AB Alita

Consolidated annual accounts for the year 2005

Contents

Company details

AB Alita

Telephone:	+370 315 57243
Telefax:	+370 315 79467
Registration No.:	AB 2002-37
Company code:	149519891
Registered office:	Alytus, Miškininkų 17

Board of Directors

Vytautas Junevičius
Vilmantas Pečiūra
Arvydas Jonas Stankevičius
Darius Vėželis

Management

Vytautas Junevičius (General Director)
Vilmantas Pečiūra (Finance Director)
Alina Miežiūnienė (Chief Accountant)

Auditors

KPMG Baltics, UAB

Banks

AB SEB Vilniaus Bankas
AB Šiaulių Bankas
AB Bankas Hansabankas
AB Nord/LB Lietuva

Annual report

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

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the consolidated annual accounts thus give a true and fair view.

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

Vilnius, 11 April 2006

Board of Directors:

Vytautas Junevičius (Chairman)	Vilmantas Pečiūra
Arvydas Jonas Stankevičius	Darius Vėželis

KPMG

"KPMG Baltics", UAB
Vytauto g. 12
LT 08118 Vilnius
Lietuva/Lithuania

Telefonas +370 5 2102600
Telefaksas +370 5 2102659
El. paštas vilnius@kpmg.lt
Internetas www.kpmg.lt

Auditor's report to the shareholders of AB Alita

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

These consolidated financial statements, as set out on pages 4 to 29, are the responsibility of the management. Our responsibility is to express an opinion on these consolidated 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated 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 by the European Union.

Vilnius, 11 April 2006
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorised
Public Accountant

Domantas Dabulis
Certified Auditor

AB ALITA

Consolidated balance Sheets as of 31 December 2005 and 2004

(LTL '000)

Note		2005	2004
	ASSETS		
	NON-CURRENT ASSETS		
3	Intangible assets	551	557
3.1	Investment property	1.062	1.101
4	Property, plant and equipment	80.262	87.632
5	Available-for-sale investments	14.061	5.754
24	Other financial non-current assets	9.395	9.700
19	Deferred income tax asset	-	-
	Total non-current assets	105.331	104.744
	CURRENT ASSETS		
6	Inventories	28.630	33.178
7	Prepayments and deferred cost	1.008	1.513
8	Trade accounts receivable	23.028	9.830
9	Other accounts receivable	268	199
24	Other non-current asets	1.084	1.192
10	Cash and cash equivalents	23.672	14.599
	Total current assets	77.690	60.511
	TOTAL ASSETS	183.021	165.255
	LIABILITIES AND SHAREHODERS' EQUITY		
11	SHAREHOLDERS' EQUITY		
	Share capital	50.827	50.827
	Legal reserve	5.083	7.288
	Restricted reserve	-	11.199
	Revaluation reserve	7.929	1.701
	Retained earnings	17.231	(12.287)
	Total capital and reserve	81.070	58.728
	Minority interest	1.618	1.195
	Total shareholders' equity	82.688	59.923
	NON-CURRENT LIABILITIES		
14	Long-term bank loans	41.356	64.143
19	Deferred income tax liability	2.562	1.498
	otal non-current liabilities	43.918	65.641
	CURRENT LIABILITIES		
14	Current portion of LT loans	26.250	13.765
	Short-term bank loans and leasing liabilities	-	-
23	Trade accounts payable	6.580	6.656
	Income tax payable	846	313
13	Accrued liabilities	22.739	18.957
	Total current liabilities	56.415	39.691
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	183.021	165.255

18	Information according to business and geographic segments
22	Social contribution of AB Alita
23	Financial instruments
24	Transactions with related parties

The accompanying notes, as set out on pages 8-29, are an integral part of these financial statements.

Consolidated statements of Income for the years ended 31 December 2005 and 2004

(LTL '000)

Note		2005	2004
18	NET SALES	136.494	112.312
18	Cost of sales	(79.553)	(64.622)
	GROSS PROFIT	56.941	47.690
15	Selling and distribution expenses	(19.037)	(18.334)
16	General and administrative expenses	(15.185)	(14.631)
	OPERATING PROFIT	22.719	14.725
17	Financial and other income (expenses), net	(1.645)	(1.296)
	PROFIT BEFORE INCOME TAX	21.074	13.429
19	Income tax	(2.839)	(1.943)
	NET PROFIT FOR THE YEAR	18.235	11.486
	Minority interrest	(87)	59
	NET PROFIT FOR THE YEAR	18.148	11.545
12	Basic earnings per share (LTL)	0,36	0,17

The accompanying notes, as set out on pages 8-29, are an integral part of these financial statements.

AB ALITA

Consolidated statements of Changes in Equity for the years ended 31 December 2005 and 2004

(LTL '000)

Note		Share capital	Legal reserve	Revaluation reserve	Other reserve	Retained earnings (deficit)	Total equity	Minority interest	Total
	Balance as of 31 December 2003	73.088	6.828		11.199	11.634	102.749	-	102.749
	Transferred to legal reserve	-	460		-	(460)	-		-
	Increase in value of investments for sale	-	-	1.701	-	-	1.701		1.701
	Change in equity of AB Alita due to reorganisation	(22.261)				(35.006)	(57.267)		(57.267)
	Dividends paid					-			-
	Minority interest						-	1.254	1.254
	Profit for the year	-	-	-	-	11.545	11.545	(59)	11.486
	Balance as of 31 December 2004	50.827	7.288	1.701	11.199	(12.287)	58.728	1.195	59.923
	Transferred from legal reserve		(2.205)			2.205	-		-
	Transferred from restricted reserve				(11.199)	11.199	-		-
	Increase in value of investments for sale			7.627	-		7.627		7.627
	Accounting deferred income tax liability			(1.399)	-		(1.399)		(1.399)
	Dividends paid				-	(2.034)	(2.034)		(2.034)
	Disposal of subsidiary shares						-	336	336
11	Net profit for the year	-	-	-	-	18.148	18.148	87	18.235
	Balance as of 31 December 2005	50.827	5.083	7.929	-	17.231	81.070	1.618	82.688

The accompanying notes, as set out on pages 8-29, are an integral part of these financial statements.

