668	Own shares	-1.668		-1.668
52.737		52.737	Reserves	52.737	-2.527 C	50.210
-31.956	470 A	-31.486	Retained earnings	-31.956	5.364 A	-26.592
0		0	Proposed dividends	0		0
351.660	470	352.130	Shareholders equity	351.660	2.837	354.497
0		0	Minority	0		0
351.660	**470**	**352.130**	**Total shareholders equity**	**351.660**	**2.837**	**354.497**
0		0	Financial liabilities	124.686		124.686
0		0	Deferred taxes	0		0
0		0	Pension and jubileer liabilities	0		0
3.100		3.100	Other liabilities	3.100		3.100
3.100	*0*	*3.100*	*Total long-term liabilities*	*127.786*	*0*	*127.786*
10.459		10.459	Financial debts	12.687		12.687
5.924		5.924	Paybale to suppliers	13.076		13.076
0		0	Other liabilities	0		0
1.549		1.549	Income tax	1.690		1.690
8.804		8.804	Other payable amounts	12.861	2.527 C	15.388
3.898		3.898	Accrued income	4.344		4.344
30.634	*0*	*30.634*	*Total current assets*	*44.658*	*2.527*	*47.185*
33.734	**0**	**33.734**	**Total liabilities**	**172.444**	**2.527**	**174.971**
385.394	**470**	**385.864**	**Total equity and liabilities**	**524.104**	**5.364**	**529.468**

Income statement

2004			Straipsniai	2004		
BAS	Transition to IFRS	IFRS		BAS	Transition to IFRS	IFRS
196.175		**196.175**	**Revenue**	**221.847**		**221.847**
			Costs			
-84.410		-84.410	Vessel related operating costs	-97.302		-97.302
-32.292		-32.292	Freight costs	-12.668		-12.668
-33.246		-33.246	Staff costs	-42.257		-42.257
-12.868		-12.868	Other activity, sales and adminitrative costs	-12.216		-12.216
-162.816	*0*	*-162.816*	*Total costs*	*-164.443*	*0*	*-164.443*
33.359	**0**	**33.359**	**Operating profit before amortisation (EBITDA)**	**57.404**	**0**	**57.404**
1.999		1.999	Gain/loss from sales of vessels, buildings and t and terminals	1.999		1.999
			Impairment and depreciation			
-24.405		-24.405	Vessels	-32.799		-32.799
-461		-461	Other non-current assets	-1.027		-1.027
0		0	Nedskrivning af skibe og øvrige anlægsaktiver	0		0
-24.866	*0*	*-24.866*	*Total impairment and depreciation*	*-33.826*	*0*	*-33.826*
10.492		**10.492**	**Operating profit (EBITA)**	**25.577**		**25.577**
0		0	Share of profit (loss) in associated companies	0		0
0		0	Effect of goodwill/negative goodwill	0		0
9.111	-5.672	3.439	Financial items	-5.349		-5.349
					0	
19.603	**-5.672 B**	**13.931**	**Profit before tax**	**20.228**		**20.228**
-1.831		-1.831	Income tax	-2.456		-2.456
17.772	**-5.672 B**	**12.100**	**Profit for the year**	**17.772**	**0**	**17.772**

As of 2005 the annual financial statements of AB LISCO Baltic Service Group (hereinafter "the Group") have been prepared in accordance with International Financial Reporting Standards adopted by the European Union.

Significant changes incurred due to transition to IRFS have influenced the following areas:

A
Tangible non-current assets

The vessel docking costs are capitalised and are depreciated on a straight-line basis over the period between two dockings.

Following the provisions stated in IAS 16 "Property, plant and equipment", part 14, as at 1 January 2004 AB Lisco Baltic Service estimated the values of dry docking during regular inspections, which were added to the book value of the vessels. Docking values of the new vessels acquired in the subsidiaries Aukse Multipurpose Shipping Ltd and Rasa Multipurpose Shipping Ltd (Lisco Gloria and Lisco Patria) were separated from the acquisition cost of the vessels, and the depreciation was re-calculated.

Evaluation of docking in the financial statements of the parent company had a positive effect of 8 .753 tLTL. Restatement of the acquisition value and depreciation of vessels of the subsidiaries in the financial statements of the Group company, related to determination of the docking values, decreases capitalised docking costs by 4.289 tLTL . Evaluation of the total docking of the Group had a positive effect of 4.464 tLTL.

B
Investments in subsidiaries (Parent company)

Pursuant to IAS 27 "Consolidated and separate financial statements" subsidiaries are carried at cost. The parent company recognises income from investments only at an amount equal to payments from accumulated profit received from the investee after acquisition. Previously the subsidiaries were recorded under equity.

Pursuant to IAS 27 "Consolidated and separate financial statements" and IFRS No 1 “Application of International Financial Reporting Standards for the first time", the financial information for 2004 has been restated and the difference arisen due to application of the cost method of subsidiaries had a negative effect of 5.672 tLTL on the results of the parent company for 2004, a negative effect 3.511 tLTL on the retained earnings of previous year and decreased the financial assets of the company by 9.183 tLTL.

C
Derivative financial instruments

The Group uses interest rate swap to hedge the interest related transactions.

The Group applies hedging accounting principles in accordance with the rules for interest swap transactions prescribed in IAS 39. Transactions are registered at acquisition cost and then restated at fair value on the reporting date. If the transaction complies with the hedging requirements, the change in the value is recognised directly under equity. The accumulated change in transaction values is eliminated from the equity and is recognised in the income statement under interest income or interest costs.

As at 31 December 2004 a derivative financial instrument - an interest rate swap transaction for the loan received was accounted in the subsidiary Rasa Multipurpose Shipping Ltd . The estimated financial instrument had a negative effect of 2.527 tLTL as at 31 December 2004. The loan balance as at 31 December 2005 amounted to 142,500 tDKK.

D

Deferred income tax

Evaluation of the deferred tax is performed only in the parent company AB LISCO Baltic Service. Transition to evaluation of the subsidiaries at cost method has affected the deferred tax (asset) by 900 tLTL.

Effect of adjustments on the retained earnings as at 31 December 2004 is as follows:

Thousand Litas

	Parent company	Consolidated
Docking costs	8.753	4.464
Investments in Group companies	(9.183)	
Deferred taxes	900	900
Total	470	5.364

Accounting policies

Background information

AB LISCO Baltic Service (hereinafter – Parent company), company code 110865181, was established on 27 June 2001 upon reorganisation of AB Lietuvos Jūrų Laivininkystė. The major shareholder of the parent company is DFDS A/S, Denmark, which held 92,09 % shares as at 31 December 2005. The main activity of the parent company is transportation of cargo and passengers by ferries and vessels on international routes (activity codes - 61.10.20 "Cargo transportation by vessels", 61.10.30 "Transportation of passengers, vehicles and cargo by ferries").

Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. These financial statements have been prepared in accordance with IFRS for the first time, and Figures in the financial statements are presented in thousand of Litas and the financial statements are prepared on the historical cost basis.

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

The management considers that the accounting policies applied for consolidation of the financial statements and in respect of derivative financial instruments and operating lease are the most significant. Each of the areas mentioned below is described together with other accounting policies.

Basis of consolidation

The consolidated financial statements comprise AB Lisco Baltic Service, the parent company, and subsidiary undertakings, in which Lisco Baltic Service directly or indirectly, controls more than 50% of the voting rights.

The undertakings, which are not the subsidiary undertakings but in which AB Lisco Baltic Service has 20% or more of voting rights and exercises a considerable influence over the operational and financial management, are the associated undertakings. Participating interests in the associated undertakings are valued according to the equity method at the proportionately owned share of the undertakings' capital and reserves. The proportionally owned share of the associated undertakings' results is included in the profit and loss account.

When consolidating, inter-group income and expenses, inter-group receivables and payables and profit and loss on inter-group transactions are eliminated.

Following IAS 27 "Consolidated and separate financial statement" as of 31 December 2005 the subsidiary undertakings are recognised in the financial statements of the parent company based on cost method. The parent company recognises income from the investment to the extent of payments received from the accumulated profit of the investment object after acquisition.

Derivative financial instruments

The Group uses an interest rate swap transaction to hedge the interest related transaction.

The Group applies hedging accounting policies in accordance with IAS 39 prescribing the rules set for interest rate swap transactions. Transactions are stated at acquisition cost and are restated at fair value on the balance sheet date. The change in value, if the transaction complies with the hedging transaction requirements, is recognised directly in equity. The accumulated change in transaction values is eliminated from the equity and recognised in the profit and loss account under interest income or costs.

