KLAIPĖDOS BALDAI AB

FINANCIAL STATEMENTS

31 DECEMBER 2005

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AUDITOR'S REPORT TO THE SHAREHOLDERS OF KLAIPĖDOS BALDAI AB

1. We have audited the accompanying balance sheet of Klaipėdos baldai AB ("the Company") and its associate (hereinafter collectively "the Group") as at 31 December 2005 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 4-38 and the performance report set out on pages 39-43 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit and to assess whether the information disclosed in the performance report is consistent with the financial statements.

2. Except as discussed in paragraph 3, we conducted our audit in accordance with International Standards on Auditing as 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our work with respect to the performance report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

3. In the Group's financial statements for the year ended 31 December 2005, investment property includes a building with a carrying value of LTL 5,900 thousand. International Accounting Standard 40 requires that investment property should be stated either at acquisition cost less accumulated depreciation and impairment, or at a fair value, which represents the market situation as at the balance sheet date. The Group has chosen to account for its investment property using the fair value approach. During our audit we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the actual fair value of this building as at 31 December 2005.

4. In our opinion, except for the possible effect of such adjustment, if any, as might have been determined to be necessary, had we been able to obtain sufficient evidence concerning the matter described in paragraph 3, the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2005 and of the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

5. We did not identify material inconsistencies in the performance report with the audited financial statements.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Ona Armalienė
Auditor's Certificate No.000008

Vilnius, Republic of Lithuania
29 March 2006

(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
by Minutes No.
Dated April 2006

Income statement

	Notes	Year ended 31 December 2005	2004	COMPANY 2004 (restated)
Continuing operations:				
Sales	5	101,894	117,994	117,994
Cost of sales	6	(93,034)	(98,337)	(98,337)
Gross profit		8,860	19,657	19,657
Selling and distribution expenses	7	(143)	(350)	(350)
General and administration expenses	8	(4,565)	(11,953)	(11,953)
Other operating income	9	1,434	1,185	1,185
Other expenses	10	(496)	(399)	(399)
Profit from operations		5,090	8,140	8,140
Finance costs	11	(717)	(694)	(694)
Share of profit of associates		-	-	-
Profit before tax		4,373	7,446	7,446
Income tax	12	(518)	(1,218)	(1,218)
Profit for the year from continuing operations		3,855	6,228	6,228
Discontinued operations:				
Loss for the year from discontinued operations	13	-	(4,203)	(2,651)
Profit for the year		3,855	2,025	3,577
Profit is attributable to:				
Equity holders of the Company		3,855	3,586	3,577
Minority interest		-	(1,561)	-
Profit for the year		3,855	2,025	3,577
Basic and diluted earnings per share for profit from continuing operations attributable to the equity holders of the Company and the Group (in LTL)	14	0.47	0.76	0.76
Basic and diluted loss per share for loss from discontinued operations attributable to the equity holders of the Company and the Group (in LTL)	14	-	(0.51)	(0.32)

The general information, accounting policies and notes on pages 8 to 38 form an integral part of these financial statements.

The financial statements on pages 4 to 38 were approved by the Managing Director on 29 March 2006.

Eimuntas Jankauskas
Managing Director

(All tabular amounts are in LTL ‘000, unless otherwise stated)

APPROVED
by Minutes No.
Dated April 2006

Balance sheet

	Notes	As at 31 December 2005	As at 31 December 2004
ASSETS			
Non-current assets			
Property, plant and equipment	15	31,967	31,988
Investment property	16	7,189	1,292
Intangible assets	17	886	1,111
Investments in associates	18	22	22
Available-for-sale investments	19	210	210
Long-term receivables	20	3,280	15,934
		43,554	50,557
Current assets			
Inventories	21	10,115	9,717
Trade and other receivables	22	16,622	18,823
Cash and cash equivalents	23	896	499
		27,633	29,039
Total assets		71,187	79,596
EQUITY			
Share capital	24	8,166	8,166
Reserves	25	14,307	14,681
Retained earnings		23,121	18,892
Total equity		45,594	41,739
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	26	1,050	1,313
Borrowings	27	6,908	13,701
Other long-term payables		246	7
		8,204	15,021
Current liabilities			
Income tax payable		-	19
Borrowings	27	11,926	4,677
Trade and other payables	28	5,463	18,140
		17,389	22,836
Total liabilities		25,593	37,857
Total equity and liabilities		71,187	79,596

The general information, accounting policies and notes on pages 8 to 37 form an integral part of these financial statements.