Consolidated statements of Cash Flows for the years ended 31 December 2005 and 2004

(LTL '000)

	2005	2004
Cash flow from (to) operating activities:		
Net profit	18.148	11.545
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortisation	9.767	7.608
Change of impairment of trade accounts receivable	106	(200)
Negative goodwil	-	(1.475)
Write-off of property, plant and equipment	-	798
(Gain) / loss from fixed assets sale	(59)	261
Write-off of inventories	176	-
Interest expenses	2.687	2.053
Interest income	(558)	(419)
(Gain) / loss from investments disposal	(59)	-
Shares received free of charge due to increase in share capital	-	(109)
Impairment of available-for-sale investments	-	750
Increase in value of investments for sale	-	257
Other expenses in relation to acquisition of financial assets	-	876
Income tax expense / (income)	2.989	1.943
Deferred income tax liability	(335)	-
	32.862	23.888
Changes in current assets and current liabilities:		
Decrease in inventories	4.372	5.008
Decrease in trade accounts receivable	(13.304)	(2.055)
Increase (decrease) in liabilities of subsidiary	75	(589)
(Increase)/decrease in prepayments and deferred cost	505	2.772
Decrease in other accounts receivable	(69)	6.949
Increase in trade accounts payable and accrued liabilities	3.902	(7.579)
Income tax paid	(2.640)	(1.817)
Net cash provided by operating activities	25.703	26.577
Cash flow from (to) investing activities:		
Acquisition of property, plant and equipment	(2.033)	(3.188)
Acquisition of intangible fixed assets	(319)	(364)
Acquisition of subsidiary, net of cach	372	(30.920)
Acquisition of investments for sale	(658)	(3.000)
Other expenses for acquisition of financial assets	-	(876)
Sale of property, plant and equipment	59	37
Interest received	558	419
Net cash (used in) investing activities	(2.021)	(37.892)
Cash flow from (to) financing activities:		
Loans issued for employees	(883)	(1.192)
(Repayment) of loans from employees	1.297	-
Loans received	3.465	9.999
(Repayment) of loans	(13.767)	(5.390)
Interest (paid)	(2.687)	(2.053)
Dividends (paid) for preceding year	(2.034)	-
Net cash (used in) financing activities	(14.609)	1.364
Net increase in cash and cash equivalents	9.073	(9.951)
Cash and cash equivalents at beginning of the year	14.599	24.550
Cash and cash equivalents at end of the year	23.672	14.599

The accompanying notes, as set out on pages 8-29, are an integral part of these financial statements.

(LTL '000 unless otherwise stated)

1. Organisation and formation

AB Alita was established in 1963 and was reregistered as a state enterprise in 1990. In 1995 AB Alita was re-organised to a joint stock company.

Registered address of AB Alita is Miškininkų 17, Alytus, Lithuania.

On 8 July 2004 a sales agreement of controlling shareholding comprising 72.93 percent of AB Anykščių Vynas was signed between the State Property Fund and AB Alita. 35,793,407 ordinary registered shares of AB Anykščių Vynas were acquired for 25,610 thousand Litas . During the second quarter of 2004 AB Alita additionaly acquired 11,607,163 ordinary registered shares. AB Alita held 47,400,570 ordinary registered shares at 31 December 2004. During 2005 AB Alita disposal 445,862 ordinary registered shares of 373 thousand Litas. AB Alita held 46,954,708 ordinary registered shares comprising 95,67 percent with a nominal value of 1 Litas each as at 31 December 2005.

The financial statements of the AB Alita and AB Anykščių vynas (hereinafter " The Group") are consolidated from 1 July 2004.

The Group produces alcohol beverages, including sparkling wines, alcohol mixes, cider, wines, hard liqueurs, as well as concentrated fruit juice.

On 6 January 2004 an agreement on sale of the AB Alita shares was signed between the State Property Fund and UAB Invinus. AB Invinus acquired contolling 83.77 percent shareholding of the Company.

On 10 Nobember 2004 extraordinary shareholders' meeting of AB Invinus and on 16 November 2004 extraordinary shareholders' meeting of AB Alita took place during which a decision to merge AB Invinus to AB Alita and approve the reorganisation terms was made. AB Alita share capital decreased as a result of the reorganisation. Shareholders of AB Alita as at 31 December 2005 were as follows:

	Nominal value (LTL)	Percent
Private share capital	50.827.209	100,0

The nominal value of one share is LTL 1. All shares are authorised, issued and fully paid registered ordinary shares. Alitas 's shares are listed in the current list of the Vilnius Stock Exchange.

The financial statements were authorised for issue by the Board of the Group. The Group's shareholders have the power to amend the financial statements after issue.

2. Significant accounting policies

The Group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, further to the IAS Regulation (EC 1606/2002).

<u>Measurement and presentation currency</u>

The amounts shown in these financial statements are measured and presented in the local currency, Litas. Litas is pegged to Euro at the rate of Litas 3.4528 to EUR 1.

<u>Revenue recognition</u>

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to sales.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

Rental income from investment properties (after deduction of the aggregate cost of incentives granted to lessees) is recognised in income on a straight-line basis over the lease term.

