

APB APRANGA

Independent Auditor's Report
and Financial Statements
for the year ended 31 December 2005

APB APRANGA

Company's code 121933274, Kirtimų 51, Vilnius

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of APB Apranga:

1. We have audited the accompanying financial statements (page 4 to 27) of APB Apranga (the Company) and of the Company and subsidiaries (the Group), which comprise the balance sheet and the consolidated balance sheet as of 31 December 2005, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.
2. We conducted our audit in accordance with the International Standards on Auditing issued by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2005 and the result of their operations, changes in equity and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Deloitte Lietuva UAB
General Director Juozas Kabašinskas


Certified auditor Rima Kvietkauskaitė
Auditor's Certificate No. 000369

Vilnius, Lithuania
31 March 2006

APB APRANGA

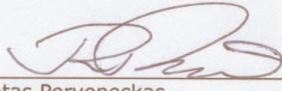
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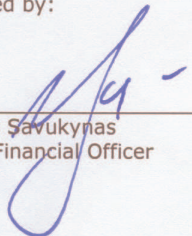
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Group		Company	
		2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Revenue	4	170,058	113,029	110,255	95,251
Cost of sales	4	(94,166)	(63,819)	(70,827)	(59,231)
GROSS PROFIT		75,892	49,210	39,428	36,020
Operating expenses	5	(63,972)	(41,313)	(37,173)	(30,240)
PROFIT FROM OPERATIONS		11,920	7,897	2,255	5,780
Other income, net	6	946	1,531	3,738	1,803
Interest income		2	6	405	195
Finance costs	7	(1,998)	(1,482)	(1,540)	(1,090)
Net foreign exchange gain (loss)		212	(614)	(27)	(336)
Other financial income (expenses), net		11	(21)	7	(14)
PROFIT BEFORE TAXES		11,093	7,317	4,838	6,338
Income tax expense	8	(1,221)	(1,235)	(858)	(974)
NET PROFIT FOR THE YEAR		9,872	6,082	3,980	5,364
Basic and diluted earnings per share (in LTL)	11	0.28	0.17	0.11	0.15

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 31 March 2006 and signed by:


Rimantas Perveneckas
General Director


Vaidas Savukynas
Chief Financial Officer

APB APRANGA


Company's code 121933274, Kirtimų 51, Vilnius

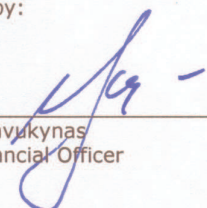
BALANCE SHEET**AT 31 DECEMBER 2005**

		Group		Company	
	Notes	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	61,430	58,244	39,231	34,209
Intangible assets	13	515	613	425	554
Investments in subsidiaries	14	-	-	6,608	4,108
Prepayments and other receivables		481	459	332	309
		62,426	59,316	46,596	39,180
Current assets					
Inventories	15	38,366	31,200	25,586	23,603
Non-current assets held for sale	16	9,078	9,078	9,078	9,078
Receivables and prepayments	17	5,379	2,898	13,510	18,626
Cash and cash equivalents	18	2,516	1,229	1,352	820
		55,339	44,405	49,526	52,127
TOTAL ASSETS		117,765	103,721	96,122	91,307
EQUITY AND LIABILITIES					
Equity					
Share capital	19	35,292	8,823	35,292	8,823
Share premium		-	441	-	441
Legal reserve	20	882	748	882	748
Translation reserve		(167)	(212)	-	-
Retained earnings		16,163	34,482	9,853	34,064
		52,170	44,282	46,027	44,076
Non-current liabilities					
Borrowings	21	6,562	28,509	-	28,509
Bonds issued	24	20,000	-	20,000	-
Deferred tax liabilities	9	992	301	724	103
Obligations under finance leases	22	301	928	301	928
Other liabilities		85	84	85	85
		27,940	29,822	21,110	29,625
Current liabilities					
Borrowings	21	15,901	6,968	16,026	2,000
Bonds issued	24	436	7,156	436	7,156
Obligations under finance leases	22	625	599	625	599
Trade and other payables	23	20,693	14,894	11,898	7,851
		37,655	29,617	28,985	17,606
Total liabilities		65,595	59,439	50,095	47,231
TOTAL EQUITY AND LIABILITIES		117,765	103,721	96,122	91,307

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 31 March 2006 and signed by:


Rimantas Perveneckas
General Director


Vaidas Savukynas
Chief Financial Officer


**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

GROUP	Share capital	Legal reserve	Share premium	Other reserves	Translation reserve	Retained earnings	Total
	LTL'000	LTL'000	LTL'000	LTL'000	LTL'000	LTL'000	LTL'000
Balance at 31 December 2003 (Unaudited)	8,823	461	441	25,001	(36)	5,450	40,140
Transfer to legal reserve	-	287	-	-	-	(287)	-
Transfer to retained earnings	-	-	-	(25,001)	-	25,001	-
Exchanges differences	-	-	-	-	(176)	-	(176)
Dividends paid	-	-	-	-	-	(1,764)	(1,764)
Net profit for the year	-	-	-	-	-	6,082	6,082
Balance at 31 December 2004	8,823	748	441	-	(212)	34,482	44,282
Transfer to legal reserve	-	134	-	-	-	(134)	-
Shares issue (Note 19)	26,469	-	(441)	-	-	(26,028)	-
Dividends paid (Note 10)	-	-	-	-	-	(2,029)	(2,029)
Exchanges differences	-	-	-	-	45	-	45
Net profit for the year	-	-	-	-	-	9,872	9,872
Balance at 31 December 2005	35,292	882	-	-	(167)	16,163	52,170

COMPANY	Share capital	Legal reserve	Share premium	Other reserves	Retained earnings	Total
	LTL'000	LTL'000	LTL'000	LTL'000	LTL'000	LTL'000
Balance at 31 December 2003 (Unaudited)	8,823	461	441	25,001	5,750	40,476
Transfer to legal reserve	-	287	-	-	(287)	-
Transfer to retained earnings	-	-	-	(25,001)	25,001	-
Dividends paid	-	-	-	-	(1,764)	(1,764)
Net profit for the year	-	-	-	-	5,364	5,364
Balance at 31 December 2004	8,823	748	441	-	34,064	44,076
Transfer to legal reserve	-	134	-	-	(134)	-
Shares issue (note 19)	26,469	-	(441)	-	(26,028)	-
Dividends paid (Note 10)	-	-	-	-	(2,029)	(2,029)
Net profit for the year	-	-	-	-	3,980	3,980
Balance at 31 December 2005	35,292	882	-	-	9,853	46,027