(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
by Minutes No.
Dated April 2006

Statement of changes in equity

	Notes	Share capital	Revalua-tion reserve	Legal reserves	Currency translation reserve	Other reserves	Retained earnings	Total
Year ended 31 December 2004								
Previously reported balance at 1 January 2004		8,166	6,573	817	210	7,698	15,777	39,241
Change in accounting policy for investments in subsidiaries and associates		-	-	-	(210)	-	(53)	(263)
Adjusted at 1 January 2004		8,166	6,573	817	-	7,698	15,724	38,978
Reserves utilised	25	-	(407)	-	-	-	407	-
Dividends		-	-	-	-	-	(816)	(816)
Net profit		-	-	-	-	-	3,577	3,577
Balance as at 31 December 2004		8,166	6,166	817	-	7,698	18,892	41,739
Year ended 31 December 2005								
Balance as at 1 January 2005		8,166	6,166	817	-	7,698	18,892	41,739
Reserves utilised	25	-	(374)	-	-		374	-
Net profit		-	-	-	-	-	3,855	3,855
Balance as at 31 December 2005		8,166	5,792	817	-	7,698	23,121	45,594

The general information, accounting policies and notes on pages 8 to 37 form an integral part of these financial statements.

(All tabular amounts are in LTL '000, unless otherwise stated)

APPROVED
by Minutes No.
Dated April 2006

Cash flow statement

	Notes	Year ended 31 December 2005	2004	COMPANY 2004
Cash flows from operating activities				
Cash flows from operating activities	29	7,003	11,216	9,023
Interest paid		(717)	(1,122)	(694)
Income tax paid		(1,701)	(3,420)	(2,259)
Net cash flows from operating activities		4,585	6,674	6,070
Cash flows from investing activities				
Purchase of property, plant and equipment		(4,500)	(5,126)	(3,500)
Purchase of intangible assets		(46)	(1,431)	(807)
Disposal of property, plant and equipment		54	313	313
Proceeds from sale of the subsidiary (net of cash and cash equivalents of the subsidiary sold)	13	-	(693)	-
Disposal (acquisition) of available-for-sale investments		-	-	12
Interest received		71	3	3
Net cash flows used in investing activities		(4,421)	(6,934)	(3,979)
Cash flows from financing activities				
Proceeds from borrowings		7,027	3,117	1,571
Repayment of borrowings		(5,605)	(4,389)	(4,389)
Dividends paid		-	(348)	(348)
Finance lease principal payments		(1,189)	(1,224)	(1,031)
Net cash flows used in financing activities		233	(2,844)	(4,197)
Net (decrease) increase in cash and cash equivalents		397	(3,104)	(2,106)
Cash and cash equivalents at beginning of year	23	499	3,603	2,605
Cash and cash equivalents at end of year	23	896	499	499

The general information, accounting policies and notes on pages 8 to 37 form an integral part of these financial statements.

(All tabular amounts are in LTL '000, unless otherwise stated)

1. General information

Klaipėdos Baldai AB (hereinafter "the Company") was registered as a public company on 3 March 1993. The Company's registration No. is AB 93-59. The Company's registered address is as follows:

Joniškės g. 21, LT-91267 Klaipėda
Republic of Lithuania

Shareholders of the Company as at 31 December 2005:

	Number of shares held	Percentage of share capital
Koncernas SBA UAB	5,478,842	67.09
Virgilijus Rančys	429,599	5.26
Other shareholders	2,257,871	27.65
Total	**8,166,312**	**100**

The Company's ordinary registered shares are quoted on the Current List of Vilnius Stock Exchange.

The Company's core line of business is manufacturing of furniture. During the year ended 31 December 2005 97.2 per cent of the total Company's sales were made to its related party SBA baldų kompanija UAB.