(LTL '000 unless otherwise stated)

2. Significant accounting policies (cont'd)

Intangible non-current assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The Group's intangible fixed assets are amortised over 1 - 3 years.

Property, plant and equipment

Property, plant and equipment, acquired until 31 December 1995 is stated at revalued cost less revalued depreciation. Those acquired after 31 December 1995 - at cost less accumulated depreciation. If an item of property, plant and equipment is impaired, it is stated at the higher of value in use or net selling price.

The Group capitalizes property, plant and equipment improvements and purchases with an estimated useful life of more than one year. The Group uses straight line method to account for depreciation. The estimated useful lives of the assets differ within the property, plant and equipment categories. The main estimated useful lives are as follows:

	Years
Buildings	8-84
Machinery and equipment	2-50
Motor vehicles, furniture and fixtures	4-25
IT equipment	4-5

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

The first revaluation was performed as of 1 July 1991 and a factor of 2.2 times the assets' historical value was used for assets acquired prior to the revaluation date.

The second set of revaluation factors were determined by the Government of Lithuania on 1 January 1992. They varied from 2 to 5.

The third revaluation was effective 1 May 1994, and separate revaluation factors were used for buildings and structures (ranging from 1 to 14 times) and for machinery and equipment (ranging from 1 to 10 times).

The fourth revaluation was effective 31 December 1995. Revaluation factors used for buildings and structures were ranging from 1 to 1.68 times and for machinery and equipment from 1 to 1.593 times.

All of the revaluation factors used in the last three revaluations were applied in addition to the factors applied in the previous revaluations.

2. Significant accounting policies (cont'd)

Investment properties

Investment properties of the Group consist of investment buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business. In accordance with IFRS 40, Investment Property, which the Group adopted on 1 January 2001, investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently all investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. Management believes that carrying values of investment properties approximate their fair values.

Transfers to, or from, investment property are made when and only when, there is an evidence of a change in use of investment property.

Other investments

The Group adopted IFRS 39, Financial Instruments: Recognition and Measurement, on 1 January 2001. Accordingly, investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short - term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within twelve months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realise them within twelve months of the balance sheet date.

All purchases and sales of investments are recognised on the trade date. Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that the Group may incur on their sale or other disposal.

Not realised gains or losses on measurement to fair value of available-for-sale investments are recognised directly in the fair value reserve in shareholders' equity, until the investment is sold or otherwise disposed off, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in financial expenses or income.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

2. **Significant accounting policies (cont'd)**

Inventories

Inventories, including work in process, are valued at the lower of cost or net realisable value, after recognition of impairment loss for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined in accordance with an approximated FIFO (First-In, First-Out) principle.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the finished goods value if used in production.

The Group accounts for bottles as current assets in inventory account, since they are not expected to be reused following the initial delivery. Multiple usage crates are accounted for as inventory at the lower of cost or net realisable value.

As of 1 January 2002 the Group is applying the quantity method for accounting of newly acquired crates and their value is expensed immediately after they are used.

Raw materials are stated at acquisition cost. Work-in-process is valued at raw material cost and finished goods - at direct costs (material and labour) with an addition of production overhead costs.

Accounts receivable

Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after the provision for impairment.

The Group provides a reserve for potential losses based on an evaluation of specific doubtful accounts.

Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments.

Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit calculated in accordance with Lithuanian Accounting Principles are compulsory until the reserve reaches 10% of the statutory share capital.

Transactions in foreign currencies

Transactions denominated in foreign currencies are recorded at the official exchange rate applicable at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are stated at the official exchange rate in effect at the balance sheet date.

2. Significant accounting policies (cont'd)

Borrowings

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use.

Borrowings are initially recognised at fair value (proceeds received), net of transaction costs. They are subsequently carried at amortised cost using the effective interest rate method, the difference between net proceeds and redemption value being recognised in the net profit or loss for the period over the life of the borrowings.

Segments

Business segments: the Group is organised into four major business segments based on the production processes: production of sparkling wine, wine, hard liqueurs and apple products. The Group reports its primary segment information based on these businesses.

Geographical segments: the Group operates in two geographical segments – foreign and local markets. These segments are distinguished by geographical location of its customers.

Financial information on business and geographical segments is presented in Note 18.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Reporting Financial Standards, as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the acGrouping financial statements relate to depreciation and impairment evaluation. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

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

2. Significant accounting policies (cont'd)

Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on Lithuanian tax legislation. Starting from 1 January 2002 the standard rate was reduced to 15 percent. The temporary social tax is introduced for the years of 2006 (4%) and 2007 (3%). The social tax is calculated on the same principles as profit tax.

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

Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets.

Impairment of assets

Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, impairment is recognised in the statement of operations. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or have decreased. The reversal is recorded in income.

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, as follows:

– IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. As the Company does not participate in any defined benefit plans, Management considered this amendment to IAS 19 and concluded that it is not relevant to the Company.

- 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.

– 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 has not classified any instruments as at fair value through profit and loss.

– IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006). Management considered this amendment to IAS 39 and IFRS 4 and concluded that it is not relevant to the Company.

– 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 disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. 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.

– 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.

Change in accounting policies

Adoption of standards effective from 1 January 2005

As of 1 January 2005, the Company adopted the IFRSs below, which are relevant to its operations. The financial statements have been amended as required, in accordance with the relevant requirements.