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 31 March 2006 and signed by:


Rimantas Perveneckas
General Director


Valdas Savukynas
Chief Financial Officer

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2005**

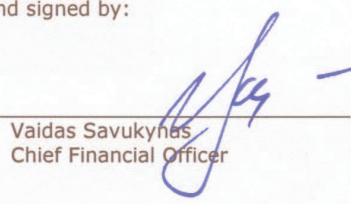
	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
OPERATING ACTIVITIES				
Profit before income taxes	11,093	7,317	4,838	6,338
Adjustments for:				
Depreciation and amortization	9,060	5,443	4,115	3,809
Provisions for doubtful receivables	17	-	(8)	-
Provisions for slow-moving inventories	717	-	717	-
(Gain) / loss on disposal of property, plant and equipment	(13)	25	(13)	25
Interest expenses, net	1,996	1,477	1,135	896
	22,870	14,262	10,784	11,068
Changes in operating assets and liabilities:				
Increase in inventories	(7,883)	(9,604)	(2,700)	(4,647)
Decrease (increase) in receivables	(1,889)	(302)	(1,073)	(2,147)
Unrealized foreign exchange loss	61	167	-	-
Increase in payables	5,932	6,600	3,672	(177)
Cash generated by operations	19,091	11,123	10,683	4,097
Income taxes paid	(1,293)	(1,680)	(868)	(1,091)
Interest paid	(1,718)	(1,482)	(1,260)	(1,124)
Net cash from operating activities	16,080	7,961	8,555	1,882
INVESTING ACTIVITIES				
Interest received	2	5	405	195
Loans granted to subsidiaries	-	-	-	(12,100)
Loans repayments received from subsidiaries	-	-	6,805	-
Purchases of property, plant and equipment and intangible assets	(12,618)	(27,768)	(9,462)	(6,409)
Proceeds on disposal of property, plant and equipment	467	-	467	-
Acquisition of subsidiaries	-	-	(2,125)	(3,822)
Net cash used in investing activities	(12,149)	(27,763)	(3,910)	(22,136)
FINANCING ACTIVITIES				
Dividends paid	(2,029)	(1,764)	(2,029)	(1,764)
Proceeds from (repayments of) borrowings, net	(13,014)	15,509	(14,483)	15,663
Repayments of obligations under finance leases	(601)	(560)	(601)	(560)
Bonds redemption	(7,000)	-	(7,000)	-
Proceeds from issue of bonds	20,000	7,000	20,000	7,000
Net cash (used in) / from financing activities	(2,644)	20,185	(4,113)	20,339
NET INCREASE IN CASH	1,287	383	532	85
CASH AT THE BEGINNING OF THE YEAR	1,229	846	820	735
CASH AT THE END OF THE YEAR	2,516	1,229	1,352	820

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 31 March 2006 and signed by:



Rimantas Perveneckas
General Director



Vaidas Savukynas
Chief Financial Officer

APB APRANGA

Company's code 121933274, Kirtimų 51, Vilnius

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. GENERAL

APB Apranga (the Company) was incorporated and commenced its operations in March 1993. The Company's main office is situated in Kirtimų str. 51, Vilnius, Lithuania. The principal activity of the Company and its subsidiaries (the Group) is retail trade of men and women apparel.

At 31 December 2005 the Company's shareholders were:

	Number of shares	% of total ownership
UAB MG Baltic investment	18,296,168	51.8
Clients of Hansabank	5,098,862	14.4
Clients of Skandinaviska Enskilda Banken	2,591,896	7.3
Other	9,305,034	26.5
Total	35,291,960	100.0

At 31 December 2005 the Group consisted of:

Name	Country	Headquarters	Principal activity
APB Apranga	Lithuania	Kirtimų 51, Vilnius	Retail trade of apparel
SIA Apranga	Latvia	Elizabetes 71, Riga	Retail trade of apparel
SIA Apranga LV	Latvia	Elizabetes 71, Riga	Retail trade of apparel
UAB Apranga LT	Lithuania	Kirtimų 51, Vilnius	Retail trade of apparel
OÜ Apranga Estonia	Estonia	Viru 4, Tallinn	Retail trade of apparel
UAB Apranga BPB LT	Lithuania	Kirtimų 51, Vilnius	Retail trade of apparel

At 31 December 2005 the Group's number of shops was:

Country	Total number of shops		Shops, owned by Group	
	2005	2004	2005	2004
Lithuania	38	30	7	7
Latvia	12	9	-	-
Estonia	1	1	-	-
Total	51	40	7	7

At 31 December 2005 the Group and the Company employed 870 and 521 people respectively (2004: 709 and 422 people respectively).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005 as adopted by the European Union (the EU), of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's accounting policies.

At the date of approval of these financial statements, the following Standards and Interpretations were issued but not yet effective:

New standard, interpretation, amendment	Issued	Effective for annual periods beginning on or after
Amendments to IAS 39 - Cash flow hedge of forecast intragroup transactions - Guarantee contracts (IFRS 4 amended accordingly) - Fair value option	2004	1 January 2006
Amendment to IAS 1 to add capital disclosures	2005	1 January 2007
IFRS 6 Exploration for and evaluation of mineral resources (IFRS 1 amended accordingly)	2004	1 January 2006
IFRS 7 Financial Instruments: Disclosure (supersedes IAS 30)	2005	1 January 2007

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

IFRIC 4 – Determining whether an Agreement contains a Lease	2004	1 January 2006
IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	2004	1 January 2006
IFRIC 6 Liabilities arising from Participation in a specific market – Waste electrical and electronic references	2005	1 December 2005
IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies	2005	1 March 2006
IFRIC 8 Scope of IFRS 2	2006	1 May 2006
IFRIC 9 Reassessment of embedded derivatives	2006	1 June 2006

The management of the Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group and the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Basis of accounting***

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by IASB, except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. The Group has determined that portfolio hedge accounting under IAS 39 would not impact the financial statements had it been approved by the EU at the balance sheet date. The financial statements have been prepared on the historical cost basis.