Until May 2004 the Company – Klaipėdos Baldai AB – and its four subsidiaries and three associate companies comprised the consolidated group (hereinafter "the Group") see below:

Subsidiary/associate	Country	Year of acquisition	The Group's share until May 2004 (%)	Profile of activities
Subsidiaries				
Klaipėdos Baldų Prekyba UAB	Lithuania	2001	67.00	Trade in furniture
Šilutės Baldai AB	Lithuania	2001	40.55	Manufacture of furniture
Karigė AB	Lithuania	2001	36.00	Manufacture of furniture
KBP SIA	Latvia	2001	67.00	Trade in furniture
Associates				
Baldstata UAB	Lithuania	1996	45.00	Construction services
Akmena AB	Lithuania	2001	21.66	Manufacture of furniture
Kauno Baldai AB	Lithuania	2001	33.25	Manufacture of furniture

Until May 2004 Klaipėdos Baldų Prekyba UAB held 61 percent of shares of Šilutės Baldai AB and 54 percent of shares of Karigė AB, therefore they were accounted for as subsidiaries of the Group.

In May 2004, the Company sold 67 per cent of shares of Klaipėdos Baldų Prekyba UAB to its major shareholder Koncernas SBA UAB (Note 13).

In addition, the Company disposed its indirect interest in the following investments: 41 per cent of shares in Šilutės Baldai AB, 33 per cent of shares in Kauno Baldai AB, 36 per cent of shares in Karigė AB, 22 per cent of shares in Akmena AB, and 67 per cent of shares in KBP SIA.

Since May 2004 the Group comprises of the Company and its associate Baldstata UAB (Note 19).

Due to immateriality of the associate's operations it is accounted for at cost in the Group's financial statements therefore the Group's and the Company's separate financial statements for the year ended 31 December 2005 as well as balance sheet and related notes as at 31 December 2004 are identical.

1. General information (continued)

In 2005, the Company‘s average number of employees was 676 (2004: 723).

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (see below - Adoption of New or Revised Standards and Interpretations).

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these statements have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following the Accounting Regulatory Committee decision of October 2004, the Commission adopted the Regulation 2086/2004 requiring the use of IAS 39, minus certain provisions on portfolio hedging of core deposits, by all listed companies from 1 January 2005.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s and the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Adoption of New or Revised Standards and Interpretations (theGroup)

Certain new IFRSs became effective for the Group from 1 January 2005. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group’s operations and the nature of their impact on the Group’s accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to retained earnings at 1 January 2004, unless otherwise described below.

IAS 1 (revised 2003), Presentation of Financial Statements.
The Group now classifies as current all financial liabilities for which the Group does not have an unconditional right to defer their settlement for at least twelve months after the balance sheet date. Minority interest is now presented as equity and the Group discloses on the face of the income statement profit or loss for the period and the allocation of that amount between ‘profit or loss attributable to minority interest’ and ‘profit or loss attributable to equity holders of the parent’. Certain new disclosures and changes in presentation required by the revised standard were made in these financial statements.

IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors.
The Group now applies all voluntary changes in accounting policies retrospectively. Comparatives are amended in accordance with the new policies. All material errors are now corrected retrospectively in the first set of financial statements after their discovery. The Group has not discovered any material error in its prior period

(All tabular amounts are in LTL '000, unless otherwise stated)

financial statements.

IAS 16 (revised 2003) Property, Plant and Equipment.
The residual value is now defined as the amount that the Group estimates it would receive currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. The Group now derecognises the carrying amount of a component of property, plant and equipment which has been replaced and capitalises the cost of the replacement. The previous version of IAS 16 did not extend its derecognition principle to components; rather, its recognition principle for subsequent expenditures effectively precluded the cost of a replacement from being capitalised. All changes to accounting policies as a result of the revised IAS 16 were accounted for retrospectively and did not result in a significant effect on the carrying amount of the Group's assets.

IAS 17 (revised 2003) Leases
Initial direct costs incurred in negotiating a finance lease are now deferred as part of the net investment in the lease. Finance leases are now recognised at commencement based on values measured at inception. Commencement is when the lessee can start using the leased asset. Inception is the earlier of the date of the lease agreement and the date of commitment to the principal provisions of the lease. The revised IAS 17 is applied retrospectively to all leases in accordance with the transitional provisions of the standard.

IAS 24 (revised 2003) Related Party Disclosures
The definition of related parties was extended and additional disclosures required by the revised standard were made in these financial statements.