- IAS 1 (revised 2003 and amended March 2004), Presentation of Financial Statements
- IAS 2 (revised 2003), Inventories
- IAS 8 (revised 2003), Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 (revised 2003 and amended March 2004), Events after the Balance Sheet Date
- IAS 16 (revised 2003 and amended March 2004), Property, Plant and Equipment
- IAS 17 (revised 2003 and amended March 2004), Leases
- IAS 24 (revised 2003), Related Party Disclosures
- IAS 27 (revised 2003 and amended March 2004), Consolidated and Separate Financial Statements
- IAS 28 (revised 2003 and amended March 2004), Investments in Associates
- IAS 33 (revised 2003 and amended March 2004), Earnings per Share
- IAS 36 (revised 2004), Impairment of Assets
- IAS 38 (revised 2004), Intangible Assets
- IAS 39 (revised 2004), Financial Instruments: Recognition and Measurement
- IFRS 2 (issued 2004), Share-based Payments
- IFRS 3 (issued 2004), Business Combinations
- IFRS 5 (issued 2004), Non-current Assets Held for Sale and Discontinued Operations

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 financial instruments held at 1 January 2005 and has performed re-designation of these financial instruments into categories as defined by the revised IAS 39. The standard requires retrospective application. The Company's financial instruments were classified into the following categories:

-Equity securities were classified as available for sale instruments and measured at fair value with changes in fair value recognised in equity. Since the Company first acquired equity securities in 2005, there was no impact on net income or equity from this re-designation.

-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 re-designation.

(LTL '000 unless otherwise stated)

3. Intangiblest property

	Total
ACQUISITION COST	
Balance as of 31 December 2004	1.387
Additions	322
Disposals and write offs	(410)
Balance as of 31 December 2005	1.299
ACCUMULATED DEPRECIATION AND IMPAIRMENT:	
Balance as of 31 December 2004	830
Depreciation for the year	328
Disposals and write offs	(410)
Impairment during the year	-
Balance as of 31December 2005	748
NET BOOK VALUE as of 31 December 2005	551
NET BOOK VALUE as of 31 December 2004	557
Depreciation rate (straight line)	33%

3.1 Investment property

	Total
ACQUISITION COST	
Balance as of 31 December 2004	3.703
Additions	-
Disposals and write offs	-
Balance as of 31 December 2005	3.703
ACCUMULATED DEPRECIATION AND IMPAIRMENT:	
Balance as of 31 December 2004	2.602
Depreciation for the year	39
Disposals and write offs	-
Impairment during the year	-
Balance as of 31December 2005	2.641
NET BOOK VALUE as of 31 December 2005	1.062
NET BOOK VALUE as of 31 December 2004	1.101
Depreciation rate (straight line)	2.3-2.5%

The investment property comprise restaurant and hotel in Palanga. Restaurant is located in the 2 floors building with a cellar and the area of the restaurant is 757 m2. The area of the hotel is 226 m2.

The rental income of the investment properties amounted to LTL 94 thousand in 2005 (LTL 137 thousand in 2004). Agreement for rent of a café in Palanga is signed on 15 March 2001 and matures on 15 March 2006.

Projected rental income:

For 2006	59
For 2007	11

The depreciation charge for the year ended 31 December 2005 amounts to LTL 39 thousand (LTL 56 thousand in 2004) and has been included into general and administrative expenses.

The Group has not had an independent valuation of the investment properties performed. By the decision of the management, an impairment of café buildings in Palanga was recorded as in 2003 (it amounted to LTL 2,037 thousand or 55 per cent of the acquisition value of the asset). As to the management of the Group the booked value of the investment property is in compliance with the fair value of the property.

Public services are payed by leaseholder, there was no repairs in 2005.

There were no restrictions on disposal of investment properties or the remittance of income and proceeds of disposals as of 31 December 2005.

No material contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement existed at year-end.

Notes to the consolidated financial statements for the years ended 31 December 2005 and 2004
(LTL '000 unless otherwise stated)

4. Property, plant and equipment

	Land	Buildings	Vehicles and equipment	Other tangible fixed assets	Construction in progress and prepayments	Total
REVALUED COST:						
Balance as of 31 December 2004	28	69.900	111.810	12.037	1.868	195.643
Additions	-	-	776	447	810	2.033
Disposals and write offs	-	(1.473)	(1.750)	(485)	-	(3.708)
Transfers between captions	-	2.997	(6.683)	4.308	(622)	-
Transfers from current assets	-	-	-	7	-	7
Balance as of 31 December 2005	28	71.424	104.153	16.314	2.056	193.975
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
Balance as of 31 December 2004	-	22.615	75.480	8.266	1.650	108.011
Depreciation for the year	-	1.560	5.674	2.169	-	9.403
Disposals and write offs	-	(41)	(1.597)	(365)	-	(2.003)
Transfers between captions	-	1.348	(4.581)	3.231	2	-
Impairment change for the year	-	(898)	(37)	(763)	-	(1.698)
Balance as of 31 December 2005	-	24.584	74.939	12.538	1.652	113.713
NET BOOK VALUE as of 31 December 2005	28	46.840	29.214	3.776	404	80.262
NET BOOK VALUE as of 31 December 2004	28	47.285	36.330	3.771	218	87.632
Average depreciation rate (straight line)	0%	2%	5%	15%	-	-

As of 31 December 2004 the Group has totally depreciated non-current tangible assets, which are still in use, with the gross revalued cost of LTL 35,893 thousand. Within this amount gross revalued cost of equipment in use comprise LTL 27,559 thousand.

No borrowing costs were capitalised during 2005 and 2004 since no assets qualified for the borrowing costs capitalisation criteria.

Group has signed contract in 2005 according to which obligated to acquire automatic packing with the purchase price of LTL 632 thousand. Advance of LTL 174 thousand was paid on November 2005.

Property, plant and equipment with the net book value of LTL 60,948 thousand as of 31 December 2005 (LTL 65,279 thousand as of 31 December 2004) is collateralised for credit lines (Note 14).