These financial statements are presented in Lithuanian litas (LTL).

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The principal accounting policies are set out below.

Investments in subsidiaries

In the parent's financial statements investments in subsidiaries are carried at cost. The carrying value of investments is reduced to recognize an impairment loss of the value of the investments, such reduction being determined and made for each investment individually. Dividends received are charged to the parent's income statement.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a disposal rather than through continuing use. This condition is regarded as met only when the disposal is highly probable and the asset is available for immediate disposal sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' acquisition cost and fair value less costs to sell.

Revenue recognition and related expenses

Revenues are recognized as income on an accrual basis when earned. Expenses are charged to operations as incurred.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received of receivable for goods and services provided net of value-added tax, rebates and discounts. Revenue is recognized as follows:

APB APRANGA

Company's code 121933274, Kirtimų 51, Vilnius

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Sales of goods – retail

Sales of goods are recognized when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in operating expenses.

Sales of services

Sales of services are recognised on performance of the services.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement over the term of the relevant lease.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Currency Units, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlements of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Currency Units using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

The applicable rates used for the principal currencies as of 31 December 2005 and 2004 were as follows:

	2005		2004
1 USD	= 2.9102 LTL	1 USD	= 2.5345 LTL
1 EUR	= 3.4528 LTL	1 EUR	= 3.4528 LTL
1 LVL	= 4.9565 LTL	1 LVL	= 4.9527 LTL
10 EEK	= 2.2067 LTL	10 EEK	= 2.2067 LTL

Borrowing Costs

All borrowing costs are recognized in net profit or loss in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Depreciation is charged so as to write-off the cost of fixed assets over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	50 years
Plant and equipment	5-20 years
Leasehold improvements	4-10 years
Other fixed assets	3-6 years

Property, plant and equipment acquired under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

All depreciation of property, plant and equipment is recognised in the income statement and accounted for as operating expenses.

All assets in excess of LTL 1,000 are capitalized.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Intangible Assets

Intangible assets expected to provide economic benefit to the Group in future periods are valued at acquisition cost less subsequent accumulated amortization. Amortisation is calculated on a straight-line basis to write off the cost of each asset over the estimated useful life of 5 to 6 years.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in selling.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, in bank accounts and in transit.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of income when there is objective evidence that the asset is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of income.

Issued bonds

Issued bonds are classified as financial liabilities, which are repurchased in one amount or in installments under a certain repayment schedule. Issued bonds are recognized initially at fair value, being their issue proceeds net of transaction cost incurred. They are measured at amortized cost using the effective interest rate approach.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of the management, the fair value of financial assets and liabilities differs materially from their book value, such fair values are separately disclosed in the notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

Financial risk management

The principal financial risk management policies of the Group are set out below:

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables and loans, estimated by the Group's management based on objective evidence of events occurred after the initial recognition of the amounts.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

Interest rate risk

The Group's loans consist of loans with floating interest rate, which is related to LIBOR (VILIBOR, RIGIBOR). The Group did not use any financial instruments in order to control the risk of interest rate changes.

Foreign currencies exchange risk

The Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. At the moment the Group doesn't use any derivative financial instruments in order to control foreign currencies exchange risk.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the supervisory council and management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting party.

Use of Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts and notes to the financial statements. Actual results could differ from those estimates.

Earnings per share

For the purpose of calculating earnings per share number of ordinary shares outstanding during 2005 and 2004 was 35,291,960. Company had no dilutive options outstanding during 2005 and 2004 or at 31 December 2005 and 2004.

Geographical segment

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in another economic environment.

Business segment

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments. The operations assets of the Group were in retail business segment.

Reclassifications

Certain 2004 amounts have been reclassified to conform to the 2005 basis of presentation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

4. REVENUE AND COST OF SALES

For the year ended 31 December sales and cost of sales by the geographical area consisted of the following:

Group	2005 LTL'000				2004 LTL'000			
	Lithuania	Latvia	Estonia	Total	Lithuania	Latvia	Estonia	Total
Sales	110,824	41,018	18,216	170,058	83,930	22,176	6,923	113,029
Cost of sales	(63,240)	(21,447)	(9,478)	(94,166)	(46,828)	(13,277)	(3,714)	(63,819)
Gross profit	47,584	19,571	8,738	75,892	37,102	8,899	3,209	49,210

Company	2005 LTL'000				2004 LTL'000			
	Lithuania	Latvia	Estonia	Total	Lithuania	Latvia	Estonia	Total
Sales	95,498	14,757	-	110,255	84,044	11,207	-	95,251
Cost of sales	(56,070)	(14,757)	-	(70,827)	(49,849)	(9,382)	-	(59,231)
Gross profit	39,428	-	-	39,428	34,195	1,825	-	36,020

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Lithuania	92,684	80,390	10,721	14,915
Latvia	19,060	17,467	1,806	8,271
Estonia	6,021	5,864	91	4,644
Total	117,765	103,721	12,618	27,830

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005****5. OPERATING EXPENSES**

For the year ended 31 December operating expenses consisted of the following:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Rent and utilities	21,047	12,732	11,902	9,500
Remuneration and related taxes	18,607	11,924	12,205	9,246
Depreciation and amortization	9,060	5,443	4,115	3,809
Advertising	3,029	2,433	1,860	1,674
Franchise expenses	2,625	841	-	-
Bank commissions	1,540	1,039	865	768
Business trips	815	677	676	545
Write off of inventory to net realisable value	717	-	717	-
Communication expenses	692	557	545	471
Selling expenses	596	541	457	541
Taxes (excluding income tax)	335	554	310	540
Repair expenses	98	297	95	275
Other expenses	4,811	4,275	3,426	2,871
Total	63,972	41,313	37,173	30,240

6. OTHER INCOME, NET

For the year ended 31 December other income, net consisted of the following:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Rent income	930	1,107	930	1,107
Consulting services	-	-	2,698	239
Gain from disposal of fixed assets	13	-	13	-
Other income	204	559	300	571
Total other income	1,147	1,666	3,941	1,917
Loss from disposal of fixed assets	-	(25)	-	(25)
Other expenses	(201)	(110)	(203)	(89)
Total other income, net	946	1,531	3,738	1,803

