AB Limarko Laivininkystės Kompanija

(Limarko Shipping Company AB)

Financial statements for 2005

Contents

Company details

AB Limarko Laivininkystės Kompanija

(hereinafter Limarko Shipping Company AB)

Telephone	+370 6 34 01 85
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Company code	1403 46648
Registered office:	Nemuno 22 LT – 93277 Klaipėda Lithuania

Board of Directors

V.Lygnugaris (Chairman)
I.Uba
E.Bernotas
R.Vyšniauskas
S.Baltuška

Management

V.Lygnugaris (President)

Auditors

KPMG Baltics UAB

Banks

AB SEB Vilniaus Bankas,
AB Bankas Hansabankas,
AB Bankas NORD/LB Lietuva,
Berenberg Bank.

Financial highlights

LTL'000	2005	2004
Key figures		
Turnover	88,291	62,208
Gross profit	22,959	7,868
Operating profit	23,135	4,929
Profit before taxation	18,368	5,649
Profit for the year	15,395	5,374

Non-current assets	146,427	119,857
Current assets	22,550	14,873
Total assets	168,977	134,730
Share capital	109,451	109,451
Capital and reserves	100,783	85,388
Other non-current liabilities	6,198	3,225
Non-current liabilities	45,197	29,492
Current liabilities	16,799	16,625

Net cash flow from operating activities	16,267	19,282
Net cash flow from investing activities	-32,685	-32,002
Net cash flow from financing activities	14,544	14,554
Total cash flow	-1,874	1,834

Average number of employees	412	428

Management's statement on the annual financial statements

The Management has today discussed and authorized the annual financial statements and the annual report for issue and signed then on behalf of the Company.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. We consider that the accounting policies used are appropriate and that the annual financial statements give a true and fair view in accordance with International Financial Reporting Standards.

Klaipėda, 29 March 2006

Management:

Vytautas Lygnugaris

Board of Directors:

V.Lygnugaris
(Chairman)

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I.Uba	E.Bernotas
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R.Vyšniauskas	S.Baltuška

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Auditors' report to the shareholders of Limarko Shipping Company AB

We have audited the accompanying balance sheet of Limarko Shipping Company AB as at 31 December 2005 and the related income statement, statement of changes in equity and statement of cash flows for the year then ended.

These annual financial statements, as set out on pages 5-29, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Stephen Young
Partner
KPMG Baltics UAB

Rokas Kasperavičius
Lithuanian Certified
Auditor

Klaipėda, 29 March 2006

Income statement

For the year ended 31 December 2005

In thousand of Litas	Note	2005	2004
Revenue	1	88,291	62,208
Cost of sales	2	-65,332	-54,340
Gross profit		22,959	7,868
Other operating income, net	3	6,704	2,416
Distribution expenses		-160	-68
Administrative expenses	4	-6,368	-5,287
Operating profit before financing costs		23,135	4,929
Financial income		240	1,713
Financial expenses		-5,007	-993
Net financial costs/income	5	-4,767	720
Profit before tax		18,368	5,649
Income tax expense	6	-2,973	-275
Profit for the year		15,395	5,374
Basic earnings per share (Litas)		0.14	0.05
Diluted earnings per share (Litas)		0.14	0.05

The notes set out on pages 10 to 33 form an integral part of these financial statements.

Balance sheet

As at 31 December 2005

In thousand of Litas	Note	2005	2004
Assets			
Property, plant and equipment	7	145,899	119,170
Intangible assets	8	122	102
Other investments	9	331	331
Long term receivable		75	254
Total non-current assets		146,427	119,857
Inventories	10	3,008	1,233
Receivable	11	13,966	6,190
Cash and cash equivalents	12	5,576	7,450
Total current assets		22,550	14,873
Total assets		168,977	134,730
Equity			
Issued capital		109,451	109,451
Reserves		6,597	6,597
Retained earnings		-15,265	-30,660
Total equity	13	100,783	85,388
Liabilities			
Interest-bearing loans and borrowings	14	45,197	29,492
Deferred tax liabilities	15	6,198	3,225
Total non-current liabilities		51,395	32,717
Interest-bearing loans and borrowings	14	7,608	8,770
Trade and other payables	16	9,191	7,855
Total current liabilities		16,799	16,625
Total liabilities		68,194	49,342
Total equity and liabilities		168,977	134,730

The notes set out on pages 10 - 33 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2005