IAS 33 (revised 2003) Earnings per Share
IAS 33 was revised to provide additional guidance and illustrative examples on selected complex matters. The additional guidance did not affect the Group's accounting policies.

IAS 38 (revised 2004) Intangible Assets
The revised IAS 38 is applied prospectively in accordance with its transitional provisions. The amended accounting policies apply to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004 and to all other intangible assets acquired on or after 1 January 2005. Intangible assets now include assets that arise from contractual or other legal rights, regardless of whether those rights are transferable or separable. The probability of inflow of economic benefits recognition criterion is now deemed to be always met for intangibles that are acquired separately or in a business combination. The Group's policies were amended to introduce the concept of indefinite life intangible assets which exist when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Such intangibles are not amortised but tested for impairment at least annually. The Group has reassessed the useful lives of its intangible assets in accordance with the transitional provisions of IAS 38. No adjustment resulted from this reassessment.

IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement.
The definition of 'originated loans and receivables' was amended to become 'loans and receivables'. This category now comprises originated or purchased loans, and receivables. The Group may now designate any financial instrument on initial recognition as one to be measured at fair value, with changes in fair value recognised in profit or loss. Subsequent reclassifications into or out of the 'at fair value through profit or loss' category are prohibited. The Group no longer recognises gains and losses on available-for-sale financial assets in profit or loss but in equity.
The Group amended its policies for derecognition of financial assets. Under the original IAS 39, several concepts governed derecognition. The revised IAS 39 retains the two main concepts of risks and rewards and control, but clarifies that the evaluation of the transfer of risks and rewards precedes the evaluation of the transfer of control. The Group now applies the guidance added to IAS 39 on how to determine fair values using valuation techniques and how to evaluate impairment in a group of loans, receivables or held-to-maturity investments which cannot yet be identified with any individual asset in the group. In accordance with the standard's transitional provisions the

revised accounting policies are applied retrospectively except for the clarified derecognition rules which are applied prospectively from 1 January 2004. Although allowed by the standard, the Group has not redesignated any financial instrument into ‘at fair value through profit or loss’ or ‘available for sale’ categories at the date of initial application of the revised IAS 39.

IAS 40 (revised 2003) Investment Property

In accordance with the transitional provisions the Group can now classify operating leases as investment property under the fair value model provided that the rest of the definition of investment property is met. Such operating leases would be accounted for as if they were finance leases. This classification alternative is available on a property–by–property basis and was not used by the Group.

IFRS 5 (issued 2005) Non-current Assets Held for Sale and Discontinued Operations

The Group applies IFRS 5 prospectively in accordance with its transitional provisions to non-current assets (or disposal groups) that meet the criteria to be classified as ‘held for sale’ and operations that meet the criteria to be classified as ‘discontinued’ after 1 January 2005. The Group’s accounting policies now describe assets ‘held for sale’ as those that will be recovered principally through a sale transaction rather than through continuing use. Subject to certain exceptions, for example for financial assets, assets or disposal groups that are classified as ‘held for sale’ are now measured at the lower of carrying amount and fair value less costs to sell. Such assets cease to be depreciated and are presented separately on the face of the balance sheet.

Adoption of New or Revised Standards and Interpretations (the Company- separate financial statements)

IAS 28 (revised 2003) Investments in Associates

As result of adoption of the revised IAS 28 the Company’s policies were revised and the equity method no longer applies in the Company’s separate financial statements to investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale.

Opening equity at 1 January 2004 was decreased by LTL 263 thousand as a result of adoption of the revised IAS 28. Currency translation reserve of LTL 210 thousand was released upon disposal of investment (Note 13).

Impact on the 2004 comparative figures is as follows:

	Previously reported balance at 31 December 2004	**Adjustment**	**Adjusted at 31 December 2004**
Impact on Company‘s assets			
Investments in associates	84	(62)	22
Total impact on Company‘s assets at 31 December 2004		**(62)**	
Impact on Company‘s shareholder‘s equity and liabilities			
Retained earnings	15,368	(53)	15,315
Current period result	3,586	(9)	3,577
Total impact on Company‘s shareholder‘s equity and liabilities at 31 December 2004		**(62)**	

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 and the Group's accounting periods beginning on or after 1 January 2006 or later periods which the Company and the Group has not early adopted as follows:

AS 19 (Amendment), Employee Benefits (effective from 1 January 2006).
This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Company and the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Company and the Group will apply this amendment from annual periods beginning 1 January 2006.