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005****7. FINANCE COSTS**

For the year ended 31 December finance costs consisted of the following:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Interest on bank	(1,325)	(1,165)	(864)	(770)
Interest on bonds	(581)	(156)	(581)	(156)
Interest on obligations under finance leases	(53)	(81)	(53)	(81)
Interest on other borrowings	(39)	(80)	(42)	(83)
Total	(1,998)	(1,482)	(1,540)	(1,090)

8. INCOME TAX EXPENSE

Domestic income tax is calculated at 15 per cent (2004: 15 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total income tax charge can be reconciled to the accounting profit before tax as follows:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Profit before tax	11,093	7,317	4,838	6,338
Tax at the domestic income tax rate	1,664	1,098	726	951
Tax effect of expenses that are not deductible in determining taxable profit and of income not subject to tax	(750)	(52)	(489)	(80)
Tax effect on timing differences	479	279	478	81
Increase in deferred tax assets valuation allowance	202	22	133	22
Effect of tax rate change	10	-	10	-
Effect of different tax rates of foreign subsidiaries	(384)	(112)	-	-
Tax expense	1,221	1,235	858	974
Effective income tax rate	11.0%	16.8%	17.8%	15.4%

For the year ended 31 December income tax expense consisted of the following:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Current income tax expense	530	934	237	871
Deferred tax (Note 9)	691	301	621	103
	1,221	1,235	858	974

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005****9. DEFERRED TAX**

Deferred tax assets and liabilities recognised as follows:

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Deferred tax assets:				
Provisions and write offs	(136)	(5)	(136)	(5)
Accruals	(88)	(17)	(19)	(17)
Total deferred tax assets	(224)	(22)	(155)	(22)
Deferred tax liabilities related to depreciation of fixed assets	992	301	724	103
Less: valuation allowance	224	22	155	22
Total deferred tax liabilities	992	301	724	103

Deferred income tax assets are recognised only to the extent that realization of the related tax benefit is probable.

10. DIVIDENDS

On 29 April 2005, a dividend of 0.23 LTL per share was paid to shareholders.

In respect of the current year, the directors propose that a dividend of 0.06 LTL per share will be paid to shareholders in 2006. This dividend is subject to approval by shareholders at the Annual Shareholder's Meeting and has not been included as a liability in these financial statements.

11. EARNINGS PER SHARE

	Group		Company	
	2005	2004	2005	2004
Net profit for the year, LTL	9,871,767	6,082,002	3,979,900	5,364,309
Weighted average number of ordinary shares	35,291,960	35,291,960	35,291,960	35,291,960
Earnings per share	0.28	0.17	0.11	0.15

As discussed in Note 19, the shareholders' meeting authorised in December 2005 a 1 to 4 share split. For the purpose of the earnings per share calculation the weighted average number of ordinary shares have been adjusted retrospectively, as if the share split had taken place at 1 January 2004.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

12. PROPERTY, PLANT AND EQUIPMENT

At 31 December property, plant and equipment consisted of the following:

GROUP	Buildings LTL'000	Plant and equipment LTL'000	Other fixed assets LTL'000	Construction in progress LTL'000	Total LTL'000
Historical cost					
At 31 December 2004	25,780	1,620	48,085	419	75,904
Additions	-	9	6,196	6,307	12,512
Disposals and write-offs	(6)	(103)	(1,500)	(419)	(2,028)
Exchange differences	-	-	(19)	-	(19)
Transfers	133	-	4,996	(5,129)	-
At 31 December 2005	25,907	1,526	57,758	1,178	86,369
Accumulated depreciation					
At 31 December 2004	2,573	970	14,117	-	17,660
Charge for period	516	208	8,132	-	8,856
Exchange differences	-	-	(3)	-	(3)
Disposals and write-offs	(6)	(89)	(1,479)	-	(1,574)
At 31 December 2005	3,083	1,089	20,767	-	24,939
Carrying amount					
At 31 December 2004	23,207	650	33,968	419	58,244
At 31 December 2005	22,824	437	36,991	1,178	61,430

COMPANY	Buildings LTL'000	Plant and equipment LTL'000	Other fixed assets LTL'000	Construction in progress LTL'000	Total LTL'000
Historical cost					
At 31 December 2004	25,780	1,620	21,923	419	49,742
Additions	-	9	3,093	6,307	9,409
Disposals and write-offs	(6)	(103)	(1,500)	(419)	(2,028)
Transfers	133	-	4,996	(5,129)	-
At 31 December 2005	25,907	1,526	28,512	1,178	57,123
Accumulated depreciation					
At 31 December 2004	2,573	970	11,990	-	15,533
Charge for period	516	208	3,209	-	3,933
Disposals and write-offs	(6)	(89)	(1,479)	-	(1,574)
At 31 December 2005	3,083	1,089	13,720	-	17,892
Carrying amount					
At 31 December 2004	23,207	650	9,933	419	34,209
At 31 December 2005	22,824	437	14,792	1,178	39,231

At 31 December 2005 the Group's and the Company's buildings with the carrying amount of LTL'000 22,229 (2004: LTL'000 22,735) have been pledged as security for outstanding loans from financial institutions (Note 21).

At 31 December 2005 the Group's and the Company's equipment and inventories (Note 15) have been pledged as security for outstanding loan from financial institutions (Note 21). The carrying amount of pledged assets as of 31 December 2005 was LTL'000 23,310 and LTL'000 13,000 respectively (2004: LTL'000 19,394 and LTL'000 11,349 respectively).

The carrying amount of leasehold improvements of the Group as of 31 December 2005 was LTL'000 14,985 (2004: LTL'000 13,444) and of the Company - LTL'000 5,977 (2004: LTL'000 2,990). Leasehold improvements are accounted for in other fixed assets balance.

**NOTES TO THE FINANCIAL STATEMENTS
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At 31 December the acquisition cost of the fully depreciated property, plant and equipment still in use was as follows:

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Plant and equipment	165	1	165	1
Other fixed assets	6,341	5,552	6,224	5,552
Total	6,506	5,553	6,389	5,553

At 31 December the carrying amount of the property, plant and equipment being acquired under finance lease contracts was as follows:

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Building	4,995	5,107	4,995	5,107
Other fixed assets	44	53	44	53
Total	5,039	5,160	5,039	5,160

On February 2006 the Company redeemed the building before the original maturity date (Notes 22 and 27).