The fair value is based on market prices or standard pricing models.

The accumulated fair value of the derivative financial instrument is reflected if positive in other receivable amounts and if negative - in other payable amounts.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

The accumulated profit or loss is transferred from the equity to the cost of assets acquired during the hedged transaction. Non-effective part of of gain or loss from revaluation of the derivative financial instrument is immediately recognised in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Other financial instruments

Loans and receivables are non derivative financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less impairment, if any.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the fair value was determined.

Operating lease

When an agreement for the rent of vessel, building or other asset has the nature of operating lease, the operating lease costs are recognised in the profit and loss account for the period on a straight line basis. The remaining liabilities as per mentioned lease agreements are disclosed as contingencies.

PROFIT AND LOSS ACCOUNT

Sales income

Income is stated on an accrual basis, i.e. registered in the accounting when earned not depending on the time of receipt of the cash In the consolidated financial statements income is valued at fair value.

When services are rendered in the same period when started, income from services is recognised in the same period. When services are rendered for more than one accounting period, income is distributed proportionally among the periods in which the services have been rendered. Income is recognised only when it is probable that rendering of services will bring economic benefits.

Income from sales of goods is recognised when the goods are sold and it is probable that economic benefits will be received and costs related to the sales of goods can be reliably estimated.

Costs

Costs are recognised based on the accrual and matching principles in the accounting period in which the related income was earned not depending on the time the cash was released.

According to the matching principle, income and costs related to the same transaction are recognised in the same accounting period. Costs are recognised when they earn relevant income. If costs cannot be reliably estimated, income is not recognised and are reflected as deferred income. As costs is recognised only that part of expenses, which were incurred in earning income during the accounting period. Expenses related to earning income in future periods are registered in the accounting as deferred costs and are stated as assets in the financial statements. In cases when it is not possible directly to attribute expenses to specific income and these expenses will not generate any income in the future, these expenses are recognised as costs in the same period when incurred. Cost of goods sold is determined applying the continuous calculation and FIFO methods.

Operating costs related to vessels

Operating costs related to vessels include costs directly related to transportation of passengers and cargo, cost of goods sold, vessel fuel costs, port entering costs, vessel maintenance costs including repair of vessels which is not capitalised as tangible non-current assets.

Freight costs

Freight costs include "Bareboat charter" and "Time charter" costs.

Staff costs

Staff costs include salaries, social security and other costs related to employees of the Group.

Other activity, sales and administrative costs

These costs include costs which are not directly related to transportation by vessels, operating lease of equipment and maintenance costs as well as administrative and sales costs.

Profit (loss) from sales of vessels, buildings and terminals

The result from disposal of used non-current assets is shown in the profit and loss account separately from other income (costs) of the Company, except for the result from disposal of other tangible non-current assets which is stated in the profit and loss account as other activity, sales and administrative costs for the period.

Financing activity

Financing and investment activity includes the following: interest, penalties and fines, result of currency exchange and bank fees.

Income tax

Income tax comprises current and deferred tax.

Current tax is the expected tax payable on the taxable result for the year, using tax rates enacted at the balance sheet date.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

ASSETS

Tangible and intangible non-current assets

Non-current assets are stated at acquisition cost including all costs related to acquisition except for value added tax.

Tangible assets are attributed to non-current assets if these assets are expected to be used for a longer period than one year and it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably and is not less than the minimum cost determined for each asset group (capitalisation limit), and the risk related to this asset is transferred to the Company. Non-current assets also include assets, which have been received but are still not in use or are not fully replenished. Such assets are stated in the financial statements separately under work in progress.

Intangible assets include non-monetary assets which have no material form and are used by the company for generating direct and indirect economic benefits. Expenditures are recognised as intangible assets if the company expects to have future economic benefits from these assets, and the cost of such assets can be reliably determined and is higher than the minimum cost, if defined, and if the company can use, control and put limitations on the usage of the assets for other persons.

The base for depreciation/amortisation of non-current assets is cost less expected residual value.
Depreciation/amortisation of non-current assets is calculated on a straight-line basis over the useful lifetime of an asset until it reaches the expected residual value.

Residual values and useful lifetimes of assets are reviewed once per year.

Depreciation/amortisation periods approved in the Group are as follows:	
Vessels	10 - 25 years
Buildings	25 - 50 years
Terminals	10 - 40 years
Other tangible non-current assets	4 - 7 years
Intangible assets	0 - 5 years

Goodwill and negative goodwill

Goodwill (negative and positive) is an amount calculated as a difference between the acquisition cost and the fair value of the acquired subsidiary undertaking. Positive goodwill is not amortised. Negative goodwill is recognised directly as income.

Vessels

Reconstruction of a vessel is capitalised if it relates to:

- security means;
- increase of the useful lifetime of a vessel;
- improvement of useful features of a vessel, enabling to earn more income;
- docking of a vessel.

Docking costs are capitalised and depreciated until the next docking, which usually takes place in 2,5 years.
Maintenance costs of vessels are recognised as costs for the period in which they were incurred.

Cost of Ro-Pax vessels is divided into slowly depreciated components (hull engines) and fastly depreciated components (passenger part). The residual value of fastly depreciated components is 0 LTL and the depreciation period is 10-15 years. Cargo vessels do not have the fastly depreciated component part. Depreciation period of the slowly depreciated components in cargo vessels, as well as in Ro-Pax vessels, is 25 years from the vessel's construction date.

Investments

Investments classified as being at a fair value through profit or loss are stated at fair value, with any resultant gain or loss being recognised in the income statement. When fair value of the investment can not be measured reliably, the investment is valued at the purchase cost less impairment losses.
Investments classified as held-to-maturity are stated at amortised cost.

Investments in subsidiary undertakings (parent company)

As of 1 January 2005, based on IAS 27 ”Consolidated and separate financial statements” the subsidiary undertakings are carried in the financial statements of the parent company at cost method. The parent company recognises income from the investment to the extent of payments from the accumulated profit received from the investee after acquisition.

Impairment

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses.
The cost of the inventories is based on FIFO principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition

Receivable amounts

Trade and other receivables are stated at their amortised cost less impairment losses

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank.

EQUITY

Legal reserve

Following the legislation, annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can not be distributed.

Dividends

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

LIABILITIES

Provisions

Provision is recognised in the balance when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

CHANGES IN ACCOUNTING POLICIES

In late 2003 the IASB published a revised version of IAS 32 “Financial Instruments: Disclosure and Presentation”, a revised version of IAS 39 “Financial Instruments: Recognition and Measurement” and “Improvements to International Accounting Standards”, which made changes to 14 existing standards. In the first quarter of 2004 the IASB published IFRS 2 “Share-based Payments”, IFRS 3 “Business Combinations”, IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” and further amendments to IAS 39. In mid-2005 the IASB issued a further revision to IAS 39 regarding the Fair Value Option. Revised IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, amongst other matters, requires that changes in accounting policies that arise from the application of new or revised standards and interpretations are applied retrospectively, unless otherwise specified in the transitional requirements of the particular standard or interpretation. The Company adopted these effective from 1 January 2005.

Below we provide the discussion of the impact of the new standards, applicable to the Company.

Financial Instruments
In accordance with IAS 39 requirements, the Company has reviewed its portfolio of financial instruments held at 1 January 2005 and has performed redesignation of these financial instruments into categories as defined by the revised IAS 39. The standard requires retrospective application. In the corresponding financial statements the Company’s financial instruments were classified into the following categories:

1.All loans, receivables and deposits originated by the Company were classified as loans and receivables and measured at amortised cost. The Current portion of loans and receivables was classified as current assets, based on remaining maturity at the balance sheet date. There was no impact on net income or equity from this redesignation.

2. All loans received and other interest bearing borrowings of the Company’s were classified as financial liabilities and measured at amortised cost as of 1 January 2005. This reclassification did not have any impact on the result for the year and previous years.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company’s accounting periods beginning on or after 1 January 2006 or later periods but which the Company has not early adopted early, as follows:

1. IAS 21 (Amendment), The Effects of Changes in Foreign exchange Rates – Net Investment in a Foreign Operation (effective from 1 January 2006). Management considered this amendment to IAS 21 and concluded that it is not relevant to the Company.

2. IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006). Management considered this amendment to IAS 39 and concluded that it is not relevant to the Company.

3. IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital. Management is currently assessing the impact of IFRS 7 and amendment to IAS 1 on the Company’s operations. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

4. IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Company’s operations.

Notes

Note 1. Information on segments

Allocation of segment income is the same as used for internal reporting. Costs in business segments are allocated directly also adding part of indirect costs, which relate to central administrative functions.