In thousand of Litas	Note	2005	2004
Cash flows from operating activities			
Profit before tax		18,368	5,649
Adjustments for:			
Depreciation	7	12,379	12,843
Amortization	8	55	6
Gain on sales of non-current assets	3	-6,482	-1,369
Written off non-current assets		5	227
Investment income	5	-22	-19
Interest expense, net	5	1,544	898
Net cash from ordinary activities before any changes in working capital		25,847	18,235
Change in inventories		-1,775	-74
Change in debtors		-7,597	-72
Change in trade and other payables		1,136	2,092
Net cash generated from ordinary activities		17,611	20,181
Net interests paid / received		-1,344	-899
Net cash from operating activities		16,267	19,282
Cash flows from investing activities			
Acquisition of tangible non-current assets	7	-53,548	-35,334
Acquisitions of intangible non-current assets	8	-75	-102
Proceeds from sale of tangible non-current assets	3	20,916	3,415
Dividends received		22	19
Net cash from investing activities		-32,685	-32,002
Cash flows from financing activities			
Proceeds from borrowings		38,760	22,177
Repayment of borrowings		-24,150	-7,536
Payment of finance lease liabilities		-66	-87
Net cash from financing activities		14,544	14,554
Net decrease in cash and cash equivalents		-1,874	1,834
Cash and cash equivalents at1 January		7,450	5,616
Cash and cash equivalents at 31 December		5,576	7,450

The notes set out on pages 10 to 33 form an integral part of these financial statements

Statement of changes in equity

In thousand of Litas	Note	Share capital	Own shares	Legal reserve	Retained earnings	Total equity
At 1 January 2004		130,795	-9,823	6,597	-47,555	80,014
Net income for 2004					5,374	5,374
Decrease in share capital		-21,344	9,823	0	11,521	0
At 31 December 2004		109,451	0	6,597	-30,660	85,388
At 1 January 2005		109,451	0	6,597	-30,660	85,388
Net income for 2005					15,395	15,395
At 31 December 2005	13	109,451	0	6,597	-15,265	100,783

The notes set out on pages 10 to 33 form an integral part of these financial statements.

Notes to the financial statements

Significant accounting policies

Limarko Shipping Company AB (the "Company") is a company domiciled in Lithuania. The Company is involved in transportation of cargo by sea transport (vessels).

The major shareholder of the Company is UAB Limarko, a company incorporated in Lithuania, which owns 90.9% of the share capital. The ordinary shares of the company are listed on the Vilnius Stock Exchange.

The financial statements were authorised for issue by the directors on 29 March 2006.

(a) Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the European Union. These are the Company's first financial statements and IFRS 1 has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 22.

(b) Basis of preparation

The financial statements are presented in Litas, the legal currency of Lithuania and considered to be the functional currency of the company, and are prepared on the historical cost basis, for accounting records maintained in accordance with Lithuanian laws and regulations.

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

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

The accounting policies set out below have been applied consistently to all periods presented in accordance with IFRS 1.7 in these annual financial statements and in preparing an opening IFRS balance sheet in accordance with IFRS 1.36A as at 1 January 2004 for the purposes of transition to IFRSs.

Notes to the financial statements

Significant accounting policies (continued)

(c) Derivative financial instruments

The company does not use derivative financial instruments and hedge accounting.

(d) Other financial instruments

Loans and receivables originated by the Company 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 originated by the Company are measured at amortised cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

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 classified as available-for-sale and measured at cost, less impairment, if any.

(e) Foreign currency

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

(f) Property, plant and equipment

Items of property, planned and equipment, including assets under finance lease terms, are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor costs and an appropriate proportion of production overheads.

Leases under the terms of which the Company assumes substantially all the risks and rewards of the ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at the present value of the minimum lease payments at inception of the lease less accumulated depreciation and impairment losses.

The Company recognises in the carrying amount of an item of tangible non-current assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the costs of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Notes to the financial statements

Significant accounting policies (continued)

Costs incurred during regular inspections of vessels are recognised in the carrying amount of the vessels as a replacement. Any remaining carrying amount of the cost of previous inspection is derecognized.

Component accounting is not considered appropriate for vessels.

Depreciation is charged to the income statement on own assets and assets leased under finance lease terms on a straight-line basis over the estimated useful lives of each part of an item of tangible non-current assets. The estimated useful lives are as follows:

Land and buildings	11-44 years
Ships and other transport vehicles	4-16 years
Capitalised dry docking expenses	3 years
Other non-current assets	2-7 years

Useful lives, residual values and depreciation methods are reassessed annually.

(g) Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses (see accounting policy l). Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of 3-4 years.

(h) Investments

Investments, held by the company are classified as being available-for-sale. Due to an inability to determine the fair value of investments, investments are stated at cost.

(i) Trade and other receivables

Trade and other receivables are stated at their amortised cost less an allowance for estimated doubtful amounts.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Notes to the financial statements

Significant accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank, including call deposits.

(l) 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 of assets 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.