13. INTANGIBLE ASSETS

At 31 December intangible assets consisted of the following:

GROUP	Licenses LTL'000	Software LTL'000	Total LTL'000
Historical cost			
At 31 December 2004	1,211	562	1,773
Additions	42	64	106
Write-offs	(264)	-	(264)
At 31 December 2005	989	626	1,615
Accumulated depreciation			
At 31 December 2004	797	363	1,160
Charge for period	137	67	204
Write-offs	(264)	-	(264)
At 31 December 2005	670	430	1,100
Carrying amount			
At 31 December 2004	414	199	613
At 31 December 2005	319	196	515

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COMPANY	Licenses LTL'000	Software LTL'000	Total LTL'000
Historical cost			
At 31 December 2004	1,211	500	1,711
Additions	42	11	53
Write-offs	(264)	-	(264)
At 31 December 2005	989	511	1,500
Accumulated depreciation			
At 31 December 2004	797	360	1,157
Charge for period	137	45	182
Write-offs	(264)	-	(264)
At 31 December 2005	670	405	1,075
Carrying amount			
At 31 December 2004	414	140	554
At 31 December 2005	319	106	425

At 31 December 2005 the acquisition cost of fully amortized intangible assets still in use was as follows:

	2005	
	Group LTL'000	Company LTL'000
Licenses	459	459
Software	301	301
Total	760	760

14. INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries at 31 December are as follows:

Name	Country of incorporation	Ownership %	Cost	
			2005 LTL'000	2004 LTL'000
SIA Apranga	Latvia	100	2,638	2,638
SIA Apranga LV	Latvia	100	529	529
OÜ Apranga Estonia	Estonia	100	441	441
UAB Apranga LT	Lithuania	100	2,500	500
UAB Apranga BPB LT	Lithuania	100	500	-
Total investments			6,608	4,108

The changes in investments are as follows:

	2005 LTL'000	2004 LTL'000
Beginning of the year	4,108	286
Establishment of UAB Apranga BPB LT	500	-
Establishment of UAB Apranga LT	-	500
Establishment of SIA Apranga LV	-	529
Establishment of OU Apranga Estonia	-	441
Increase in share capital of UAB Apranga LT	2,000	-
Increase in share capital of SIA Apranga	-	2,352
At end of the year	6,608	4,108

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Establishment of UAB Apranga BPB LT

In November 2005, the Company established a subsidiary UAB Apranga BPB LT. The share capital of the subsidiary comprises of 500 shares with a par value of LTL 1,000 each. The Company made downpayment of amount LTL'000 125 and final amount LTL'000 375 was paid on 6 March 2006 (Note 27).

Increase in share capital of UAB Apranga LT

In December 2005, the Company increased the share capital of its subsidiary UAB Apranga LT by LTL'000 2,000, i.e. from LTL'000 500 to LTL'000 2,500. The share capital was increased by issuing 2,000 new shares with a par value of LTL 1,000 each. There were no changes in the Company's interest held in the subsidiary. All newly issued shares have been fully paid by cash.

Establishment of UAB Apranga LT

In April 2004, the Company established a subsidiary UAB Apranga LT. The share capital of the subsidiary is comprised of 500 shares with a par value of LTL 1,000 each. All shares have been fully paid by cash.

Establishment of SIA Apranga LV

In March 2004, the Company established a subsidiary SIA Apranga LV. The share capital of the subsidiary is comprised of 1000 shares with a par value of LTL 529 (LVL 100) each. All shares have been fully paid by cash.

Establishment of OU Apranga Estonia

In April 2004, the Company established a subsidiary OU Apranga Estonia. The share capital of the subsidiary comprise of 1 share with a par value of LTL 441,340 (EEK 2,000,000). The share have been fully paid by cash.

Increase in share capital of SIA Apranga

In September 2004, the Company increased the share capital of its subsidiary SIA Apranga by LTL'000 2,352, (LVL'000 450), i.e. from LTL'000 286 (LVL'000 50) to LTL'000 2,638 (LVL'000 500). The share capital was increased by issuing 9,000 new shares with a par value of LTL 261.33 (LVL 50) each. There were no changes in the Company's interest held in the subsidiary. All newly issued shares have been fully paid by cash.

15. INVENTORIES

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Goods for resale	37,052	30,110	24,345	22,631
Goods in transit	895	753	895	753
Materials and spare parts	419	337	346	219
Total	38,366	31,200	25,586	23,603

During the year ended 31 December 2005 the Company had decreased book value of the goods for resale to net realizable value by LTL'000 717 and have charged the decrease to operating expenses.

At 31 December 2005 inventories (goods for resale) of the Group and of the Company have been pledged as security for outstanding loan from financial institutions. The total carrying amount of pledged equipment and inventories (Notes 12 and 21) at 31 December 2005 was LTL'000 23,310 and LTL'000 13,000 respectively (2004: LTL'000 19,394 and LTL'000 11,349 respectively).

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16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December non-current assets held for sale consisted of the following:

	2005 LTL'000	Owner- ship %	2004 LTL'000	Owner- ship %
UAB Tokata	760	100	760	100
UAB Šešupė Ontario	7,200	100	7,200	100
UAB Palangos Varūna	1,118	91	1,118	91
Total	9,078		9,078	

The financial data of non-current assets held for sale at 31 December 2005 and for the year then ended is as follows:

	Net assets At 31 December 2005 LTL'000	Net profit (loss) 2005 LTL'000
UAB Šešupė Ontario	1,087	-
UAB Tokata	294	-
UAB Palangos Varūna	321	(34)
Total	1,702	(34)

There were no impairment provisions on available for sale financial assets in 2005 and 2004, as the cost of investments did not exceed the fair value of net assets of available for sale financial assets as of 31 December 2005 and 2004.