Segmental assets and liabilities include assets and liabilities directly related to segments. Part of assets and liabilities is attributed to segments indirectly.

Business segments - initial segmentation
LTL '000

The risk of the Group and the management control are mainly related to the Liner and Tramp business segments. Therefore the initial information on segments is as follows:

	Lines	Tramp	Other	Total
2004				
Income from external clients	162.050	54.770	5.027	221.847
Income from other segments	33.453	1.830	0	35.283
Total income	*195.503*	*56.600*	*5.027*	*257.130*
Operating costs, external	-122.668	-36.780	-4.995	-164.443
Operating costs between segments	-27.538	-7.745	0	-35.283
Operating profit before depreciation (EBITDA)	**45.297**	**12.075**	**32**	**57.404**
Profit from sales of vessels, terminals and buildings	0	1.999	0	1.999
Impairment and depreciation	-21.718	-12.042	-66	-33.826
Operating profit (EBITA)	**23.579**	**2.032**	**-34**	**25.577**
Share of profit (loss) in associated companies				0
Goodwill / negative goodwill				0
Financial activity			-5.349	-5.349
Profit before taxation			**-5.383**	**20.228**
Income tax			-2.456	-2.456
Net profit for the year			**-7.839**	**17.772**
Total assets	307.113	116.277	106.078	529.468
Liabilities	23.367	10.014	139.063	172.444

	Lines	Tramp	Other	Total
2005				
Income from external clients	168.205	71.388	5.665	245.258
Income from other segments	36.204	302	0	36.506
Total income	*204.409*	*71.690*	*5.665*	*281.764*
Operating costs, external	-132.324	-45.269	-5.659	-183.252
Operating costs between segments	-28.013	-8.493	0	-36.506
Operating profit before depreciation (EBITDA)	**44.072**	**17.928**	**6**	**62.006**
Profit from sales of vessels, terminals and buildings	0	-749	0	-749
Impairment and depreciation	-22.189	-5.947	-65	-28.201
Operating profit (EBITA)	**21.883**	**11.232**	**-59**	**33.056**
Share of profit (loss) in associated companies	2			2
Goodwill / negative goodwill				0
Financial activity			-5.005	-5.005
Profit before taxation			**-5.064**	**28.053**
Income tax			-5.099	-5.099
Net profit for the year			**-10.163**	**22.954**
Total assets	299.223	92.702	157.952	549.877
Liabilities	32.383	13.878	126.299	172.560

Notes

Note 1. Information on segments

Geographical segments - secondary segmentation

The Group does not have any natural secondary segments: the liner activities are limited to the southern region of the Baltic and the tramp activity does not have any fixed geographical regions.

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 2 Revenue**	**2004**	**2005**
5.231	4.599	Sales of goods	5.231	4.622
120.066	127.361	Sales of services	145.884	157.738
70.878	82.910	Rent income	70.732	82.898
196.175	**214.870**	**Total revenue**	**221.847**	**245.258**

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 3 Vessel costs**	**2004**	**2005**
22.785	35.334	Fuel	22.785	35.334
32.646	26.080	Maintenance and repair	48.871	28.336
28.979	30.374	Port and cargo costs	25.646	48.339
84.410	**91.788**	**Total vessel costs**	**97.302**	**112.009**

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Parent company LTL '000			consolidated LTL '000	
2004	**2005**	**Note 4 Staff costs**	**2004**	**2005**
16.761	17.606	Salaries	23.756	23.245
5.301	5.826	Social security contributions	7.164	7.328
11.184	11.112	Other staff costs	11.337	11.552
33.246	**34.544**	**Total staff costs**	**42.257**	**42.125**
		Including, salaries to management		
1.455	1.510	Salaries	1.455	1.510
85	133	Other staff costs	85	133
592	600	Average number of employees	780	743
8	9	Average number of management	8	9

Other staff costs include: daily allowance for seamen, improvement of qualification, car rent and maintenance costs
No extraordinary agreements with the management regarding pensions or retirement have been concluded.

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 5 Other activity, sales and administrative costs**	**2004**	**2005**
3.679	7.793	External sales costs	4.445	8.821
3.664	3.056	Internal sales costs	0	0
5.525	8.147	Administrative costs	7.771	10.107
12.868	**18.996**	**Total other activity, sales and administrative costs**	**12.216**	**18.928**
		Including, fee for auditors elected at the general shareholders meeting		
117	156	Fee to KPMG	273	250
17	3	Fee to KPMG for other services, except audit	93	16

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 6 Financial activity**	**2004**	**2005**
1.189	2.062	Interest income	1.420	2.303
2.550	3.066	Interest income from Group companies	0	0
-78	-1	Interest costs to credit institutions	-6.493	-7.165
-104	-199	Interest costs to Group companies	0	0
3.557	*4.928*	*Net interest*	*-5.073*	*-4.862*
7.489	4.173	Currency exchange gain	7.782	4.528
-7.476	-4.197	Currency exchange loss	-7.906	-4.309
13	*-24*	*Net result from currency exchange*	*-124*	*219*
0	0	Capital income from securities	0	0
0	226	Dividends from companies under control	0	0
0	0	Dividends from associated companies	0	0
-131	-224	Other interest costs and etc.	-152	-362
-131	*2*	*Net financial income and costs*	*-152*	*-362*
3.439	**4.906**	**Financial activity**	**-5.349**	**-5.005**

Transactions in foreign currencies are translated to Litas at the exchange rate ruling at the date of the transaction. Monetary asssets and liabilities denominated in foreign currencies are translated to Litas at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on transaction are recognised in the income statement.

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 7 Income tax**	**2004**	**2005**
1.650	2.402	Current income tax	2.099	2.812
181	-61	Adjustment of prior years income tax	357	-63
0	2.350	Change in deferred tax	0	2.350
1.831	**4.691**	**Total income tax for the year**	**2.456**	**5.099**
		Taxes per year can be specified as follows:		
1.831	2.341	Income tax in the profit and loss account (current tax)	2.456	2.749
0	2.350	Change in deferred tax	0	2.350
1.831	**4.691**	**Total income tax for the year**	**2.456**	**5.099**
		Income tax		
221	1.549	Tax payable in the beginning of the year	573	1.690
-503	-2.185	Tax paid	-1.339	-2.598
		Adjustment		-80
1.831	2.341	Income tax recognised in the profit and loss account (actual)	2.456	2.749
1.549	**1.705**		**1.690**	**1.761**
		Income tax in the balance sheet:		
		Income tax receivable		-80
1.549	1.705	Income tax payable	1690	1.841
1.549	**1.705**	**Total income tax**	**1.690**	**1.761**
		Calculation of effective income tax rate:		
13.931	24.301	Profit before tax	20.228	28.053
(251)	(10.405)	Effect of non-current assets accounting	(1.488)	(10.417)
(2.443)	2.348	Non-deductible expenses	(1.870)	1.941
		Effect on income tax of the subsidiary in Germany	2.161	780
(237)	(228)	Non-taxable income	(3.542)	(1.607)
1.207	(407)	Adjustments of prior periods	887	(421)
12.207	**15.609**	**Total taxable value**	**16.376**	**18.329**
2.090	3.645	Expected income tax applying a 15% rate	3.034	4.208
(38)	(1.561)	Effect of non-current assets accounting	(223)	(1.563)
(366)	352	Non-deductible expenses	(281)	291
		Effect on income tax of the subsidiary in Germany	324	117
(36)	(34)	Non-taxable income	(531)	(241)
181	(61)	Adjustments of prior periods	133	(63)
1.831	**2.341**	**Tax recognised in the income statement (actual)**	**2.456**	**2.749**

Notes

Note 8 Basic earnings per share	Consolidated LTL '000 2004	2005
Profit for the current year	17.772	22.954
Minority	0	0
Share of profit for the current year attributed to shareholders	17.772	22.954
Number of ordinary shares in issue	332.547.434	332.547.434
Weighted average number of own shares	-4.093.177	-4.093.177
Weighted average number of ordinary shares	328.454.257	328.454.257
Weighted average number of options	0	0
Weighted average number of ordinary shares, net	328.454.257	328.454.257
Basic earnings per share (EPS) , ct	5,41	6,99
Diluted earnings per share, ct	5,41	6,99