The Group's property, plant and equipment with the net book value of LTL 61,442 thousand as of 31 December 2005 are insured against natural calamities, fire, and other damages.

(LTL '000 unless otherwise stated)

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

Depreciation

The depreciation charge for the year ended 31 December 2005 amounts to LTL 9,403 thousand (LTL 7,608 thousand in 2004). An amount of LTL 1,113 thousand (LTL 957 thousand in 2004) has been included into selling and distribution expenses, LTL 1,353 thousand (LTL 1,201 thousand in 2004) has been included into general and administrative expenses and the rest of the amount is split between cost of sales in the statement of income and finished goods in the balance sheet.

Impairment exchange

In 2005 the reversed impairment provision of LTL 570 thousand is related the disposed building in Šventoji , of LTL 328 thousand and the disposed unimproved warehouse an impairment for which was recorded in 2003 and an impairment of LTL 549 thousand other tangible fixed assets are transfered to accumulated depreciation.

Revaluation effect

Property, plant and equipment has been revalued four times in accordance with the resolutions of the Government of Lithuania. The effect of these revaluations on the net book value of property, plant and equipment is specified below:

Revaluation as of	Increase in carrying value	Increase in accumulated depreciation	Increase in carrying value
1 July 1991	686	(101)	585
1 January 1992	5.397	(809)	4.588
1 May 1994	73.516	(24.734)	48.782
31 December 1995	41.292	(15.209)	26.083
Total revaluation effect	120.891	(40.853)	80.038

5. Long-term financial asset.

Available-for-sale investments

Available-for-sale investments consist of the following:

	2005	2004
AB Šiaulių bankas shares	4.732	4.052
UAB Artrio-2 shares	750	750
Other securities	2	2
Total	5.484	4.804
Impairment in the beginning of the year	(751)	-
Additional impairment		(751)
Impairment at the end of the year	(751)	(751)
Increase in value in the beginning of the year	1.701	-
Increae in value during the year	7.627	1.701
Increase in value at the end of the year	9.328	1.701
Total	14.061	5.754

On 31 December 2005 AB Alita held 9,000 ordinary registered shares of UAB Artrio-2, each with nominal value of LTL 100 per share. UAB Artrio-2 was engaged in the wholesale distribution of alcohol and non-alcohol beverages. The total acquisition value of the shares is LTL 750 thousand. In November 2004 bankruptcy procedure was initiated for UAB Artrio - 2. Share impairment of the total amount of 750 thousand Litas was booked as at 31 December 2004.

On 9 October 2005 due to increase of the share capital of AB Šiaulių Bankas, AB Alita received 333,517 free of charge ordinary registered shares . On 11 August 2005 AB Alita disposal 12,824 ordinary registered shares of 26 thousand Litas and on 5 December 2005 acquired 414,882 ordinary registered shares of 705 thousand Litas. At present AB Alita holds 3,514,882 ordinary registered shares with a nominal value of 1 Litas each. Increase in value of AB Šiaulių Bankas shares comprising 7,627 thousand Litas was registered in the Group's accounting as at 31 December 2005. The decision to increase the value was made based on the market value of the share which comprised 4 Litas per share.

Increase in value of AB Šiaulių Bankas shares are booked in equity (see note 11).

(LTL '000 unless otherwise stated)

6. Inventories

Inventories consist of:

	2005	2004
Raw materials	5.040	12.565
Packing materials	7.479	6.283
Auxiliary materials and supplies	1.286	1.586
Work-in-process	5.535	8.369
Finished goods:		
- alcoholic beverages	4.073	4.728
- apple products	6.425	1.101
Goods for resale	75	81
	29.913	34.713
Impairment of inventories at the beginning of the year	(1.535)	(1.462)
Obsolete and slow moving inventories written-off	-	(390)
Reversal of impairment	252	317
Impairment during the year	-	-
Impairment of inventories at the end of the year	(1.283)	(1.535)
Total	28.630	33.178

The Group has insured inventories amounting to LTL 35,000 thousand against natural calamities, fire, and other damages.

Impairment of inventories is booked of:

	2005	2004
Work-in-process	390	390
Plastic crates	760	798
Other auxiliary materials and supplies	133	347
Total	1.283	1.535

The Group's inventories are pledged for the loan from AB Hansabankaas (see note 14).

7. Prepayments and deferred cost

Prepayments and deferred cost consist of:

	2005	2004
Prepayments to local suppliers	284	399
Prepayments to foreign suppliers	143	6
Deferred cost	581	1.108
	1.008	1.513
Impairment in the beginning of the year	-	-
Doubtful prepayments and deferred costs written-off	-	-
Impairment at the end of the year	-	-
Total	1.008	1.513

(LTL '000 unless otherwise stated)

8. Trade accounts receivable

Trade accounts receivable consist of:

	2005	2004
Trade accounts receivable	24.876	11.573
Impairment in the beginning of the year	(1.743)	(2.051)
Doubtful accounts receivable written-off	-	200
Doubtful accounts receivable received	9	108
Additional impairment during the year	(114)	-
Impairment at the end of the year	(1.848)	(1.743)
Total	23.028	9.830

Receivable for heating supplied is the receivable from UAB Anykščių Šiluma for heating that the Group supplied until 30 June 1999. At 12 March 2001 the Panevėžys county court rejected the claim from UAB Anykščių Šiluma and adjudged to pay the debt to AB Anykščių Vynas. During 2005 UAB Anykščių Šiluma paid 100 tLitas (2004: 69 tLitas). Due to slow payment there is a risk that UAB Anykščių Šiluma will not have sufficient working capital to pay to AB Anykščių Vynas. In addition, non-current assets of UAB Anykščių Šiluma are arrested due to unpaid liabilities to banks. It is uncertain if UAB Anykščių Šiluma will be able to pay all the debt to AB Anykščių Vynas. Therefore, a provision for uncollectibility of 744 tLitas was recorded as at 31 December 2004 .