17. RECEIVABLES AND PREPAYMENTS

At 31 December receivables and prepayments consisted of the following:

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Receivables from subsidiaries (Note 25)	-	-	3,206	3,437
Loans to subsidiaries (Note 25)	-	-	7,273	14,078
Receivables from related parties (Note 25)	308	315	308	315
Prepayments	1,935	1,028	1,725	520
Trade amounts receivable	362	154	289	185
Other amounts receivable	2,819	1,429	729	119
Less: allowance for impairment of receivables	(45)	(28)	(20)	(28)
Total	5,379	2,898	13,510	18,626

The carrying amounts of the loans to subsidiaries are denominated in the following currencies:

	2005 LTL'000	2004 LTL'000
LTL	5,795	5,610
EUR	1,478	8,468
	7,273	14,078

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

The effective interest rate is 4.03 per cent, maturity date – 31 December 2006.

The carrying amount of the receivables and prepayments approximates their fair value.

Movements in the allowance for impairment of receivables for the year ended 31 December were as follows:

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Allowance at the beginning of the year	28	28	28	28
Increase during the year	45	-	20	-
Bad debts write-offs	(28)	-	(28)	-
Allowance at the end of the year	45	28	20	28

18. CASH AND CASH EQUIVALENTS

At 31 December cash and cash equivalents consisted of the following:

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Cash at bank	227	151	6	6
Cash on hand	296	248	177	161
Cash in transit	1,993	830	1,169	653
Total	2,516	1,229	1,352	820

Cash in certain bank accounts and future cash inflows into these accounts were pledged to banks as security for credit facilities granted. At 31 December 2005 and 2004, the cash balances of the Group and the Company in the pledged accounts amounted to LTL'000 6 (Note 21).

19. SHARE CAPITAL

At 31 December 2005 issued share capital of the Company consisted of 35,291,960 (2004: 8,822,990) ordinary shares at par value of LTL 1 each. All shares are outstanding and fully paid.

On December 2005, the shareholders' meeting authorized a 1 to 4 shares split of the Group's LTL 1 par value ordinary shares. As the result of the split, 26,468,970 additional shares were issued, and retained earnings and share premium were reduced by LTL'000 26,028 and LTL'000 441 accordingly. All references in the financial statements to the number of ordinary shares and per share amounts for 2005 and 2004 have been restated to reflect the stock split.

20. LEGAL RESERVE

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of at least 5 per cent of the net distributable profit are required until the legal reserve reaches 10 per cent of the statutory capital. The appropriation is restricted to reduction of the accumulated deficit.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005****21. BORROWINGS**

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Bank credit lines	22,463	33,477	15,901	28,509
Other borrowings	-	2,000	125	2,000
	22,463	35,477	16,026	30,509
The borrowings are repayable as follows:				
Within one year	15,901	6,968	16,026	2,000
In the second year	6,562	28,509	-	28,509
Amount payable after one year	6,562	28,509	-	28,509

At 31 December the carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
LTL	15,901	30,509	16,026	30,509
LVL	6,562	4,968	-	-
	22,463	35,477	16,026	30,509

The average interest rates paid were as follows:

	Group		Company	
	2005	2004	2005	2004
Bank credit lines	4.2%	4.5%	4.1%	4.3%
Other borrowings	-	-	4.0%	4.3%

The directors estimate the fair value of borrowings as follow:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Borrowings	22,211	34,374	15,846	29,506

The bank credit lines are secured by cash in certain of bank accounts (Note 18), buildings (Note 12), equipment and inventories (Notes 12 and 15).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005****22. OBLIGATIONS UNDER FINANCE LEASES**

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Amounts payable under finance leases:				
Within one year	651	653	625	599
In the second to fifth years inclusive	306	962	301	928
	957	1,615	926	1,527
Less: future finance charges	(31)	(88)	-	-
Present value of lease obligations	926	1,527	926	1,527

All lease obligations are denominated in LTL.

The fair value of obligations under finance lease approximates their carrying amount.

The Company's obligations under finance leases are secured by the lessors' charges over the leased assets.

On February 2006 the Company repaid the obligations under finance leases in the amount LTL'000 876 before the original maturity date (Notes 12 and 27).

23. TRADE AND OTHER PAYABLES

At 31 December trade and other payables consisted of the following:

	Group		Company	
	2005	2004	2005	2004
	LTL'000	LTL'000	LTL'000	LTL'000
Trade payables	10,457	8,769	5,416	3,893
Remuneration and related payables	2,584	1,613	1,728	1,102
Advances received	339	227	256	220
Taxes payables	2,205	1,865	934	1,223
Accrued expenses	600	501	117	103
Other payables	4,508	1,919	3,447	1,310
Total	20,693	14,894	11,898	7,851

24. BONDS ISSUED

At 31 December issued bonds consisted of the following:

	2005	2004
	LTL'000	LTL'000
Nominal value at date of issue	20,000	7,000
Accrued interest	436	156
Total	20,436	7,156

On 15 June 2005, the Company has redeemed LTL'000 7,000 of bonds and on the same day issued new bonds for LTL'000 20,000. Bonds will be redeemed on 15 June 2007.

The annual interest rate for bonds comprises 4 per cent and the interest will be paid on 15 June 2006 and 2007.

The fair value of bonds approximates their carrying amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

25. RELATED PARTY TRANSACTIONS

At 31 December the Group's and the Company's related party transactions were as follows:

Related parties	Accounts payable		Accounts receivable		Income received		Purchases	
	LTL'000		LTL'000		LTL'000		LTL'000	
	2005	2004	2005	2004	2005	2004	2005	2004
UAB Minvista	-	2,006	-	-	-	-	39	80
UAB Mineraliniai vandenys	32	22	-	-	61	-	276	232
UAB Troja	144	142	-	-	-	-	1,418	1,404
UAB Tetraneta	-	4	-	-	-	-	-	35
UAB Prekybos marketingo paslaugos	8	6	-	-	-	-	7	5
UAB MG Baltic Investment	46	293	-	-	-	6	148	665
UAB MG Valda	23	22	1	1	-	10	184	139
UAB Tromina	-	-	-	8	26	78	-	-
UAB Mineraliniai vandenys ir alus	-	-	-	-	-	-	-	2
UAB Šešupė Ontario	136	107	-	-	-	-	502	579
UAB Tokata	128	122	-	-	-	-	30	40
UAB Palangos Varūna	-	-	297	264	-	-	-	-
UAB Viršupis	-	-	-	-	-	-	-	1
UAB Laisvas Nepriklausomas Kanalas	-	-	10	42	29	56	284	263
UAB Teniso pasaulis	-	-	-	-	-	3	-	3
UAB Neopress	-	-	-	-	-	-	12	-
Total	517	2,724	308	315	116	153	2,900	3,448

Related party transactions are carried out at market prices.