Notes

Note 9 Intangible assets

Consolidated

LTL '000	Goodwill	Other intangible assets	Software	Development	Total
Acquisition cost as at 01 01 2004		506	665		1.171
Transfer from one caption to another					
Acquisitions					
Change in accounting policy [1]			-665		-665
Disposals/write-offs					
Acquisition cost as at 31 12 2004	**0**	**506**	**0**	**0**	**506**
Accumulated amortisation as at 01 01 2004		456	553		1.009
Amortisation		49			49
Amortisation of diposals/write-offs	0	0	0	0	0
Change in accounting policys [1]			-553		-553
Accumulated amortisation as at 31 12 2004	**0**	**505**	**0**	**0**	**505**
Carrying amount as at 31 12 2004	**0**	**1**	**0**	**0**	**1**
Acquisition cost as at 01 01 2005		506			506
Transfer from one caption to another					
Acquisitions					
Change in accounting policy [2]		-251			-251
Disposals/write-offs		-255			-255
Acquisition cost as at 31 12 2005	**0**	**0**	**0**	**0**	**0**
Accumulated amortisation as at 01 01 2004		505			505
Amortisation					
Change in accounting policy [2]		-250			-250
Amortisation of diposals/write-offs		-255			-255
Accumulated amortisation as at 31 12 2005	**0**	**0**	**0**	**0**	**0**
Carrying amount as at 31 12 2005	**0**	**0**	**0**	**0**	**0**

Change in accounting policy 1

In order to unify the accounting policies of non-current assets in the Group, the non-current assets of the German subsidiary LISCO Baltic Service GmbH was reviewed in 2004. The change in the accounting policy of intangible assets in the subsiary had a negative impact of 112 tLTL. The mentioned impact is reflected (prospectively) in the result for the current year.

Change in accounting policy 2

In 2005 the non-current assets of the subsidiary UAB Krantas Travel was reviewed. The accounting policies of non-current assets have been unified as to Group accounting policies. The change of accounting policies of intangible assets in the subsidiary had a negative impact of 1 tLTL. The mentioned impact is reflected (prospectively) in the result in the Group financial statements and increases the depreciation costs of UAB Krantas Travel for the year 2005.

Notes

Note 9 Intangible assets

Parent company

LTL '000	Goodwill	Other intangible assets	Sofware	Development	Total
Acquisition cost as at 01 01 2004		255			255
Transfer from one caption to another					
Acquisitions					
Disposals/write-offs					
Acquisition cost as at 31 12 2004	**0**	**255**	**0**	**0**	**255**
Accumulated amortisation as at 01 01 2004		208			208
Amortisation		47			47
Amortisation of diposals/write-offs	0		0	0	0
Accumulated amortisation as at 31 12 2004	**0**	**255**	**0**	**0**	**255**
Carrying amount as at 31 12 2004	**0**	**0**	**0**	**0**	**0**
Acquisition cost as at 01 01 2005		255			255
Transfer from one caption to another					
Acquisitions					
Disposals/write-offs		-255			-255
Acquisition cost as at 31 12 2005	**0**	**0**	**0**	**0**	**0**
Accumulated amortisation as at 01 01 2005		255			255
Amortisation					
Amortisation of diposals/write-offs		-255			-255
Accumulated amortisation as at 31 12 2005	**0**	**0**	**0**	**0**	**0**
Carrying amount as at 31 12 2005	**0**	**0**	**0**	**0**	**0**

Notes

Note 10 Tangible non-current assets

Consolidated

LTL '000	Land and buildings	Terminals	Vessels	Machinery and equipment	Work in progress and prepayments	Total
Acquisition cost as at 01 01 2004	9.003		394.668	7.110	2.263	413.044
Transfer from one caption to another			3.994		-3.994	0
Change in accounting policy 1				-2.137		-2.137
Acquisitions			94.980	395	6.130	101.505
Disposals/write-offs	-1.329		-14.975	-1.487		-17.791
Acquisition cost as at 31 12 2004	**7.674**	**0**	**478.667**	**3.881**	**4.399**	**494.621**
Accumulated depreciation as at 01 01 2004	507		56.442	4.303		61.252
Change in accounting policy 1				-1.748		-1.748
Depreciation	176		32.801	801		33.778
Depreciation on disposals/write-offs	-253		-4.408	-1.174		-5.835
Transfer from one caption to another						
Accumulated depreciation as at 01 01 2004	**430**	**0**	**84.835**	**2.182**	**0**	**87.447**
Carrying amount as at 31 12 2004	**7.244**	**0**	**393.832**	**1.699**	**4.399**	**407.174**
Acquisition cost as at 01 01 2005	7.674		478.667	3.881	4.399	494.621
Transfer from one caption to another			4.589		-4.589	0
Change in accounting policy 2				-459		-459
Acquisitions			5.518	53	1.444	7.015
Disposals/write-offs			-37.718	-290		-38.008
Acquisition cost as at 31 12 2005	**7.674**	**0**	**451.056**	**3.185**	**1.254**	**463.169**
Accumulated depreciation as at 01 01 2005	430		84.835	2.182		87.447
Change in accounting policy 2				-305		-305
Depreciation	161		27.340	545		28.046
Depreciation on disposals/write-offs			-15.841	-253		-16.094
Accumulated depreciation as at 31 12 2005	**591**	**0**	**96.334**	**2.169**	**0**	**99.094**
Carrying amount as at 31 12 2005	**7.083**	**0**	**354.722**	**1.016**	**1.254**	**364.075**
Out of this, value of pledged assets	**0**	**0**	**199.455**	**0**	**0**	

Carrying amount of the vessels amounts to 354.722 tLTL, out of which slowly depreciated components amount to 315.391 tLTL; components with fast depreciation amount to 33.758 tLTL; docking value of the vessels amounts to 5.573 tLTL.

The major part of work in progress and prepayments amounting to 1.246 tLTL relate to essential improvement of the vessel "Vilnius".

Change in accounting policy 1

In order to unify the accounting policies for non-current assets in all the Group companies, the non-current assets of the German subsidiary LISCO Baltic Service GmbH was reviewed in 2004. The change in the accounting policy in the subsidiary had a negative effect amounting to 389 tLTL. The mentioned ffect is reflected in the result for the current year (prospectively).

Notes

Note 10 Tangible non-current assets

Change in accounting policy 2

In 2005 the non-current assets of the subsidiary UAB Krantas Travel was reviewed. The accounting policies of non-current assets have been unified as to Group accounting policies. The change of accounting policies of non-current assets in the subsidiary had a negative impact of 154 tLTL. The mentioned impact is reflected (prospectively) in the result in the Group financial statements and increases the depreciation costs of UAB Krantas Travel for the year 2005.

Based on the impairment tests no impairment of the vessels has been indicated as at 31 December 2005. Refer to note 28.

Parent company

LTL '000	Land and buildings	Terminals	Vessels	Machinery and equipment	Work in progress and prepayments	Total
Acquisition cost as at 01 01 2004	5.299	0	272.202	1.716	2.263	281.480
Transfer from one caption to another	0	0	3.994	0	-3.994	0
Acquisitions	770	0	28	331	3.160	4.289
Disposals/write-offs	-835	0	-14.975	-412	0	-16.222
Acquisition cost as at 31 12 2004	**5.234**	**0**	**261.249**	**1.635**	**1.429**	**269.547**
Accumulated depreciation as at 01 01 2004	241	0	57.296	904	0	58.441
Depreciation	109	0	24.406	304	0	24.819
Depreciation on disposals/write-offs	-56	0	-7.408	-251	0	-7.715
Accumulated depreciation as at 01 01 2004	**294**	**0**	**74.294**	**957**	**0**	**75.545**
Carrying amount as at 31 12 2004	**4.940**	**0**	**186.955**	**678**	**1.429**	**194.002**
Acquisition cost as at 01 01 2005	5.234	0	261.249	1.635	1.429	269.547
Transfer from one caption to another	0	0	1.618	0	-1.618	0
Acquisitions	0	0	3.798	53	1.444	5.295
Disposals/write-offs	0	0	-37.718	0	0	-37.718
Acquisition cost as at 31 12 2005	**5.234**	**0**	**228.947**	**1.688**	**1.255**	**237.124**
Accumulated depreciation as at 01 01 2005	294	0	74.294	957	0	75.545
Depreciation	111	0	15.226	256	0	15.593
Depreciation on disposals/write-offs	0	0	-15.839	0	0	-15.839
Accumulated depreciation as at 31 12 2005	**405**	**0**	**73.681**	**1.213**	**0**	**75.299**
Carrying amount as at 31 12 2005	**4.829**	**0**	**155.266**	**475**	**1.255**	**161.825**
Out of this, value of pledged assets	**0**	**0**	**0**	**0**	**0**	

The carrying amount of vessels amounts to 155.266 tLTL, out of which slowly depreciated components amount to 142.167 tLTL; components with fast depreciation amount to 7.526 tLTL; docking value of the vessels amounts to 5.573 tLTL.