9. Other accounts receivable

Other accounts receivable consist of:

	2005	2004
Other accounts receivable	398	329
Impairment in the beginning of the year	(130)	(130)
Additions during the year	-	-
Impairment at the end of the year	(130)	(130)
Total	268	199

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2005	2004
Cash in banks	13.037	3.554
Term deposits	10.622	10.995
Cash on hand	13	50
Total	23.672	14.599

Term deposit of:

	LTL Amount	Interest rate	A term deposit From	To
AB Šiaulių bankas	1.036	2,4	7 November 2005	9 January 2006
AB Šiaulių bankas	1.036	2,3	30 December 2005	30 January 2006
AB Šiaulių bankas	1.000	2,3	25 December 2005	5 January 2006
AB Šiaulių bankas	2.000	2,3	30 December 2005	15 January 2006
AB Šiaulių bankas	5.000	2,3	30 December 2005	16 January 2006
AB bankas Hansabankas	550	0,45	31 December 2005	1 January 2006
Total	10.622			

11. Shareholders' equity

Restricted reserve

Following the shareholders decission, there was transferred LTL 11,199 thousand from restricted reserves to distributable reserves.

After the Group's share capital was reduced, the legal reserve exceeded 10 percent of the share capital which was prescribed by the Group Law. Following the shareholders decission there was transferred 2,205 thousand Litas to distributable reserves.

Revaluation reserve

	2005	2004
Increase in value of AB Šiaulių Bankas shares	9.328	1.701
Deferred income tax to equity	(1.399)	-
Total	7.929	1.701

Profit distribution

The Board of the Group will propose for the shareholders to pay 7,624 thousand Litas dividends (2,034 thousand Litas dividends were paid for 2004). The proposal shall be approved by the General Shareholders' Meeting.

12. Basic earnings per share

Basic earnings per share are calculated as follows:

	2005	2004
Net profit, attributable to the shareholders	**18.148**	**11.545**
Number of shares (thousands)	50.827	50.827
Earnings per share (LTL)	0,36	0,17

There were no potential ordinary shares as of 31 December 2005 and 2004.

13. Accrued liabilities

Accrued liabilities are listed below:

	2005	2004
Excise duty	12.400	5.979
Value added tax (VAT)	5.532	5.458
Advances received	2.527	4.352
Salaries	465	400
Accrued social security tax	338	376
Withholding income tax	149	208
Vacation pay	719	955
Other accrued liabilities	609	1.229
Total	22.739	18.957

Lithuania has an excise tax imposed on alcohol production. The excise tax is calculated for denatured alcohol and alcoholic beverages at a rate of LTL 3,200 for a hectolitre (HLT) of pure ethanol. The excise tax for wines depends on the wine category, and is calculated in LTL for a hectolitre. Excise tax rates are provided in the table below:

Beverage	Alcohol content by volume	Excise tax rates (LTL for hectolitre)
Sparkling wine	11%	150 Lt/HLT
Sparkling wine drink	7-8%	40 Lt/HLT
Sparkling drink	9,50%	150 Lt/HLT
Cocktails	5-6 %	3200 Lt/100%/HLT
Cider	6%	40 Lt/HLT
Hard liqueurs	37.5-50 %	3200 Lt/100%/HLT
Fortified wine	21%	230 Lt/HLT
Wine	10,50%	150 Lt/HLT
Fruit wine	18-19 %	230 Lt/HLT

14. Longt-term bank loans and leasing liabilities

The long-term loans and leasing liabilities as of 31 December 2005 can be specified as follows:

	Loan currency	Contract amount in LTL '000	Balance in LTL '000	Interest rate	Maturity
AB bankas Hansabankas	EUR	76.808	59.966	EUR LIBOR +1,45%	0 31 May 2008
AB bankas Hansabankas	EUR	11.394	7.596	EUR LIBOR +0,9%	0 10 August 2007
UAB Hanza Lizingas	EUR	196	44	EUR LIBOR +2,0%	0 30 April 2006

The Group has concluded the contract of financial leasing with UAB Hanza Lizingas regarding the lease of vehicles .

For the long-term loan received the Group has pledged real estate with a book value of 43,657 thousand Litas as at 31 December 2005, equipment with a book value of 17,291 thousand Litas as at 31 December 2005, inventories of 17,000 Litas, all cash flows to AB bank Hansabankas, 46,577,570 ordinary registered shares of AB Anykščių Vynas, trade marks, AB Alita shares held by majority shareholders, which comprise not less than 90 percent of all Group's shares.

Projected interest expenses:

For 2006	1.632
For 2007	611
For 2008	31
Total	2.274

Notes to the consolidated financial statements for the years ended 31 December 2005 and 2004
(LTL '000 unless otherwise stated)

15. Selling and distribution expenses

Selling and distribution expenses consist of:

	2005	2004
Advertising	12.832	14.785
Warehousing	1.987	749
Sales and marketing departments' expenses	2.477	1.214
Transportation and logistics	1.709	1.033
Other	32	553
Total	19.037	18.334

16. General and administrative expenses

General and administrative expenses consist of:

	2005	2004
Salaries, wages and social security	4.738	3.866
Tax expenses (other than income tax)	1.196	2.404
Maintenance and repairs	1.212	1.824
Depreciation and amortisation	1.353	1.390
Redundancy compensations	1.442	735
Other employee related cost	234	274
Write-off of inventories	176	88
Impairment of property, plant and equipment	(195)	751
Professional services	257	372
Insurance expenses	202	192
Bank fees	46	322
Amortisation	325	44
Change in impairment of trade and other accounts receivable, deferred cost and prepayments	114	-
Charity	1.115	519
Change in impairment for obsolete and slow moving inventories	-	77
Other	2.970	1.773
Total	15.185	14.631

The Group employed 612 employees as of 31 December 2005 (732 employees as of 31 December 2004). During 2005 the Group's management was paid LTL 1,489 thousand salaries (LTL 1,086 thousand in 2004) and LTL 1,883 thousand dividends (was not paid in 2004).