(m) Dividends

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

(n) Provisions

A provision is recognised in the balance sheet when the company has a present 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Interest-bearing borrowings

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

(p) Trade and other payables

Trade and other payables are stated at amortized cost.

Notes to the financial statements

Significant accounting policies (continued)

(q) Revenue

Revenue from sales of goods and rendering of services is recognised on an accrual basis.

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Vessel charter contracts are recognized as turnover according to the percentage of completion method.

(r) Cost of goods sold and services rendered

Cost of sales comprises costs included depreciation, wages and salaries and other costs incurred in order to obtain the turnover for the year.

Repair expenses of the vessels in connection with regular inspection are amortised during the period of 3 years. Other repair and maintenance expenses of the vessels are recognised as expenses in the year they occur.

(s) Distribution and administrative expenses

Distribution and administrative expenses comprise expenses of administrative staff, management, office expenses, etc. including depreciation and amortisation.

(t) Other operating income and charges

Other operating income and charges comprise gains and loses from sale of vessels and other non-current assets and other items, which are not directly related to the primary activities of the company.

(u) Financial income and expenses

Financial income and expenses comprise interest receivable and payable, realised and unrealised exchange gains and losses regarding debtors and creditors denominated in foreign currencies.

Interest income is recognised in the income statement as it accrues. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Notes to the financial statements

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using applicable tax rates and calculated in accordance with Lithuanian tax legislation.

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

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

(z) Segment reporting

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

Change 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.

The impact of the new standards, applicable to the Company, is as follow:

Notes to the financial statements

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:

-All loans, receivables and deposits originated by the Company were classified as loans and receivables originated by the Company and measured at amortised cost. Current portion of loans and receivables originated by the Company 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.

-All loans received and other interest bearing borrowings of the Company were classified as financial liabilities and measured at amortised cost as of 1 January 2005. There was no impact on net income or equity from this redesignation.

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, where relevant to the company, are mandatory for the Company's accounting periods beginning on or after 1 January 2006 or later periods but which the Company has not adopted early. Relevant standards, amendments and interpretations are as follows:

– IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment should not have a significant impact on the classification of financial instruments, as the Company does not classify any instruments as at fair value through profit and loss.

– 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.

Notes to the financial statements

– 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 to the financial statements

1. Revenue

In thousand of Litas	2005	2004
Pool operations	49,829	35,885
Voyage charter operations	31,570	22,176
Time charter operations	5,213	3,715
Demurrage	1,679	432
Total revenue	88,291	62,208

As at 31 December 2005 the Company owned 12 reefer ships, one container ship and chartered one dry cargo ship.

During the year 2005 the Company operated 10 ships in pool operations. One of these vessels was acquired during 2005 (see note 7).

4 ships were chartered for separate voyages, including 2 vessels, which were chartered from a related company.

2 ships were chartered according to time charter contracts, including one vessel, which was sold, and one vessel, which was acquired during 2005 (see note 7).

2. Cost of sales

In thousand of Litas	2005	2004
Crew costs	17,594	16,064
Depreciation	12,140	12,551
Fuel	10,108	5,579
Repair and maintenance of vessels	8,908	8,154
Insurance	4,134	3,828
Port dues	3,992	2,574
Commissions	2,165	1,495
Lubricating oil	2,006	1,669
Other cost of sales	4,285	2,426
	65,332	54,340

Notes to the financial statements

3. Other operating income

In thousand of Litas	2005	2004
Revenue from sale of non-current assets	20,916	3,415
Cost of sold non-current assets	-14,434	2,046
Net revenue from sale of non-currents assets	6,482	1,369
Other operating income, net	222	1,047
	6,704	2,416

During the year 2005 the Company sold one vessel and the administrative building under construction.

4. Administrative expenses

In thousand of Litas	2005	2004
Staff costs	3,649	2,924
Business trips	375	175
Depreciation and amortization	295	298
Operating taxes	287	364
Financial, legal advisory	266	301
Communication	198	197
Bank charges	116	128
Other costs	1,182	900
	6,368	5,287

5. Net financial costs / income

In thousand of Litas	2005	2004
Financial income		
Dividends received	22	19
Penalties	61	0
Interest	157	63
Currency exchange rate gain	0	1,631
Total financial income	240	1,713
Financial expenses		
Currency exchange rate loss	-3,293	0
Interest	-1,701	-961
Other	-13	-32
Total financial costs	-5,007	-993
	-4,767	720

Notes to the financial statements

6. Income tax expense

Recognised in the income statement

In thousand of Litas	2005	2004
Current tax expense	0	0
Deferred tax expense	-2,973	-275
Total income tax expense in income statement	-2,973	-275

Deferred tax liabilities arise due to a difference in the financial and tax values of non-current assets. Deferred tax assets arise due to the availability of taxable losses carried forward (see note 15).