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006).
The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect profit or loss. This amendment is not relevant to the Company's and the Group's operations, as the Company and the Group does not have any intragroup transactions that would qualify as a hedged item in the financial statements as of 31 December 2005 and 2004.

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's and the Group's policy is not to voluntarily designate assets and liabilities as at fair value through profit and loss.

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006).
This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to the Company and the Group.

IAS 21 (Amendment) - Net Investment in a Foreign Operation (effective from 1 January 2006).
This amendment requires foreign exchange gains and losses on quasi-equity intercompany loans to be reported in consolidated equity even if the loans are not in the functional currency of either the lender or the borrower. Currently, such exchange differences are required to be recognised in consolidated profit or loss. It also extends the definition of 'net investment in a foreign operation' to include loans between sister companies. The management assessed the impact of the amendment and believes that it will not affect the Company's and the Group's financial statements. At the date of the issuance of these financial statements this amendment has not been yet adopted by the EU.

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).
These amendments are not relevant to the Company's and the Group's operations, as the Company and the Group

does not carry out exploration for and evaluation of mineral resources.

IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).
IFRS 6 is not relevant to the Company's and the Group's operations.

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

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

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006).
IFRIC 5 is not relevant to the Company's and the Group's operations.

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for periods beginning on or after 1 December 2005, that is from 1 January 2006).
IFRIC 6 is not relevant to the Company's and the Group's operations.

IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007).
The Interpretation clarifies application of IAS 29 in the reporting period in which hyperinflation is first identified. It states that IAS 29 should initially be applied as if the economy has always been hyperinflationary. It further clarifies calculation of deferred income taxes in the opening balance sheet restated for hyperinflation in accordance with IAS 29. This new interpretation is not expected to affect the Company's and the Group's financial statements. At the date of the issuance of these financial statements this amendment has not been yet adopted by the EU.

IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).
The issue addressed in the Interpretation is whether IFRS 2 applies to transactions in which the entity cannot identify specifically some or all of the goods or services received. It not applicable to the Company and the Group since there are no share-base payments. The Company and the Group will consider applying this if such are established in the future and in that case shall apply the interpretation after the appropriate adoption by the European Union. At the date of the issuance of these financial statements this amendment has not been yet adopted by the EU.

IFRIC 9, Reassessment of Embedded Derivatives (effective for periods beginning on or after 1 June 2006).
The Interpretation applies to all embedded derivatives under IAS 39 'Financial Instruments: Recognition and

Measurement' and clarifies certain aspects of their treatment. At the date of the issuance of these financial statements this amendment has not been yet adopted by the EU.

2.2 Group accounting policies

(1) Consolidation
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Transactions and minority interest
The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(3) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.3 Investments in associates (separate financial statements of the Company)

Investments in associates that are included in separate financial statements of the Company are accounted for at cost.

2.4 Foreign currency translation

(1) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in a local currency, the litas (LTL), which is the Group's functional and presentation currency.

On 2 February 2002 the litas was fixed to the euro at an exchange rate of LTL 3.4528 = EUR 1.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

(3) Group entities
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.
On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(All tabular amounts are in LTL '000, unless otherwise stated)

2.5 Revenue recognition

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped.

Sales are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time-proportion basis using the effective interest method. Rental yield on investment property is recognised in equal parts over the lease term.

2.6 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately.

2.7 Employee benefits

Wages, salaries, contributions to the State Social Security Fund paid, annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

2.8 Earnings per share

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

2.9 Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders.

2.10 Income tax

(1) Income tax expenses

Profit is taxable at a rate of 15 percent (2004: 15 percent) in accordance with the Lithuanian regulatory legislation on taxation.

Income tax expenses are calculated and accumulated in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and based on management's estimates of income tax in accordance with the Lithuanian regulatory legislation on taxation.