17. Financial and other (expenses), net

Financial and other income (expenses) consist of:

	2005	2004
Interest income	558	419
Other income	1.050	1.249
Negative prestige	-	1.475
Interest expenses on loans	(2.687)	(2.053)
Currency exchange gain (loss), net	(13)	(4)
Other expenses	(553)	(2.382)
Total	(1.645)	(1.296)

(LTL '000 unless otherwise stated)

18. Information according to business and geographic segments

Segment information for the year ended 31 December 2005 is presented below:

	Sparkling wine	Wines	Hard liqueurs	Apple products	Unallocated	Total
Net sales by segment	49.894	11.031	54.798	18.962	1.809	136.494
Cost of sales	(28.050)	(8.445)	(26.491)	(8.735)	(866)	(72.587)
Depreciation and amortisation	(2.025)	(1.038)	(2.501)	(1.402)	-	(6.966)
Gross profit	19.819	1.548	25.806	8.825	943	56.941
Operating expenses	-	-	-	-	(31.418)	(31.418)
Depreciation and amortisation	-	-	-	-	(2.804)	(2.804)
Operating result	19.819	1.548	25.806	8.825	(33.279)	22.719
Financial and other income (expenses), net	-	-	-	-	(1.645)	(1.645)
Income tax income (expense)	-	-	-	-	(2.839)	(2.839)
Net result for the year before minority interest	**19.819**	**1.548**	**25.806**	**8.825**	**(37.763)**	**18.235**
Minority interest	-	-	-	-	(87)	(87)
Net result for the year	**19.819**	**1.548**	**25.806**	**8.825**	**(37.850)**	**18.148**
Segment assets						
Non-current assets	11.421	9.453	20.896	7.255	56.306	105.331
Inventories	9.264	3.891	6.059	6.682	2.734	28.630
Other current assets	-	-	-	329	48.731	49.060
Total segments assets	**20.685**	**13.344**	**26.955**	**14.266**	**107.771**	**183.021**
Segment liabilities						
Trade accounts payable	820	427	1.144	19	4.170	6.580
Other liabilities	-	-	-	-	49.835	49.835
Total segment liabilities	**820**	**427**	**1.144**	**19**	**54.005**	**56.415**
Acquisitions of non-current assets	23	258	609	43	1.705	2.638

Notes to the consolidated financial statements for the years ended 31 December 2005 and 2004
(LTL '000 unless otherwise stated)

18. Information according to business and geographic segments

Segment information for the year ended 31 December 2004 is presented below:

	Sparkling wine	Wines	Hard liqueurs	Apple products	Unallocated	Total
Net sales by segment	42.102	11.116	56.520	1.804	769	112.311
Cost of sales	(23.417)	(7.960)	(26.472)	(1.034)	(258)	(59.141)
Depreciation and amortisation	(1.804)	(1.065)	(2.328)	(283)	-	(5.480)
Gross profit	16.881	2.091	27.720	487	511	47.690
Operating expenses	-	-	-	-	(30.636)	(30.636)
Depreciation and amortisation	-	-	-	-	(2.329)	(2.329)
Operating result	16.881	2.091	27.720	487	(32.454)	14.725
Financial and other income (expenses), net	-	-	-	-	(1.296)	(1.296)
Income tax income (expense)	-	-	-	-	(1.943)	(1.943)
Net result for the year	16.881	2.091	27.720	487	(35.693)	11.486
Minority interest	-	-	-	-	59	59
Net result for the year	16.881	2.091	27.720	487	(35.634)	11.545
Segment assets						
Non-current assets	12.018	16.725	25.310	8.437	42.254	104.744
Inventories	13.709	4.998	4.595	1.101	8.775	33.178
Other current assets	-	-	-	750	26.534	27.284
Total segments assets	25.727	21.723	29.905	10.288	77.563	165.206
Segment liabilities						
Trade accounts payable	728	469	1.023	10	4.428	6.656
Other liabilities	-	-	-	-	33.035	33.035
Total segment liabilities	705	-	1.023	-	37.463	39.691
Acquisitions of non-current assets	713	272	1.334	171	35.858	38.348

Geographic segments

	2005	2004
Revenue from domestic market customers	113.528	108.764
Revenue from foreign customers	22.966	3.547
	136.494	112.311

All the Group's assets are located in Lithuania.