Reconciliation of effective tax rate

In thousand of Litas	2005	2004
Profit before taxation	18,368	5,649
Non deductible expenses	3,388	5,715
Non taxable income	-2,906	-299
Taxable profit	18,850	11,065
Taxable loss carried forward from previous years	-18,850	-11,065
Taxable profit	0	0
Tax rate	15%	15%
Income tax for the year	0	0

Non-deductible expenses

In thousand of Litas	2005	2004
Timing difference in depreciation of assets	2,379	3,729
Representation and support	410	27
Interest expenses	321	640
Other	278	1,319
Total non-deductible expenses	3,388	5,715
Non-taxable income		
Penalties received	1,679	
Adjustment to depreciation of assets	626	
Adjustment of repair costs	195	
Other	406	299
	2,906	299

Notes to the financial statements

7. Property, plant and equipment

In thousand of Litas	Land and buildings	Vessels and cars	Other assets	Under construction	Total
Cost					
Balance at 1 January 2004	4,204	137,390	917	3,288	145,799
Acquisitions	0	35,200	134	0	35,334
Disposals	0	-9,843	-143	-108	-10,094
Balance at 31 December 2004	4,204	162,747	908	3,180	171,039
Balance at 1 January 2005	4,204	162,747	908	3,180	171,039
Acquisitions	0	53,425	123	0	53,548
Disposals	0	-26,414	-56	-3,180	-29,650
Balance at 31 December 2005	4,204	189,758	975	0	194,937
Depreciation and impairment losses					
Balance at 1 January 2004	1,391	44,937	520	0	46,848
Depreciation charge for the year	96	12,584	163	0	12,843
Disposals	0	-7,728	-94	0	-7,822
Balance at 31 December 2004	1,487	49,793	589	0	51,869
Balance at 1 January 2005	1,487	49,793	589	0	51,869
Depreciation charge for the year	96	12,129	154	0	12,379
Disposals	0	-15,167	-42	0	-15,209
Balance at 31 December 2005	1,583	46,755	701	0	49,039
Carrying amounts					
At 1 January 2004	2,813	92,453	397	3,288	98,951
At 31 December 2004	2,717	112,954	319	3,180	119,170
At 1 January 2005	2,717	112,954	319	3,180	119,170
At 31 December 2005	2,621	143,003	274	0	145,898

Security

As at 31 December 2005, ships with the carrying amount of 66,354 tLTL are pledged to secure bank loans (see note 14).

Leased transport vehicles

The Company leases several transport vehicles under finance lease agreements. At 31 December 2005, the net book value of the leased assets was 214 tLTL (2004: 269 tLTL). Lease obligations are secured by the leased assets (see Note 14).

Depreciation

Depreciation is recognised in the following line items in the income statement:

In thousand of Litas	2005	2004
Cost of sales	12,140	12,551
Other operating expenses	239	292
	12,379	12,843

Notes to the financial statements

8. Intangible assets

In thousand of Litas	Software	Total
Cost		
Balance at 1 January 2004	33	33
Acquisitions	102	102
Balance at 31 December 2004	135	135
Balance at 1 January 2005	135	135
Acquisitions	75	75
Balance at 31 December 2005	210	210
Amortisation and impairment losses		
Balance at 1 January 2004	27	27
Amortisation for the year	6	6
Balance at 31 December 2004	33	33
Balance at 1 January 2005	33	33
Amortisation for the year	55	55
Balance at 31 December 2005	88	88
Carrying amounts		
At 1 January 2004	6	6
At 31 December 2004	102	102
At 1 January 2005	102	102
At 31 December 2005	122	122

9. Investments

In thousands of Litas	2005	2004
Available-for-sale investments	331	331
	331	331

Available-for-sale investments include 20% of the shares of Alpha Reefer Transport GmbH. Alpha Reefer Transport GmbH is the company, through which Limarko Shipping Company AB earns pool revenue.

Although the Company has 20% investment in Alpha Reefer Transport GmbH, it does not have representation in the Board and management and, therefore, does not exercise significant influence. Accordingly, it is not treated as associated entity under IFRS.

Notes to the financial statements

10. Inventories

In thousand of Litas	2005	2004
Raw materials and consumables	70	65
Fuel	2,202	727
Lubricating oil	806	601
	3,078	1,393
Allowance for slow moving inventory	-70	-160
	3,008	1,233

11. Receivable

In thousand of Litas	2005	2004
Trade receivable	6,083	4,038
Prepayments	5,347	75
Deferred expenses	2,286	1,691
Other receivable	250	386
	13,966	6,190

Prepayments as at 31 December 2005, amounting to 5,265 tLTL, comprise deposits for two vessels, which were acquired in 2006.