Notes

Note 11 Investments in Group companies	Parent company LTL '000 2004	2005
Acquisition cost as at 1 January 1	10.729	10.735
Acquisitions	6	0
Disposals/write-offs	0	-250
Acquisition cost as at 31December	**10.735**	**10.485**
Accumulated impairment loss as at 1 January	0	0
Impairment loss	0	0
Disposals/write-offs	0	0
Accumulated impairment loss as at 31 December	**0**	**0**
Carrying amount at 31 December	**10.735**	**10.485**

Parent company
LTL '000

2004	Legal address	Owner-ship	Income	Profit (loss) for the year	Assets	Borrowed capital	Equity	Profit (loss) for the year
Aukse Multipurpose Shipping Ltd.	Cyprus	100,0%	7.194	-46	94.423	94.469	-46	-46
Rasa Multipurpose Shipping Ltd.	Cyprus	100,0%	12.430	2.127	124.649	121.410	3.239	2.127
Laivyno Technikos Prieziuros Baze	Lithuania	100,0%	4.990	102	3.565	281	3.284	102
UAB Krantas Shipping	Lithuania	100,0%	4.387	1.559	8.388	348	8.040	1.559
UAB Krantas Travel	Lithuania	100,0%	6.865	-17	1.955	2.021	-66	-17
UAB Lisco Crew	Lithuania	100,0%	853	130	453	100	353	130
UAB Lisco SL	Lithuania	100,0%	14.896	1.014	3.795	1.773	2.022	1.014
Lisco Baltic Service GmbH	Germany	100,0%	8.677	-319	9.398	7.434	1.964	-319
			60.292	4.550	246.626	227.836	18.790 0	4.550

On 1 July the extraordinary shareholders' meeting decided to liquidate UAB Krantas Shipping as of 1 September 2004. After the decision came into force the liquidator was assigned with the rights and obligations of the company's board and management. As at 1 September 2004 UAB Krantas Shipping obtained the status of a company under liquidation. The main activity of the company was stopped.

2005	Legal address	Owner-ship	Income	Profit (loss) for the year	Assets	Borrowed capital	Equity	Profit (loss) for the year
Aukse Multipurpose Shipping Ltd.	Cyprus	100,0%	11.187	-622	84.642	87.704	-3.062	-622
Rasa Multipurpose Shipping Ltd.	Cyprus	100,0%	12.430	2.228	121.394	120.481	913	2.228
Laivyno Technikos Prieziuros Baze	Lithuania	100,0%	4.768	98	3.695	313	3.382	98
UAB Krantas Shipping	Lithuania	100,0%	35	128	8.175	16	8.159	128
UAB Krantas Travel	Lithuania	100,0%	7.909	149	1.666	1.584	82	149
UAB Lisco Crew	Lithuania	100,0%	270	123	0	0	0	123
UAB Lisco SL	Lithuania	100,0%	22.350	1.263	5.670	2.385	3.285	1.263
Lisco Baltic Service GmbH	Germany	100,0%	7.942	236	11.701	9.502	2.199	236
			66.891	3.603	236.943	221.985	14.958	3.603

On 28 January 2005 the extraordinary shareholders' meeting decided to liquidate UAB LISCO Crew as of 7 March 2005. After the decision came into force the liquidater was assighned with the rights and obligations of the company's board and management. As at 7 March 2005 UAB LISCO Crew acquired the status of a company under liquidation. The main activity of the company was terminated. The parent company, AB LISCO Baltic Service, took over the activities of its subsidiary under liquidation.

Tests on the recoverable value impairment of the parent company's investments in Group companies are performed at least once per year. Based on the impairment tests, no impairment of the value of investments in Group companies have been indicated as at 31 December 2005. Refer to note 28.

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 12 Investments in associated companies**	**2004**	**2005**
184	84	Balance at 1 January	184	84
0	0	Disposal	0	0
184	**84**	**Balance at 31 December**	**184**	**84**
0	0	Disposal	0	0
-	2	Share of profit for the year	0	2
-100	-	Dividends from associated companies	-100	0
-100	**2**	**Value adjustments**	**-100**	**2**
84	**86**	**Carrying amount as at 31 December**	**84**	**86**

Consolidated
LTL '000

2004	Legal address	Ownership	Income	Profit (loss) for the year	Assets	Borrowed capital	Equity	Profit (loss) for the year
UAB Krantas Forwarding	Lithuania	50,0%	1.451	0	269	102	167	0
							167	0

Consolidated
LTL '000

2005	Legal address	Ownership	Income	Profit (loss) for the year	Assets	Borrowed capital	Equity	Profit (loss) for the year
UAB Krantas Forwarding	Lithuania	50,0%	944	4	218	47	171	2
							171	2

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	2005	Note 13 Receivable amounts	2004	2005
76.376	79.484	Receivable from Group companies	0	0
0	0	Other long-term receivables	0	0
76.376	**79.484**	**Total long-term receivables**	**0**	**0**
10.452	15.523	Trade debtors	15.772	22.531
1.494	876	Receivable from Group companies	0	0
0	0	Receivable from associated companies	0	0
0	0	Receivable income tax	0	80
724	764	Other receivables and current assets	1.516	973
12.670	**17.163**	**Total short-term receivables**	**17.288**	**23.584**
89.046	**96.647**	**Totala receivables**	**17.288**	**23.584**
		Trade receivables can be specified as follows		
11.061	16.255	Total trade receivable	15.002	23.450
-609	-732	Impairment loss on doubtful receivable	-770	-919
11.670	**16.987**	**Trade receivables, net**	**15.772**	**24.369**

Credit risk

Credit risk, or the risk of counter-party default, is controlled by application of credit terms and monitoring procedures. Trade receivables are recognised in the balance sheet less impairment for doubtful receivables.

The Group companies have no significant credit risk with any single counterpart or a group of counter-parties.

Notes

Note 14 Own shares	Consolidated Number of shares 2004	2005
Number of own shares as at 1 January	4.093.177	4.093.177
Change during the year	0	0
Number of own shares as at 31 December	**4.093.177**	**4.093.177**
Market value of own shares as at 31 December '000 LTL	3.602	3.152

During the general shareholders' meeting in 2005 the Company was granted the right to acquire own shares up to 10% of the share capital.

During 2005 the Company did not acquire own shares. The number of own shares held by the Company at the end of 2005 amounted to 4.093.177 or 1,23 % of the share capital.

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 15 Deferred income tax**	**2004**	**2005**
9.950	9.950	Balance at 1 January	9.950	9.950
0	-2.350	Deferred taxes for the year, recognised in the profit and loss statement	0	-2.350
0	0	Deferred taxes for the year, recognised in equity	0	0
0	0	Adjustments related to previous years	0	0
9.950	**7.600**	**Deferred income tax as at 31 December 31**	**9.950**	**7.600**
		Deferred taxes recognised in the balance sheet:		
9.950	7.600	Deferred tax asset	9.950	7.600
0	0	Deferred tax liabilities	0	0
9.950	**7.600**	**Total deferred tax at 31 December**	**9.950**	**7.600**

Due to materiality reasons the deferred tax estimation is performed only in the parent company AB LISCO Baltic Service.

The major influence on temporary differences is caused by tangible non-current assets, i.e. by differences between the book values of the vessels and their tax basis.
The specification of temporary differences is presented below:

Consolidated
LTL '000

2004	Balance at 31 December
Intangible assets	424
Vessels	58.176
Buildings, terminals and equipment	1.477
Inventories	355
Other	5.901
Total:	**66.333**

2005	Balance at 31 December
Intangible assets	860
Vessels	40.000
Buildings, terminals and equipment	730
Inventories	185
Other	8.892
Total:	**50.667**

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 16 Other provisions**	**2004**	**2005**
800	3.100	Balance at 1 January	800	3.100
2.300	1.850	Provisions established during the year	2.300	1.850
0	0	Provisions used during the year	0	0
0	0	Release of unused provisions	0	0
3.100	**4.950**	**Other provisions as at 31 December**	**3.100**	**4.950**
		Other provisions expected to be paid during		
0	0	0 - 1 year	0	0
3.100	4.950	1 - 5 years	3.100	4.950
0	0	After 5 years	0	0
3.100	**4.950**	**Other provisions as at 31 December**	**3.100**	**4.950**

As at 31 December 2005 a provision for claims from third parties amounts to 4.150 tLTL, out of which a provision established in the parent company AB LISCO Baltic Service in 2004 amounted to 2.300 tLTL, in 2005 an additional provision of 1.850 tLTL was established.