(LTL '000 unless otherwise stated)

19. Deferred income tax

Movements in deferred income tax accounts of the Group during 2005 and 2004 can be specified as follows:

	2005	2004
Income tax expenses		
Net income before income tax according to IFRS	21.074	13.429
Changes in temporary differences	(211)	(244)
Differences that are not deductible for income tax purposes and non-taxable income	2.291	614
AB Anykščių vynas loss tax purposes	-	400
AB Anykščių vynas loss carry forward from 2000 and part of 2001.	(3.765)	-
Taxable income for the year	19.389	14.199
Current income tax 15%	(2.908)	(2.130)
Income tax of previous year	(266)	(6)
Change in deferred income tax	335	193
Income tax (expense) income charged to the statement of income	(2.839)	(1.943)
Change in deferred income tax to revaluation reserve	(1.399)	-
Deferred income tax		
Temporary differences		
Impairment of inventories	760	798
Impairment of investment property	1.943	1.990
Vacation pay accrual	546	672
Increase in value of investments for sale	(9.328)	(1.444)
Impairment of trade accounts receivable	-	-
Deferred costs	-	-
Total temporary differences	(6.079)	2.016
Deferred income tax liability before valuation allowance	(2.562)	(1.498)
Deferred income tax asset		
Impairment of inventories	192	230
Impairment of investment property	291	299
Vacation pay accrual	115	143
Impairment of trade accounts receivable	260	261
Impairment of Fixed assets	520	694
Other provision	8	5
Loss carry	556	1.634
Deferred income tax asset before valuation allowance	1.942	3.266
Less: valuation allowance	(1.415)	(2.747)
Total deferred income tax asset	528	519
Deferred income tax liability		
Increase in value of investments for sale	(1.399)	(217)
0	(1.691)	(1.800)
Total deferred income tax liability	(3.090)	(2.017)
Deferred income tax asset, net	(2.562)	(1.498)

20. Deferred income tax (cont'd)

Income tax expense and income tax reconciliation		
Net profit before income tax	21.074	13.429
AB Anykščių vynas loss tax purposes	-	400
AB Anykščių vynas loss carry forward from 2000 and part of 2001.	3.765	-
Income tax purposes	24.839	13.829
Tax (expenses) at the applicable standard tax rate	(2.596)	(2.074)
Income tax of previous year	(266)	(6)
Tax effect of (expenses) that are not taxable in determining taxable income	(647)	(217)
Tax effect of income that is not taxable in determining taxable income	4	9
Change in valuation allowance	335	193
Sponsorship	331	152
Income tax expense	(2.839)	(1.943)

The deferred tax liability of 1,399 tLTL is recorded in equity against the revaluation reserve formed on AB Šiaulių bankas shares.

Deferred income tax asset and deferred income tax liability are netted off in the balance sheet of the Group as of 31 December 2005 and 2004. This is because deferred income tax liability will be realised simultaneously with deferred income tax asset and they are both related to the same tax authority.

(LTL '000 unless otherwise stated)

22. Social contribution of AB Alita

During 2005 and 2004 the Group contributed to the following interest groups:

	2005	2004
Revenue, net of excise tax and VAT	136.494	112.312
Excise duty	121.126	110.973
Sales VAT	47.369	43.111
Gross revenue	304.989	266.396
Cost of sales and operating expenses excluding depreciation and amortisation, salaries, wages and taxes	(84.622)	(88.610)
Purchase VAT	(14.337)	(14.367)
Total cost of sales and expenses	(98.959)	(102.977)
At disposition for allocation among interest groups	206.030	163.419
Allocated as follows:		
To the society:		
Excise duty	121.126	110.974
VAT, income tax, social security and other taxes	44.812	32.213
Total to the society	165.938	143.187
To 612 employees (2004 - 732 employees):		
Salaries, wages and bonuses less withholding tax on income*	10.357	8.746
To the shareholders:		
less withholding tax on income	1.734	-
To secure the Group's future:		
Depreciation, amortisation and transfers to equity	28.001	11.486
Total	206.030	163.419

* Salaries, wages and bonuses including personal income tax and social insurance tax in the financial statements distributed as follows:

	2005	2004
To cost of sales	9.105	8.545
To selling and distribution expenses	2.754	1.886
To general and administrative expenses	6.180	4.601
Total	18.039	15.032

(LTL '000 unless otherwise stated)

23. Financial instruments

Financial risk management

The Group operates in an environment, giving rise to significant exposures to credit, foreign exchange and liquidity risks. The Group uses various techniques to manage those risks, as described below.

Foreign exchange risk

Major currency risks of AB Alita occur due to the fact that the Group borrows foreign currency denominated funds as well as being involved in imports and exports. The Group does not use any financial instruments to manage its exposure to foreign exchange risk.

Trade and other receivables, short-term loans and accrued liabilities are denominated in Litas. Trade accounts payable denominated in Litas and foreign currencies to the suppliers as of 31 December 2005 and 2004 were as follow:

	2005	2004
LTL	5.629	5.275
EUR	913	1.301
USD	9	-
LVL	29	10
GBP	-	70
Total	6.580	6.656

The long-term loans were as follow:

	2005	2004
EUR	67.606	77.908

Liquidity risk

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

Credit risks

Due to the specifics of its operations, the Group has significant concentration of credit risk (over 90 % of total turnover) with few major counterparties, UAB Sanitex, UAB VP Market, UAB Palink, UAB Rivona , UAB Aibės logistika and UAB Eugesta being its major wholesale buyers.

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history.

The Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables (Note 8) and other current assets, net of impairment losses recognized at the balance sheet date.

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, short-term borrowings.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Carrying amount of trade amounts receivable, other financial property, amounts payable and short-term credit lines is close to their fair value. The settlement period with suppliers is from 10 to 30 days, and credit terms of purchasers' is from 15 to 40 days. Not permanent clients are required to pay in advance.

(LTL '000 unless otherwise stated)

24. Transactions with related parties

UAB Artrio-2		
Sales	-	32.756
Purchases		
Advertising services	-	741
Goods for resale	-	57

AB Alita sales to UAB Artrio-2 mainly included alcohol drinks .

Loans issued to the shareholders of the Group

	2005	2004
Loans issued in the beginning of the year	10.892	-
Having merged AB Invinus to AB Alita loans issued	-	9.700
Loans issued	880	1.192
(Repayment) of loans	1.297	-
Total	10.475	10.892