The majority of deferred expenses comprise deferred insurance expenses.

12. Cash and cash equivalents

In thousand of Litas	2005	2004
Bank balances	5,524	7,419
Cash in hand	52	31
	5,576	7,450

As at 31 December 2005 the Company has 1,572 thousand USD in the current account and as cash in hand.

Notes to the financial statements

13. Share capital

As at 31 December 2005, the authorised share capital comprised 109,450,664 ordinary shares at a par value of Litas 1 each.

Holders of ordinary shares are entitled to one vote per share in the meeting of the Company and are entitled to receive dividends as declared from time to time.

The shareholders at the balance sheet date are as follows:

	Ordinary shares	Ownership %
UAB Limarko	99,492,943	90.9
Other minority shareholders	9,957,721	9.1
	109,450,664	100

The shares are listed in Vilnius Stock Exchange.

Decrease in share capital

In accordance with the reorganization project of AB Klaipėda Transport Fleet (previous name of Limarko Shipping Company AB) and UAB Limarko Shipping Company, UAB Limarko Shipping Company was merged into AB Klaipėda Transport Fleet. The shares of UAB Limarko Shipping Company held by its shareholders were converted into the shares of AB Klaipėda Transport Fleet. It is not treated as a business combination as to IFRS 3 because of the common shareholding.

The reorganization project was finished in February 2004. The share capital was reduced by canceling own shares. The difference in the acquisition price and nominal value was recognised in retained earnings.

Legal reserves

Under Lithuanian legislation, an 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 cannot be distributed.

Earnings per share

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

	2005	2004
Average weighted number of shares in issue	109,450,664	109,450,604
Net result for the year, in thousand Litas	15,395	5,374
Earning per share, in Litas	0,14	0,05

Notes to the financial statements

14. Interest-bearing loans and borrowings

The company's interest-bearing loans and borrowings are as follows:

Lending institution	Ref	Principal amount	Balance at 31/12/2005	Balance at 31/12/2004
AB Vilniaus Bankas	a)	5,600 tUSD	13,969	14,193
AB Vilniaus Bankas	b)	6,000 tEUR	20,717	0
AB Vilniaus Bankas	c)	6,200 tUSD	18,043	0
Club loan: AB Vilniaus Bankas, AB Hansabankas, AB Bankas NORD/LB Liatuva, AB Sampo Bankas	d)	7,500 tUSD	0	15,207
Club loan: AB Bankas Hansabankas, AB Sampo Bankas	e)	3,150 tUSD	0	7,452
Berenberg bank	f)	2,000 tUSD		1,267
Nordea Finance Leasing	g)		76	143
Total liabilities			52,805	38,262
Less: current portion			-7,608	-8,770
Total long term portion of net liabilities			45,197	29,492

Interest rates for the loans are variable and relate to LIBOR, varying from LIBOR+0.9% to LIBOR+1.86%.

a) The loan was received to finance the acquisition of the vessel "Andromeda". The loan should be repaid by 31 December 2011 in quarterly payments. The loan is secured by pledging the vessel "Andromeda".

b) The loan was received to finance the acquisition of the vessel "Serenada". The loan should be repaid by 11 August 2012 in quarterly payments. The loan is secured by pledging the vessel "Serenada".

c) The loan was received to finance the acquisition of the vessel "Libra". The loan should be repaid by 23 October 2012 in quarterly payments. The loan is secured by pledging the vessel "Libra".

d) The club loan was received to refinance the loan of UAB Limarko Laivininkystės Kompanija. UAB Limarko Laivininkystės Kompanija was merged with Limarko Shipping Company AB. The loan was repaid before maturity date.

e) The loan was received to finance the acquisition of the vessel "Astra". The loan was repaid before maturity date.

f) The loan was received for the acquisition of the vessel "Seafrost".

g) Liabilities to Nordea Finance Leasing comprise leasing of several transport vehicles.

The effective interest rate for the period was between 3.5% and 4% per annum.

Notes to the financial statements

Finance lease liabilities

Finance lease liabilities are payable as follows:

In thousands of Litas	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2005	**2005**	**2005**	**2004**	**2004**	**2004**
Less than one year	72	1	71	80	3	77
Between one and five years	5	0	5	67	1	66
More than five years	77	1	76	147	4	143

Terms of the lease agreements do not include any contingent rent payment.