A provision for reorganisation costs in the parent company amounts to 800 tLTL as at 31 December 2005 (800 tLTL as at 31 December 2004).

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 17 Financial borrowings**	**2004**	**2005**
0	0	Loans secured by pledging vessels	124.440	111.643
0	0	Finance leasing liabilities	246	144
0	0	Bank loans	0	0
0	0	Other long-term liabilities	0	0
0	**0**	**Total long-term liabilities**	**124.686**	**111.787**
0	0	Loans secured by pledging vessels	12.590	12.570
0	0	Finance leasing liabilities	97	102
10.459	10.776	Payable to Group companies		0
0	0	Bank loans		0
0	0	Other long-term liabilities		0
10.459	**10.776**	**Total short-term liabilities**	**12.687**	**12.672**
10.459	**10.776**	**Total liabilities**	**137.373**	**124.459**

Payables of the parent company to the Group companies comprise short-term deposits.

Liabilities amounting to 50.279 tLTL include payable from 1 to 5 years (2004 : 50.361 tLTL). Liabilities of 61.364 tLTL are payable after 5 years (2004 : 74.079 tLTL).

The effective interest rate for liabilities to the Group varies from 3,1% - 4,7% during the year (2004 : 3,1% - 4,7% during the year). Out of interest bearing borrowings with a variable interest rate an amount of 65.942 tLTL (2004 : 72.112 tLTL) was assigned with a fixed annual interest rate of 4,7%.

		Financial liabilities per currencies, principal amount		
0	0	DKK	72.112	65.942
9.150	8.632	EUR	64.919	58.271
1.309	2.144	LTL	342	246
10.459	**10.776**	**Total liabilities**	**137.373**	**124.459**

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	2005	Note 18 Other payable amounts	2004	2005
0	0	Accrued interest	1.654	1.488
5.811	9.715	Accrued expenses	7.355	10.015
1.147	950	Taxes payable	1.249	1.035
1.775	2.050	Liabilities related to labour relations	2.350	2.652
0	0	Fair value adjustment on derivatives	2.527	2.661
71	151	Other	253	356
8.804	**12.866**	**Total other payable amounts**	**15.388**	**18.207**

Notes

Note 19 Risk related to currency exchange, oil interest rate, cash flows and derivative financial instruments applied

Financial risk management

The main financial risk factors are related to currency exchange, oil, interest rates and liquidity. Credit risk is discribed in note 13. The financial risk management of LISCO Baltic Service Group companies aims to minimise the financial risk, related to performance, investments and financial activities without participation in an active speculation related to financial risks.

Currency exchange risk

Currency exchange risk arises due to a difference between inflows and outflows denominated in different currencies and due to net investments in foreign subsidiaries.
The major part of the Group's transactions concluded in 2005 are denominated in Litas or EUR, therefore the Group is not exposed to a significant currency exchange risk.
The major part of receivable and payable amounts in foreign currencies are expressed in EUR as at 31 December 2005.
Open currency positions of the same level are expected in the year 2006.
The Group companies did not use any financial instruments to hedge its currency exchange risk.

Interest rate risk

The Group is exposed to an interest rate risk due to financial liabilities. The aim of the interest rate risk management is to minimise the impact of interest rate fluctuations on the income statement and balance sheet.

Loans bearing a variable interest rate as at 31 December 2005 amount to 68,6 mio LTL, and with a fixed interest rate - 52,6 mio LTL. The average term of the loan portfolio is 7,9 years comprising sindicated loans secured by the pledge of vessels. The received financing complies with market prices plus a margin. The loan with a variable interest rate is swapped to a fixed interest rate as to Interest Rate Swap agreement.

An increase of interest by 1% would increase interest costs of the Group by 2 tLTL in 2006.

Oil price risk

The oil price risk is directly related to the purchase of fuel for the company's vessels. The total fuel costs amounted to 35,4 mio LTL (2004: 22,8 mio LTL).
The oil price risk in the Group is partly minimised by prepayments for fuel. In 2006 the Group is planning to consume 19.400 tones of fuel, i.e. approximately 40% of the fuel consumed in 2005. Approximately 45% of the planned amount of fuel was secured by prepayments.
Due to the increased oil price by 1% since the middle of February 2006, the fuel costs of the company would increase by approximately 220 tLTL on a yearly basis.

Liquidity risk

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

Hedging of future transactions (LTL '000)

Consolidated

2005

Future transaction	Hedging instrument	Term	Transaction amount	Income/costs recognised in equity 0-1 year	After 1 year
Interest	Interest rate swap transaction	0-9 year	65.942	0	-2.661
				0	-2.661

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 20 Adjustments**	**2004**	**2005**
-1	0	Gain/loss from sales of equipment	89	-32
-553	-466	Additional vessel sales costs	-553	-466
0	0	Write-off of non-current assets	501	0
0	0	Reclassification of non-current assets into current assets	23	0
6	0	Other	4	-2
-548	**-466**	**Total adjustments**	**64**	**-500**

Notes

Parent company LTL '000			Consplidated LTL '000	
2004	**2005**	**Note 21 Change in working capital**	**2004**	**2005**
-467	-1.066	Change in inventories	84	-1.095
-624	-4.245	Change in receivable amounts	-943	-6.074
-9.955	7.173	Change in current liabilities	-9.265	8.369
-11.046	**1.862**	**Change in working capital**	**-10.124**	**1.200**

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 22 Net investments in non-current assets**	**2004**	**2005**
-770	0	Investments	0	0
1.500	0	Sales	1.500	0
730	**0**	**Net investments in buildings and terminals**	**1.500**	**0**
-3.491	-1.497	Investments	-3.554	-1.497
4.231	1.618	Sales	4.565	1.687
740	**121**	**Net investments in equipment**	**1.011**	**190**

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 23 Change in other borrowings**	**2004**	**2005**
-22.688	-3.108	Issue and repayment	0	0
0	0	Re-classification of borrowings	0	0
-22.688	**-3.108**	**Net change in other borrowings**	**0**	**0**

Loans issued by the parent company include loans to Group companies.

Notes

Note 24 Guarantees and surety obligations

Guarantees and surety obligations of the Group amount to 0 tLTL (2004: 0 tLTL).

Guarantees and surety obligations of the parent company, issued to insurance companies in favour of the subsidiary UAB Krantas Travel, amount to 565 tLTL (2004 : 200 tLTL).

As at 31 December 2005 the parent company was a party in several legal cases. The outcome of the mentioned cases will not have any influence on the Group's financial position, except the amounts recognised in the balance sheet.

Notes

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Note 25 Operating lease agreements**	**2004**	**2005**
		Minimum lease payment		
141	141	0-1 year	403	365
563	422	1-5 years	862	506
		After 5 years		
704	**563**	**Total land and buildings**	**1.265**	**871**
		0-1 year		
		1-5 years		
		After 5 years		
0	**0**	**Total terminals**	**0**	**0**
23.945	16.763	0-1 year	0	0
16.763	5.966	1-5 years	0	0
0	0	After 5 years	0	0
40.708	**22.729**	**Total vessels**	**0**	**0**
426	534	0-1 year	530	612
597	321	1-5 years	815	478
		After 5 years		
1.023	**855**	**Total machinery and equipment**	**1.345**	**1.090**
		Total minimum lease payments as to maturities:		
24.512	17.438	0-1 year	933	977
17.923	6.709	1-5 years	1.677	984
0	0	After 5 years	0	0
42.435	**24.147**	***Total minimum lease payments***	**2.610**	**1.961**

The above liabilities are not discounted.

The Group's operating lease costs, recorded in the profit and loss account, amount to 10.631 tLTL (2004 : 13.573 tLTL), and the parent company's - 33.719 tLTL (2004 : 32.673 tLTL).

The vessel operating lease agreements are usually drawn up for a period from three to ten years. Most of the vessel operating lease agreements foresee a possibility for the lease period to be extended. Other lease agreeements are ordinary rent agreements prescribing a minimum rent period after which the rent may be terminated with a prior 1-12 months notice.