At 31 December the the Company's related party (subsidiaries) transactions were as follows:

Subsidiaries	Accounts payable		Accounts receivable		Income received		Purchases	
	LTL'000		LTL'000		LTL'000		LTL'000	
	2005	2004	2005	2004	2005	2004	2005	2004
UAB Apranga LT	-	-	5,860	5,692	523	89	95	-
UAB Apranga BPB LT	500	-	1	-	1	-	-	-
SIA Apranga	-	-	3,063	4,946	16,950	11,405	-	-
SIA Apranga LV	-	3	916	3,210	391	203	37	3
OU Apranga Estonia	17	-	639	3,667	471	194	49	-
Total	517	3	10,479	17,515	18,336	11,891	181	3

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Company's code 121933274, Kirtimų 51, Vilnius

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Compensation of key management personnel

	Group		Company	
	2005 LTL'000	2004 LTL'000	2005 LTL'000	2004 LTL'000
Salaries and related taxes	811	575	756	570
Average number of key managers	8	8	7	7

26. COMMITMENTS AND CONTINGENCIES

At 31 December 2005 and 2004 the Group was not involved in any legal proceedings, which in the opinion of management, would have a material impact on the financial statements.

At 31 December 2005 the Company's guarantees for subsidiary's obligations to credit institutions totaled LTL'000 11,222 (2004: LTL'000 10,876). The letters of credit and guarantees provided to suppliers as of 31 December 2005 amounted to LTL'000 8,484 (2004: LTL'000 2,210).

The Group has entered into 47 rental agreements of stores (the Company – 31). The agreements' termination period differs from 1 to 6 months.

At 31 December 2005 the future aggregate minimum lease payments under operating leases in connection with the rent of premises where the Group and the Company is a lessee were as follows:

	Group LTL'000	Company LTL'000
Lease payable within:		
One year	21,713	12,516
From second to fifth year	69,172	35,327
Thereafter	47,114	25,302
Total	137,999	73,145

27. POST BALANCE SHEET EVENTS

On 27 February 2006, the Company adopted a decision to establish a subsidiary UAB Apranga PLT. The share capital of the subsidiary is comprised of 300 shares with a par value of LTL 1,000. On 6 March 2006 the Company paid in the amount of LTL'000 75 in cash.

On February 2006 the Company repaid the obligations under finance leases in the amount of LTL'000 876 before the original maturity date (Notes 12 and 22).

On 6 March 2006 the Company paid in the final amount of LTL'000 375 capital share of subsidiary UAB Apranga BPB LT (Note 14).

On 28 March 2006, the Company and SEB Vilniaus Bankas concluded an Agreement for the Change of the previously concluded Agreement for Credit Line. According to the Agreement the Company was granted credit line amounting LTL'000 35,000 for financing of working capital and issuance of guarantees and letters of credit. The credit line expires on 31 May 2007. The credit line is bearing a floating interest rate calculated as the 3-month VILIBOR plus margin, interest being paid for the drawdown amount, and a fixed interest rate for amount used for the issuance of guarantees and letters of credit.

On 13 February 2006, the Company granted to a third parts an irrevocable option to purchase up to 100% of in the share capital of the subsidiary UAB Apranga BPB LT.

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*Independent auditor's report and
Annual report for the year ended
31 December 2005*


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INDEPENDENT AUDITOR'S REPORT

To the shareholders of APB Apranga:

With reference to Article 36 in the Company Law of the Republic of Lithuania, we have reviewed the accompanying Annual Report of APB Apranga (the Company) for the year ended 31 December 2005. The report is the responsibility of the Company's Board. Our responsibility is to express an opinion on the report based on our review.

In our opinion, the historical financial information presented in the Annual Report of APB Apranga for the year ended 31 December 2005 is consistent with the Company's financial statements for the year ended 31 December 2005. We have expressed an unqualified opinion dated 31 March 2006 on these financial statements taken as a whole (those financial statements are not presented herein).


Deloitte Lietuva UAB
General Director Juozas Kabašinskas


Certified auditor Rima Kvietkauskaitė
Auditor's Certificate No. 000369

Vilnius, Lithuania
14 April 2006

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ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

In 2005, APB Apranga was persistently and purposefully striving for better operation results to keep and strengthen the leader's position in the apparel retail business in Lithuania and in the Baltic States. The year 2005 remained in the minds of the company managers and experts as the year of constructive, intensive and productive work, intense chain development, constant growth of trading technologies and rapidly rising turnover. We can say that the whole Apranga Group successfully mastered the ambitious activity and chain development plans reaching record high growth rates throughout the history of the company, best economic results, thus even more enhancing the company's competitive advantage on the Baltic markets.

The retail goods turnover of the Apranga Group topped the limit of LTL 200 m, with the turnover growth rates being highest among all retail trading chains in the Baltics for two years running. With the retail goods turnover in foreign markets exceeding 1/3 of the whole turnover, the Apranga Group has undoubtedly become the strongest international company.

It is gratifying to know that share and finance markets have adequately assessed the company's development and performance. Apranga is among the rare non-financial enterprises, which issued two-year bonds in the value of LTL 20 m in summer 2005. The shares of Apranga were included on the elite Official List of Vilnius Stock Exchange. The share price increased 2.3 times in a year. The company's capitalization reached LTL 352.9 m at the end of 2005.

Retail goods turnover development

The 2005 retail goods turnover (including VAT) of the chain owned by the Apranga Group totalled to LTL 200.8 m, with the 47% upsurge in comparison to 2004. These are record high rates of turnover growth in the history of the company operation. During 2004 and 2005, the retail goods turnover of the Apranga Group increased 2.1 times.

In the local Lithuanian market the turnover of the Apranga Group reached LTL 131 m or was 28.7% higher than in 2004.