15. Deferred tax assets and liabilities

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items calculated at a rate of 19% (2004 : 15%):

In thousand of Litas	Assets		Liabilities		Net	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Property, plant and equipment	0	0	6,794	6,674	6,794	6,674
Tax value of tax loss carry-forwards recognised	-583	-3,425	0	0	-583	-3,425
Provisions	-13	-24	0	0	-13	-24
Tax (assets) / liabilities	-596	-3,449	6,794	6,674	6,198	3,225

The difference in tax and financial values of property plant and equipment arose due to faster depreciation for tax purposes. Moreover, dry docking repair costs are capitalised and depreciated over the period of 3 years in the financial statements. However, for calculation of the taxable result the dry docking costs are expensed in the period of acquisition.

Tax loss carry forward amounts to 3,070 tLTL as at 31 December 2005 and has been recognised as recovery considered to be probable.

16. Trade and other payables

In thousand of Litas	2005	2004
Trade payable	6,105	4,901
Remuneration payable	2,499	2,549
Other payable	587	1,305
	9,191	7,855

Notes to the financial statements

17. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the company's business.

Credit risk

Management has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis. At the balance sheet date, there were no significant concentrations of credit risk.

Foreign exchange risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Litas or euro (Lithuanian Litas is linked to euro at a fixed rate equal 3.4528 LTL / EUR).

As at 31 December 2005, the Company held the following position in foreign currencies:

	USD	RUB	EUR	GBP	DKK	JPY
Receivable	3,874	610	73			
Cash	1,572		58	39		
Financial liabilities	-11,026		-6,000			
Trade payables	-1,666	-105	-149	-15	-256	-1,361
	-7,246	505	-6,018	24	-256	-1,361

The position in foreign currencies is translated into Litas at the exchange rate ruling at the balance sheet date.

Interest rate risk

Company's financial liabilities are subject to variable interest rates, related to LIBOR varying from LIBOR+0.9% to LIBOR+1.86%.

18. Contingencies and capital commitments

During the year ended 31 December 2005 the Company entered into a purchase contract for vessels at the total approximate price of 20 mio USD (see Note 20).

Notes to the financial statements

19. Related parties

Related party transactions are as follows:

In thousand of Litas	Year 2005		Year 2004	
	Sales	**Purchases**	**Sales**	**Purchases**
UAB Limarko	629	5,232	44	2,026
	629	5,232	44	2,026

In thousand of Litas	31 December 2005		31 December 2004	
	Receivable	**Payable**	**Receivable**	**Payable**
UAB Limarko	0	0	8	0
	0	0	8	0

Remuneration to management is included in "staff costs" of administrative expenses (see note 4):

In thousand of Litas	**2005**	**2004**
Management remuneration	1,189	954

Loans outstanding, granted to the management, are recorded as long-term receivable and are as follows:

In thousand of Litas	**2005**	**2004**
Loans to management	75	254

All related party transactions are carried out on an arm's-length basis.

20. Subsequent events

In January 2006 the Company acquired two ships for an approximate price of 20 mio USD. The acquisition of vessels was financed by AB Bankas Hansabankas. The Company signed a loan agreement with the above mentioned bank on 3 January 2006. The loan amounts to 16,281 tUSD and should be repaid by 3 January 2013.

21. Segment reporting

The Company operates exclusively in the international shipping market and accordingly neither geographical or business segment reporting is appropriate. Revenue from reefer vessels comprises more than 90% of the total revenue in 2005. The revenue split is presented in note 1.

Notes to the financial statements

22. Explanation of transition to IFRSs

As stated in note 1(a), these are the company's first financial statements prepared in accordance with IFRS.

The accounting policies, set out in note 1, have been applied in preparing the financial statements for the year ended 31 December 2005, in presenting the comparative information for the year ended 31 December 2004 and in preparing an opening IFRS balance sheet as at 1 January 2004 (the company's date of transition).

When preparing the opening balance sheet in accordance with IFRS, the Company adjusted the amounts reported previously in the financial statements prepared in accordance with Lithuanian Business Accounting Standards. An explanation of how the transition from LBAS to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of balance sheet