The Group has finance leasing agreements for premises. Liabilities related to the mentioned agreements are included in the balance sheet. Future minimum lease payments and their present value may be specified as follows:

Parent company LTL '000			Consolidated LTL '000	
2004	**2005**	**Financial lease agreements**	**2004**	**2005**
		Minimum lease payments		
0	0	0-1 year	109	115
0	0	1-5 years	280	164
0	0	After 5 years		
0	0	Total minimum lease payments	389	279
0	0	Interest	-46	-33
0	**0**	**Net investment into lease**	**343**	**246**
		Recognised in the balance sheet		

0	0	Current liabilities	97	102
0	0	Non-current liabilities	246	144
0	**0**	**Total recognised in the balance sheet**	**343**	**246**

Notes

Note 26 Related parties

The parent company of LISCO Baltic Service Group, executing control, is DFDS A/S, Copenhagen, which holds more than 90% shares of AB LISCO Baltic Service. Members of the Board and Council of DFDS A/S are also the related parties.

Furthermore, the related parties are all companies, owned by DFDS A/S, companies controlled by AB LISCO Baltic Service and associated companies (refer to notes 11 and 12) as well as their board members, management and their family members.

Except for internal balances and turnovers, which are eliminated when consolidating, ordinary remuneration to the management and the transactions presented below, there were no other transactions with related parties during the year.

Transactions which are mainly related to purchase of services, with the DFDS A/S Group, controlled companies and associated companies were carried out on market conditions.

Parent company
LTL '000

2004	Sale of services	Purchase of services	Sale of assets	Purchase of assets	Receivable amounts	Payable amounts
DFDS A/S Group	27.225	4.295	0	0	1.523	5
Controlled companies	2.257	32.169	0	770	1.494	552
Associated companies	17	219	0	0	0	8

2005	Sale of services	Purchase of services	Sale of assets	Purchase of assets	Receivable amounts	Payable amounts
DFDS A/S Group	18.997	4.858	0	0	1.463	370
Controlled companies	3.637	31.972	0	0	876	1.031
Associated companies	11	251	0	0	0	22

Notes

Note 27 Test on impairment of assets

Impairment calculations in the Group are based on the tests on vessel impairment as the book value of the vessels makes the major part of the Group's assets.

Vessels
The impairment tests are performed on an individual basis for all the vessels of the Group. Separate shipping lines are considered to be the smallest cash generating units of the Group. There are several cases when shipping line combinations are treated as the smallest cash generating units. The expected future cash flows from shipping lines are attributed to the vessels. This allocation is based on the vessel capacity, compared to the shipping lines capacity and the expected usage of the vessels over their useful lifetime in the Group. The expected cash flows from each vessel are added to the expexted carrying amount of the vessel at the end of the useful lifetime. The carrying amount of the vessel at the end of the useful lifetime is calculated based on the expected realisable value or scrap value.

The carrying amount of the vessel is the higher of the two values: the amount of expected cash flows from the vessels or net realisable value. Net realisable value is calculated based on the valuation of independent broker. If the value is less than than the carrying amount, an impairment loss is recognised.

Assumptions for calculation of cash flows
The calculation of cash flows is based on the budget approved for the next financial year and the forecasts for an additional 5 years period as well as on the extrapolation from the seventh year till the end of the useful lifetime of the vessel in the shipping line.

The expected growth rate during the forecasted period is 0-3%. Extrapolation after the forecasted period foresees a 0% growth in all shipping lines.

The Group uses a discount rate of 7%, which comprises a risk free rate of 3.5%, risk premium of 6.5%, beta 0.895, interest rate up to 5.2% and the tax rate of 15%.

Sensitivity analysis
Sensitivity analysis of expected income is prepared annually by estimating relevant risk factors, which can be reasonably measured by the Group.

Results of impairment tests
Based on the impairment tests performed, there is no indication of impairment of the vessels, which should be recognised by the parent company and the Group.

Tests of impairment of investments in subsidiaries (parent company)
The tests on impairment of investments are performed in all Group companies. Each Group company is considered to be the smallest cash flow generating unit.

The calculation of cash flows is based on the budget approved for the next financial year and the extrapolation, assuming that the growth rate will be 0%. Calculations of future cash flows are adjusted according to the assumption and historic results as well as taking into account the expected fluctuations of cash flows in the future.

The Group applies a 7% discount rate, comprising a risk free rate of 3.5%, risk premium of 6.5%, beta 0.895, interest rate up to 5.2% and the tax rate of 15%.

Based on the impairment tests performed, there is no indication regarding the loss due to impairment of investments into subsidiaries, which should be recognised by the parent company.

AB Lisco Baltic Service

Report on the Company's activities for the year 2005 including auditor's report

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Contents

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Auditor's report regarding report on AB Lisco Baltic Service activities

We have reviewed the accompanying report on the activities of AB Lisco Baltic Service (hereinafter the Company) for the year 2005. This report and the assumptions for operational plans and forecasts are the responsibility of the Company's management. Our responsibility is to express an opinion whether the financial information contained in the report on the Company's activities correspond to the statutory financial statements.

Our review was limited to investigate that there are no material misstatements contained in the report of the Company's activities if to compare with the statutory financial statements. We have not reviewed the management's estimations and section concerning future plans and forecasts, as the audit of the Company's financial statements is not aimed at such examination, and, consequently, we do not express an opinion on the estimations, future plans and forecasts.

Based on our review, nothing has come to our attention that causes us to believe that the report on the Company's activities is inconsistent with the Company's statutory financial statements for the year ended 31 December 2005 on which we expressed an unqualified opinion in our auditor's report dated 29 March 2006.

Klaipėda, 31 March 2006
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorised
Public Accountant

Rokas Kasperavičius
Lithuanian
Certified Auditor

Report on the activities of AB Lisco Baltic Service for the year 2005

AB LISCO BALTIC SERVICE (hereinafter the parent Company), company code 110865181, was established on 27 June 2001 upon the reorganization of AB Lithuanian Shipping Company. The major shareholder of the Company is DFDS A/S, holding 92,12% of the shares as of 31 December 2005. The main activity of the parent Company is transportation of cargo and passengers by ferries and vessels (activity code 61.10.20 "Cargo transportation by vessels" and 61.10.30 "Transportation of passengers, vehicles and cargo by ferries").

The executive bodies of the Company are the General Shareholders Meeting, the Board and the Head of Administration – the General Director.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Law on Accounting and other legal acts.

Review of main activities

The results of the AB LISCO BALTIC SERVICE activities in 2004-2005 are presented below:

'000 LTL	2005 Group	2005 Parent company	2004 Group	2004 Parent company
Revenue	245,258	214,870	221,847	196,175
Profit before tax, interest, depreciation and amortisation (EBITDA)	62,006	35,735	57,404	33,359
Net profit	22,954	19,610	17,772	12,100

In 2005 the Group's revenue amounted to 245,258 tLTL (parent company: 214,870 tLTL) signifying an increase of 10.6% (parent company: 9.5%) compared to 2004. The growth of income was mainly due to a higher activity level on the major liner services. The net profit for 2005 amounts to 22,954 tLTL (parent company: 19,610 tLTL), which signifies an increase of 29% (parent company: 62%) compared to 2004. This result may be largely explained by higher sales revenue on the major liner services and lower fleet depreciation cost.

The average payroll personnel number of the whole group of AB LISCO BALTIC SERVICE was 743 staff in 2005. The number of staff in the Parent Company itself was 600; including 499 staff onboard the vessels and 101 employees in the administration.

The major part of the parent Company's income was earned by line activities.

In 2005 the Company operated one line to Sweden (Klaipėda-Karlshamn) and two lines to Germany (Klaipėda-Kiel and Klaipėda-Sassnitz) and provided passenger service management on the Riga-Lübeck line to DFDS Tor Line. Expecting to attract freight shipped from Scandinavia to Russia and back, the Company extended the Karlshamn-Klaipėda route to the port of Baltiysk on 11 June 2005.

In 2005 the Company experienced certain difficulties as a consequence of the accession of Lithuania to the European Union in 2004. Relaxation of border formalities, reallocation of production markets and an increase of international competition have reduced cargo flows on the Klaipėda–Kiel and Klaipėda–Sassnitz lines, whereas cargo volumes on the Klaipėda–Karlshamn line have increased. Growing volumes of trade between the new and old countries of the European Union, the continuously growing economies of Lithuania and Russia and an increase of the Karlshamn line capacity accounted for positive results of this line.

Transit cargoes between Russian and Western European markets accounted for the major part of the cargo volume shipped in 2005, followed by cargo volume to and from the Baltic states.

The passenger flow in 2005 increased by 12,7 percent. The reasons for the growth include the accession of Lithuania to the European Union, new opportunities to travel freely, a free labour movement from and to Lithuania and the neighbouring Latvia and finally a rapid expansion of the tourist market.