(2) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(All tabular amounts are in LTL '000, unless otherwise stated)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.11 Property, plant and equipment

The Company's buildings are stated at fair value less accumulated depreciation and impairment loss. Independent valuation of assets is carried out on a regular basis. The last valuation of assets was performed as at 31 December 2002 by an independent property valuation company Korporacija Matininkai UAB. Other property, plant and equipment of the Company is stated at acquisition cost less accumulated depreciation and impairment.

Increases in the carrying amount arising on revaluation of buildings are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'revaluation reserve' to 'retained earnings'.

Depreciation of assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

	Years
Buildings	15 - 50
Plant and machinery	5 - 15
Motor vehicles	5 - 7
Other fixtures, fitting, tools and equipment	3 - 5
Other property, plant and equipment	4 - 6

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.12 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation and is not occupied by the Company.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value based on its market value. Market value of the Company's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Earned rental income is recorded in profit or loss within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss and presented separately.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it

will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Reclassifications to investment property are performed only when there is an evidenced change in use of assets. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.13 Intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in carrying amount of the investment. Until May 2004 when the Company disposed its subsidiary (Note 13) goodwill was amortised using the straight-line method over the estimated useful life, which covers 5 years.

Net book value of goodwill is included in gain (loss) on disposal of the subsidiary (Note 13) .

(2) Other intangible assets

Intangible assets expected to provide economic benefit to the Company in future periods are valued at acquisition cost less subsequent accumulated amortisation. All of the Company's other intangible assets have definite useful lives. Amortisation is calculated on the straight-line method over estimated economic benefit period of 1-4 years.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. related borrowings costs, maintenance etc, are expensed when incurred.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

2.14 Impairment of non financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Operating leases

Where the Company and/ or the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company and or/ the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

2.16 Finance lease liabilities

Where the Company and the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Company and the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Company and the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

2.17 Financial assets

The Company and the Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

(b) *Available-for-sale financial assets*
Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management have the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

(c) *Available-for-sale financial assets (continued)*
All purchases and sales of investments are recognised on the trade date, which is the date that the Company and the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments subsequently are carried at fair value. In assessing the fair value, the Company and the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Investments, the fair value of which cannot be reliably measured, are carried at acquisition cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

2.18 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.19 Trade and other receivables

(All tabular amounts are in LTL '000, unless otherwise stated)

Amounts receivable after one year are stated at amortised cost. Amounts receivable within one year are carried at net value, less the estimated amounts irrecoverable. Impairment of trade receivables is recognised when there is objective evidence that the Company and the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of impairment represents the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows. Bad debts are written off during the period when they are identified as irrecoverable.

2.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.22 Trade and other payables

Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

2.23 Share capital

Ordinary shares are stated at their par value. Any excess of consideration received for the shares sold over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

2.24 Revaluation reserve

Any increase in value of buildings and constructions is accounted for in revaluation reserve unless and to the extent it covers any decrease in revaluation of the same assets previously recognised as expenses. In such cases it is recognised as income. Any decrease is initially set off against increase in the value of the same assets during the previous valuation, and only the balance outstanding is recognised as expenses.

Revaluation reserve is realised using the assets: when revalued property, plant and equipment is depreciated, revaluation reserve is reduced by the amount, by which asset depreciation expenses increased as a result of revaluation. When revalued property, plant and equipment is written off, a corresponding amount of revaluation reserve arising as a result of revaluation is transferred from the revaluation reserve directly to retained result.

2.25 Discontinued operations

A discontinued operation is a component of the Company and the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-

presented.

2.26 Changes in accounting policy (separate financial statements of the Company)

As result of adoption of the revised IAS 28 the Company’s policies were revised and the equity method no longer applies in the Company’s separate financial statements to investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale, see under “*Adoption of New or Revised Standards and Interpretations”* for more detailed.

3. Financial risk management

Credit risk
The Group‘s exposure to credit risk is related to concentration of sales to its related party SBA baldų kompanija UAB (for more detailed information see in General information Note 1). Credit risks or the risks of counterparties defaulting are controlled by the application of credit terms and monitoring procedures.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents necessary to cover the expected expenditures. The Group makes short-term cash flow forecasts. The Group has signed contracts with the banks to ensure the availability of funding upon necessity.

Interest rate risk
As the Group has no significant interest-bearing assets, the Group’s income and operating cash flows are substantially independent of changes in market interest rates.