		LBAS	Effect of transition to IFRSs	IFRSs	LBAS	Effect of transition to IFRSs	IFRSs
In thousand of Litas	**Note**	**1 January 2004**			**31 December 2004**		
Assets							
Property, plant and equipment		97,456	1,493	98,949	117,378	1,792	119,170
Intangible assets		29		29	102		102
Investments		331		331	331		331
Long term receivable		224		224	254		254
Total non-current assets		98,040	1,493	99,533	118,065	1,792	119,857
Inventories		1,159		1,159	1,233		1,233
Trade receivables		3,218		3,218	4,038		4,038
Cash and cash equivalents		5,616		5,616	7,450		7,450
Other receivable		2,906		2,906	2,152		2,152
Total current assets		12,899		12,899	14,873		14,873
Total assets		110,939	1,493	112,432	132,938	1,792	134,730
Equity							
Issued capital		130,795		130,795	109,451		109,451
Own shares		-9,823		-9,823			
Reserves		6,597		6,597	6,597		6,597
Retained earnings		-48,799	1,243	-47,556	-32,177	1,517	-30,660
Total equity		78,770	1,243	80,013	83,871	1,517	85,388
Liabilities							
Interest-bearing loans and borrowings		18,099		18,099	29,492		29,492
Provisions		1,200		1,200	0		0
Deferred tax liabilities		2,700	250	2,950	2,950	275	3,225
Total non-current liabilities		21,999	250	22,249	32,442	275	32,717
Interest-bearing loans and borrowings		5,608		5,608	8,770		8,770
Trade and other payables		4,562		4,562	7,855		7,855
Total current liabilities		10,170		10,170	16,625		16,625
Total liabilities		32,169	250	32,419	49,067	275	49,342
Total equity and liabilities		110,939	1,493	112,432	132,938	1,792	134,730

Notes to the financial statements

Notes to the reconciliation of balance sheet including net equity

a) The Company has applied IAS 16 for the accounting of vessel acquisitions and repair costs incurred during regular inspections. When each major regular inspection is performed, its cost is recognised in the carrying amount of the vessel as a replacement. Any remaining carrying amount of the costs of previous inspection is derecognised. Change in the accounting policy of vessels has resulted in an increase of the carrying amount of property, plant and equipment by the value of 1,493 tLTL as at 1 January 2004.

b) The above changes have increased the deferred tax liability as follows.

In thousand of Litas	**Note**	**1 January 2004**	**31 December 2004**
Property, plant and equipment		250	275
		250	275

Reconciliation of profit for 2004

In thousand of Litas	**Note**	**LBAS**	**Effect of transition to IFRSs**	**IFRSs**
Revenue		62,208		62,208
Cost of sales		-54,023	-317	-54,340
Gross profit		8,185		7,868
Other operating income, net		1,800	616	2,416
Distribution expenses		-68		-68
Administrative expenses		-5,287		-5,287
Operating profit before financing costs		4,630		4,929
Financial income		1,713		1,713
Financial expenses		-993		-993
Net financial income		720		720
Income tax expense		-250	-25	-275
Profit for the period		5,100	274	5,374
Basic earnings per share (Litas)		0.05		0.05
Diluted earnings per share (Litas)		0.05		0.05

MANAGEMENT REPORT

Financial performance 2005

Consistently investing into the Company's fleet renewal and modernization, Limarko Shipping Company AB strengthened its positions in the reefer and dry cargo markets. Successful entrance into the viable container vessel segment will lay the foundations for further Company development.

2005 Company revenues were equal to LTL 88.3 million and the net profit before tax was LTL 18.4 million. LSCo carried 565 thousand tonnes of cargo in 2005 (79 percent more than in 2004).

Good financial performance resulted from strategic investments, continual successful fleet diversification, consistent increase in total tonnage of the Company's fleet, and a resurging world maritime market.

Strategic development

In 2005, LSCo accomplished several important strategic goals:

- LSCo continued to strengthen its positions in the reefer and dry cargo markets.
- LSCo successfully entered the promising container vessel segment, thus laying the foundations for expanded strategic development.
- LSCo maintained fleet modernization by investing LTL 50 million.
- LSCo started substantive fleet chartering activities.
- LSCo restructured its financial debts and made advance repayment of LTL 22.6 million of loans to banks.
- LSCo accounting was converted to International Financial Reporting Standards (IFRS).
- LSCo continued its very constructive relationship with trade unions.
- LSCo's organizational changes consisted of appointing one new member to the company's Corporate Board.

LSCo acquisitions

Limarko Shipping Company AB has continued its fleet modernization and renewal by investing LTL 50 million in 2005.

LSCo successfully sold an inefficient freezer, the m/v Seafrost, in August and purchased a modern conventional reefer, the m/v Libra (built in 1991), in October. Acquisition of a modern container vessel, the m/v Serenada (built in 1999, carrying capacity 344 TEU), marked LSCo's entrance into the strategically important container vessel segment.

In November 2005, LSCo signed an agreement for the acquisition of two large conventional sister reefers – the m/v Uranus (built in 1989) and the m/v Pluto (built in 1988).

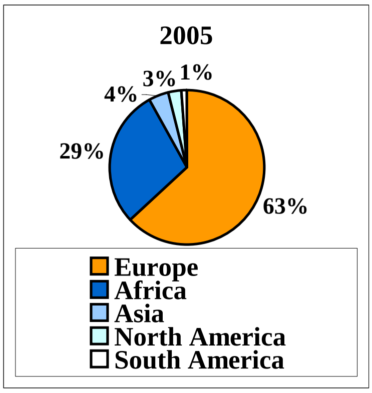
Now, LSCo fleet consists of 16 ships – 12 conventional reefer vessels, 2 freezers, 1 container vessel and 1 dry cargo ship. Some LSCo ships are of the ice class, which enables them to sail to Northern ports in wintertime. Total reefer tonnage of the LSCo fleet exceeds 2.9 million cubic feet.