The Klaipėda–Kiel Line

One ro-pax vessel sailed three times per week in either direction on the Klaipėda–Kiel line. As a consequence of the accession of Lithuania to the European Union a drastic slump of cargo volumes was experienced in 2004 on this line; in 2005, however, the Company managed to recover part of it, thus the overall volume decreased by mere 7 percent compared to 2004. The structure of the cargo transportation did not undergo any changes: trailers and trucks accounted for 80 percent.

As the passenger transportation capacity did not change on this line, the passenger volume for 2005 remained the same as in 2004.

Until 31 December 2005 the line was operated under a Conference Agreement with Scandlines AG.

The Klaipėda–Sassnitz Line

One railferry sailed three times per week in either direction on the Klaipėda–Sassnitz line. The cargo volumes decreased by 24 percent in comparison with 2004. The cause of decrease is the new competitive environment of the European Union. Railcars were also transported on this line; their numbers decreased by 16,8 percent in comparison with 2004.

Until 31 December 2005 this line was also operated in Conference with Scandlines AG. Scandlines AG gave notice of termination to the Conference Agreement in force since 1999, and has ceased to operate on the Klaipeda-Kiel and Klaipeda-Sassnitz lines as of 31 December 2005.

The Klaipėda–Karlshamn Line

Two ro-pax vessels sailed six times per week on the Klaipėda–Karlshamn line. The cargo volumes increased by 30,7 percent in comparison with 2004. Contrary to the German line, the Swedish line did not experience the adverse effect of competition from road shipment. As in previous years, trailers and trucks accounted for the major share of vehicles shipped by ferries.

Two larger ferries with higher passenger capacity increased the passenger volume by 55 percent compared to 2004. Service volumes and quality provided for the opportunity to enter into long-term agreements with a number of Lithuanian and Scandinavian organizations and travel agencies.

The Karlshamn–Baltiysk- Klaipėda Line

One ro-pax vessel sailed on the Karlshamn–Baltiysk–Klaipėda line, inaugurated on 11 June 2005. Trailers accounted for the major share of freight.

Due to the visa regime with Kaliningrad Oblast and only one weekly voyage, the volume of passengers transported on this line was relatively low.

The Lübeck–Riga/Ventspils (HansaBridge) Line
On the Lübeck–Riga/Ventspils line, the Parent Company was responsible for passenger transportation only. The 2005 volume was the same as in 2004, however, this line experienced considerable shortage of capacity. In 2004 the ferries VILNIUS and KAUNAS with a total passenger capacity of 240 operated on the Lübeck–Riga/Ventspils Line, while the ferries VILNIUS and MERMAID II, with a total passenger capacity of only 100 passengers, operated the line in 2005.

Tramp fleet
The year 2005 was changeable in the dry-cargo vessel markets. During the second half-year of 2005, a period characterized by high transportation rates came to an end. The high rates were due to the high demand for transportation services, which had prevailed since 2004. Notwithstanding this fact, the results for the tramp ships of the Parent Company met the budget, whilst the turnover generated by dry-cargo vessels increased by 16 percent compared to 2004.

One of the factors with a negative impact upon the situation of the shipping markets in 2005 was the continuous increase of fuel prices and the increased supply of tonnage. In the European region where the tramp vessels of the Parent Company operated in 2005, the "summer effect" was once more strongly felt when the major part of the industries was on holiday, and as a consequence the demand for transportation fell significantly.

The main shipping region in 2005 remained unchanged: the Baltic Sea –Continental Europe – the Mediterranean Sea – the Black Sea. In the summer season one of the vessels made a few transatlantic voyages, and one vessel underwent scheduled repair.

Details on subsidiaries

As of 31 December, 2005 the Parent Company holds the following ownership in subsidiaries and associates:

Name of the subsidiary/associate	Address	Number of shares	Par value of owned shares	Ownership in %
UAB Krantas Shipping, Klaipeda	Perkėlos 10, LT-93270 Klaipėda	18,500	1,850,000 LTL	100
UAB Laivyno technikos priežiūros bazė, Klaipeda	Perkėlos 10, LT-93270 Klaipėda	330,000	3,300,000 LTL	100
UAB Krantas Travel, Klaipeda	J.Janonio 24, LT-92251 Klaipėda	400	400,000 LTL	100
UAB LISCO Shipping Logistics, Klaipeda	J.Janonio 24, LT-92251 Klaipėda	1,000	100,000 LTL	100
UAB Krantas Forwarding, Klaipeda	Perkėlos 10, LT-93270 Klaipėda	500	50,000 LTL	50
LISCO BALTIC SERVICE GmbH (Lita Shipping GmbH), Kiel	Ostuferhafen 15, D-24149 Kiel	N/A	26,000 EUR	100
Rasa Multipurpose Shipping Ltd. Cyprus	J.Janonio 24, LT-92251 Klaipėda	1,000	1,000 CYP	100
Aukse Multipurpose Shipping Ltd. Cyprus	J.Janonio 24, LT-92251 Klaipėda	1,000	1,000 CYP	100

As the parent Company took over the agency activities from the subsidiary company UAB Krantas Shipping in 2004, this company is under solvent liquidation. During 2005 UAB LISCO Crew and the subsidiary of UAB Krantas Shipping in Sweden, LISCO BALTIC SERVICE AB (100% owned), were liquidated.

The results of the subsidiaries and associates for 2005 are presented below:

Name of the subsidiary/associate	Activity	Equity '000LTL	Net profit '000LTL
UAB Krantas Shipping, Klaipeda	Under liquidation	8,159	128
UAB LISCO Shipping Logistics, Klaipeda	Logistics, forwarding	3,285	1,263
UAB Krantas Travel, Klaipeda	Travel agency	82	149
UAB Laivyno technikos priežiūros bazė, Klaipeda	Repairs and maintenance of vessels	3,382	98
UAB LISCO Crew, Klaipeda	Liquidated	0	123
LISCO Baltic Service GmbH, Kiel	Shipping agency	2,199	236
Rasa Multipurpose Shipping Ltd. Cyprus	Shipping	913	2,228
Aukse Multipurpose Shipping Ltd. Cyprus	Shipping	-3,062	-622
UAB Krantas Forwarding, Klaipeda	Forwarding, survey	171	2

Purchase and sale of the company's shares

On 31 December 2005 the share capital of the Company amounted to 332,547,434 LTL.

During 2005 the major shareholder DFDS A/S together with associate companies have increased their ownership in AB LISCO BALTIC SERVICE from 91,82% to 92,12%. As of 31 December 2005 DFDS A/S owned 306,341,452 shares.

The Company has not bought any of its own shares during 2005.

Branches of the company

From the 1st April 2003 the Parent Company has a representative office in Moscow at Ozerkovskij str. 12. The objects of the office are to represent the interests of the Parent Company in the Russian Federation, to collect and analyze information about the Russian market, to maintain and strengthen the contacts with existing partners and to search for new partners in Russia. The representative office staff consists of two employees.

Major events after the end of the financial year

The following material events occurred after the issue of the financial statements: the sale of the Klaipeda–Karlshamn line to DFDS A/S, the sale of the ferry PALANGA, the acquisition of the ferry LISCO OPTIMA and the sale of the railferry KLAIPEDA.

Prognosis and forecast for the year 2006

As the Parent Company is rated as the member of the DFDS Group having the greatest experience of working in Russia, some of the main tasks of the company are the attraction of Russian cargo to the lines of the DFDS group, the search for new transportation possibilities, securing of direct contracts with cargo owners, and the development of the tramp fleet operation of the Parent Company.

Last year the number of shipped passengers on the lines of the Parent Company increased about 12%. This year we expect a further increase of this business area. We intend to keep on operating the passenger transportation business on the Klaipeda–Kiel, Klaipeda–Karlshamn and Lübeck–Riga/Ventspils lines.

The newly acquired vessel LISCO OPTIMA is to be employed on DFDS Lisco Line (Klaipeda–Kiel) upon delivery around 1st May, 2006. The vessel will increase the capacity of this line by offering six trips per week. LISCO PATRIA will be returned to the ScanBridge service (Klaipeda-Karlshamn) as a consequence of the new acquisition.

The DFDS company strategy guidelines also include giving great attention to the ownership and management of ro-pax vessels as well as to the development of the agency activities in Klaipeda.

The result for 2006 is expected to be slightly above the level of 2005 including the sales of the vessel PALANGA, the Klaipeda–Karlshamn line and the railferry KLAIPEDA.

Klaipeda, 31 March 2006

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Peder Gellert Pedersen
Chairman of the Board