The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Fair value estimation
The face values of financial assets and liabilities are assumed to approximate their fair values.

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation
Tax authorities have right to examine the Company’s accounting records at anytime during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Company’s management

currently there are no circumstances which would raise substantial liability in this respect.

Related party transactions
In the normal course of business the Company enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

During the 2005 the Company purchased building accounted for under investment property from its related party Klaipėdos baldų prekyba UAB for LTL 6,000 thousand (Note 17). Valuation of the building was not performed at the date of acquisition by independent valuers, although in the opinion of the Company's management building acquisition cost was close to its fair value.

Furthermore within current amounts receivable balance as at 31 December 2005 receivable of LTL 4,199 thousand from the Company's related party Klaipėdos baldų prekyba is accounted. In the opinion of the Company's management the above mentioned receivable will be recovered during the forthcoming twelve month period.

5. Segment reporting

Primary reporting format – business segments

Until disposal of subsidiary in May 2004, (Note 13) the Group operated in two business segments: the Company, Karigė AB and Šilutės Baldai AB engaged in manufacturing of furniture whereas Klaipėdos Baldų Prekyba UAB and its subsidiary KBP SIA engaged in trade in furniture.

	Continuing operations	Discontinued operations		Total
	Furniture manufacturing	Furniture manufacturing	Retail trade in furniture	
2004				
Sales	117,994	32,652	8,609	159,255
Operating result	8,140	(2,635)	(1,888)	3,617

Secondary reporting format – geographical segments

	Continuing operations	Discontinued operations			Total
	Lithuania	Lithuania	Baltic States	Western Europe	
2004					
Sales	117,994	39,235	621	1,405	159,255

Since May 2004 the Group operate in one business segment- manufacturing of furniture, as well as one geographical segment – Lithuania, with all the Company's sales made to related party SBA baldų kompanija UAB and all Group's assets allocated in Lithuania.

6. Cost of goods sold

	2005	2004	COMPANY (restated) 2004
Raw materials	64,502	68,117	68,117

(All tabular amounts are in LTL '000, unless otherwise stated)

	2005	2004	2004
Remuneration and social security	18,057	18,874	18,874
Depreciation	4,295	3,679	3,679
Utilities	2,064	3,093	3,093
Repairs	1,282	1,849	1,849
Other	2,834	2,725	2,725
	93,034	98,337	98,337

7. Selling and distribution expenses

			COMPANY (restated)
	2005	**2004**	**2004**
Advertising	86	214	214
Remuneration and social security expenses of sales personnel	28	78	78
Other expenses	29	30	30
Transportation expenses	-	21	21
Rent expenses	-	-	-
Depreciation	-	7	7
Commission for export services	-	-	-
	143	350	350

8. General and administration expenses

			COMPANY (restated)
	2005	**2004**	**2004**
Remuneration and social security	1,540	2,728	2,728
Communication expenses	597	366	366
Taxes other than income tax	574	843	843
Depreciation and amortisation	314	183	183
Consulting services	47	5,901	5,901
Association fees and representation expenses	223	403	403
Security services	171	191	191
Inventories write-offs and impairment	148	27	27
Materials and maintenance expenses	130	377	377
Business trips	81	35	35
Investment property fair value losses	194	96	96
Impairment of doubtful accounts receivable	-	179	179
Goodwill amortisation	-	-	-
Other	546	624	624
	4,565	11,953	11,953

During the year ended 31 December 2004 the the Group made payments to Koncernas SBA UAB for consulting services on issues related to the Company's and the Groups finances, human resources, implementation of information technologies as well as on legal and other strategic matters (LTL 5,867 thousand).