The retail goods turnover of the Apranga Group in Latvian and Estonian markets amounted to LTL 69.8 m or increased 2.1 times as compared to 2004 and 8.8 times as compared to 2003. The retail goods turnover in foreign markets increased from 25.5% in 2004 to 34.8% in 2005. The retail goods turnover of the Apranga Group rose by 81.6% in Latvia and 2.6 times in Estonia.

An increase in the retail goods turnover was reached in every city where Apranga Group operated. The highest increase rates were reached in 3 most important cities of the Baltic States, i.e. in their capitals.

In 2005 the Apranga Group was consistently developing 6 store chains of different profile:

- family fashion Apranga
- business fashion City,
- youth fashion,

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- luxury clothes,
- ZARA franchise stores,
- "sell-out" stores.

Each of the market sectors enjoyed increase rates of more than 12%. The fastest turnover growth was in ZARA stores (3.1 times), luxury clothes (65.5%), business fashion City stores (21.4%), "sell-out" stores (28.3%).

According to the activity results of 2005, the composition of retail goods turnover has become even more balanced:

- ZARA – 28.1% of the group turnover,
- Apranga – 26.4% of the group turnover,
- Youth fashion – 15.8% of the group turnover,
- Business fashion "City" – 14.7% of the group turnover,
- Luxury fashion – 13.2% of the group turnover,
- "Sell-out" stores – 1.8% of the group turnover.

In 2005 the Apranga Group retail goods turnover increased by 54.4% in the 1st quarter, 82.6% in the 2nd quarter, 38.9% in the 3rd quarter and 31.8% in the 4th quarter.

Trade Network Expansion and Investment

In 2005 the Apranga Group opened 14 new stores, restructured 2 stores and closed 3 stores. At the end of 2005 the network of stores owned by the Apranga Group consisted of 51 stores, the total area of which amounted to 31 000 sq. m.

In 2005 5 new stores were opened in Vilnius (City, Emporio Armani, Miss Sixty, Moskito, GF Ferre), 3 new stores in Klaipėda (ZARA, Apranga, City), 3 new stores in Riga (City, Miss Sixty, Moskito), 2 new stores in Kaunas (Apranga, Išparduotuvė) and one store in Panevėžys (Apranga). The total area of the new stores makes up 7 600 sq. m., the investment into the expansion of the network totalled LTL 13 m.

Due to the aggressive expansion in 2004-2005 the area of the retail trade network owned by the Apranga Group grew by 2.2 times from 14 000 sq. m. to 31 200 sq. m., and the number of stores increased from 28 to 51.

The year 2005 was also marked by the development and realization of the brand new equipment and interior conceptions for the stores Apranga, City, Moskito, Išparduotuvė A, which reflects the high degree of creative potential of Apranga.

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Realization of Financial Plans

The gross profit of the Apranga Group made up LTL 75.9 m in 2005, with the 54.2% upsurge as compared with the year 2004.

The audited profit before taxes of the Apranga Group amounted to LTL 11 093 thousand in 2005 and increased by 51.6%, as compared with the 2004 results. The 2005 audited net profit of the Apranga Group totalled LTL 9 872 thousand, which is 62.3% more than the last year. The Apranga Group profit indicators for 2005 were in compliance with the estimates. All of the Apranga Group enterprises pursuing their trade activities in the markets of Lithuania, Latvia and Estonia were profitable.

The Board of the enterprise will propose to the meeting of the shareholders to allocate LTL 2 117.5 thousand, for the payment of dividends. In such case, one share with the nominal value of LTL 1 would yield the dividends in the amount of 6 cents.

In December 2005, APB Apranga increased the authorised capital of the enterprise from LTL 8 822 990 to LTL 35 291 960 at the expense of the accumulated profit and share premium.

Subsidiaries of the Enterprise and their Results

At the end of 2005 APB Apranga had 8 subsidiaries:

	Number of shares	Participation Percentage	Value(LTL)
SIA Apranga (Latvia)	10 000	100	2 637 670
SIA Apranga LV (Latvia)	1000	100	529 130
OU Apranga (Estonia)	1	100	441 340
UAB Apranga LT	2 500	100	2 500 000
UAB Apranga BPB LT	500	100	500 000
UAB Tokata	20 861	100	760 000
UAB Šešupė Ontario	100 000	100	7 200 000
UAB Palangos Varūna	844 875	91	1 117 679

The initial 5 subsidiaries are the actual operators of specific trade networks, making up Apranga Group, and earning LTL 6 255 thousand profit before taxes.

Whereas the last three companies are the owners of real estate, shares of which are ready for sale.

In November 2005 a subsidiary UAB Apranga BPB LT that owns the Bershka network stores under the franchise contract was registered. The authorised capital of the said enterprise constitutes LTL 500 000 and paid in capital was LTL 125 000 at the end of the year.

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In December 2005 the authorised capital of the subsidiary UAB Apranga LT was increased from LTL 500 000 to LTL 2 500 000. The total 2005 investment of the enterprise into the formation and increase of the authorised capital of the subsidiaries amounts to LTL 2 125 000.

The main events of the current year 2006

The growth rates of the retail goods turnover of the Apranga Group remain at an extremely high level. The 2006 QI turnover of the Apranga Group reached LTL 57.8 m, with the 41.3% upsurge as compared with 2005 QI. The retail goods turnover of the Apranga Group during the first quarter increased by 37.7% in Lithuania and by 48.9% in foreign markets.

The initial four months of 2006 were marked by the opening of 4 new stores: Hugo Boss (in Vilnius), Bershka (in Klaipėda), Ermenegildo Zegna (in Vilnius) and Aprangos Galerija (in Kaunas). The investment into these projects amounted to LTL 4.5 m.

In March 2006 the enterprise registered its 9th subsidiary, UAB Apranga PLT, that is intended to run the network of Pull and Bear stores under the franchise contract.

Enterprise Activity Plans and Forecasts

The Apranga Group plans for 2006 include reaching the turnover of not less than LTL 270 m, with the profit before taxes amounting to not less than LTL 14 m.

The updated data suggests that the Apranga Group plans for 2006 also include the opening of over 25 new stores, with the total area of 15 000 sq. m. The investment into these projects is scheduled to make up approximately LTL 30 m. These are the grandest expansion plans of the network throughout the history of the enterprise.

Activity report was adopted by the Board on April 13, 2006.

APB Apranga

Member of the Board



Rimantas Perveneckas