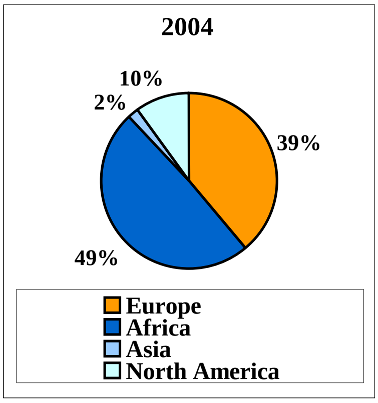
Successfully operating in the dry cargo market, LSCo continued chartering the dry cargo ship, the m/v Siuita (carrying capacity 2,800 mts).

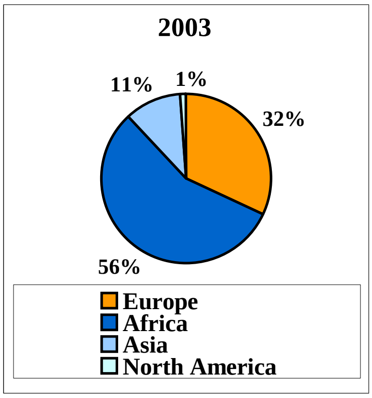
Breakdown of LSCo transportation by regions

The main regions of Limarko Shipping Company AB activities are Europe and West Africa. Europe became the main region in 2005 due to successful LSCo fleet chartering activities.

Transport in Europe increased considerably with the deployment of the newly acquired LSCo container vessel, the m/v Serenada, in the Baltic Sea and the North Sea regions.

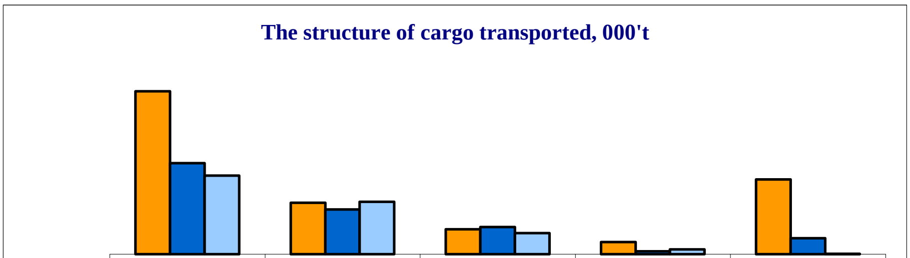






The structure of cargo transported by LSCo

The main cargo transported by Limarko Shipping Company AB consisted of dry cargo goods, frozen fish, meat and fowl, as well as fruits and vegetables.



	Total	Frozen fish	Meat and fowl	Fruits and	Dry cargo
2005	564.682	178.276	86.117	41.641	258.648
2004	315.043	155.442	94.005	10.207	55.389
2003	272.728	181.619	73.388	16.731	990

Significant increase of transported dry cargo goods resulted in a total increase of cargo transported in 2005. Other cargo groups remained at the same level as in 2004.

2005 was marked by increased dry cargo goods transport in Northern Europe. Simultaneously, LSCo freezers traditionally transported poultry from North America to Europe.

Human resources

On December 31, 2005 Limarko Shipping Company AB had 400 employees of which 362 were seafarers and 38 administration employees.

LSCo human resource policy is continued enhancement of personnel qualification. The Company's personnel participated in intensive English language courses organized by the Lithuanian Ship Owners Association. LSCo continued its long-term cooperation with the Klaipeda University, the Lithuanian Maritime College and the Klaipeda Marine School.

LSCo recognizes contributions made by our employees and always strives to compensate them fairly.

Organizational changes

Business consultant Sigitas Baltuška was appointed to the Board of Directors of Limarko Shipping Company AB in July 2005. He replaced Andrejus Boicovas, Director General of SEB VB Venture Capital Management UAB.

Forecasts for 2006

Limarko Shipping Company AB plans to strengthen its positions in the container vessel segment, while implementing active growth strategies in the reefer and the dry cargo markets in 2006.

LSCo expects to achieve revenues of approximately LTL 110 million (24 percent more than in 2005).

LSCo will continue to modernize its fleet by investing almost LTL 100 million – twice more than in 2005.

Klaipėda, 29 March 2006

Vytautas Lygnugaris

President & CEO