9. Other operating income

			COMPANY (restated)
	2005	**2004**	**2004**
Interest income	346	468	468
Rent income	343	184	184

(All tabular amounts are in LTL '000, unless otherwise stated)

Income from holiday house	117	108	108
Gain on disposal of property, plant and equipment and proceeds from sale of inventories	54	26	26
Dividend income	27	-	-
Other	547	399	399
	1,434	1,185	1,185

10. Other operating expenses

			COMPANY (restated)
	2005	**2004**	**2004**
Expenses of holiday house	(361)	(353)	(353)
Rent cost	(135)	(36)	(36)
Other	-	(10)	(10)
	(496)	(399)	(399)

11. Finance costs

			COMPANY (restated)
	2005	**2004**	**2004**
Interest expenses	(717)	(694)	(694)
	(717)	(694)	(694)

12. Income tax expense

			COMPANY (restated)
	2005	**2004**	**2004**
Current tax	781	1,520	1,520
Deferred tax (Note 26)	(263)	(302)	(302)
	518	1,218	1,218

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company as follows:

			COMPANY (restated)
	2005	**2004**	**2004**
Profit before tax	4,373	4,804	4,804
Income tax at a rate of 15 per cent	656	720	720
Income not subject to tax	(4)	-	-
Expenses not-deductible for tax purposes	111	597	597
Expenses deductible for tax purposes	(232)	(81)	(81)
Reduced income tax as a result of charity	(13)	(18)	(18)

(All tabular amounts are in LTL ‘000, unless otherwise stated)

Income tax expense	518	1,218	1,218

13. Discontinued operations

In May 2004, the Company sold 67 per cent of shares of its subsidiary Klaipėdos Baldų Prekyba UAB to the Company‘s major shareholder Koncernas SBA UAB for the total amount of LTL 4,000 thousand.

	5 months ended 31 May 2004
Revenue of discontinued operations	41,581
Expenses of discontinued operations	(45,296)
Profit loss before tax	(3,715)
Income tax	(53)
Post tax results from discontinued operations	(3,662)
Net loss on disposal of subsidiary	(541)
Total	(4,203)

13. Discontinued operations (continued)

	31 May 2004
Total assets carrying value	85,389
Total liabilities carrying value	(82,693)
Net assets	2,696

Cash flows from discontinued operations

	5 months ended 31 May 2004
Net cash flows from operating activities	604
Net cash flows from investing activities	(2,955)
Net cash flows from financing activities	1,353
	(998)

Loss on sale of the subsidiary was calculated as follows:

		COMPANY (restated)
	2004	**2004**
Proceeds from sale	4,000	4,000
Cost of investment	-	(9,501)
Shareholders contribution to cover losses	-	(2,294)
Impairment	-	4,934
Realisation of currency translation reserve	210	210
Share of net assets sold	(1,807)	-
Goodwill written off	(2,944)	-

(All tabular amounts are in LTL '000, unless otherwise stated)

Loss on sale	(541)	(2,651)

14. Earnings per share

Earnings per share from continuing operations are calculated as follows:

			COMPANY (restated)
	2005	**2004**	**2004**
Profit from continuing operations attributable to equity holders	3,855	6,228	6,228
Weighted average number of shares in issue (thousands)	8,166	8,166	8,166
Basic earnings per share (LTL)	0.47	0.76	0.76

14. Earnings per share (continued)

Loss per share from discontinued operations is calculated as follows:

			COMPANY (restated)
	2005	**2004**	**2004**
Loss from discontinued operations attributable to equity holders	-	(4,203)	(2,651)
Weighted average number of shares in issue (thousands)	-	8,166	8,166
Basic loss per share (LTL)	-	(0.51)	(0.32)

The Company and the Group has no dilutive potential ordinary shares, therefore, the diluted earnings (loss) per share are the same as basic earnings (loss) per share.

15. Property, plant and equipment

	Buildings	Plant and machinery	Vehicles	Construction in progress and prepayments	Total
At 1 January 2004					
Cost or valuation	13,809	28,549	1,286	3,426	47,070
Accumulated depreciation and impairment	(1,087)	(13,706)	(1,032)	-	(15,825)
Carrying amount	12,722	14,843	254	3,426	31,245
Year ended 31 December 2004					
Opening carrying amount	12,722	14,843	254	3,426	31,245
Additions	-	3,845	227	873	4,945
Reclassification from investment property	176	-	-	-	176
Disposals and write-offs	(1)	(325)	(65)	-	(391)

(All tabular amounts are in LTL ‘000, unless otherwise stated)

Reclassifications	-	981	28	(1,009)	-
Depreciation	(909)	(2,977)	(101)	-	(3,987)
Closing carrying amount	11,988	16,367	343	3,290	31,988
At 31 December 2004					
Cost or valuation	13,976	32,449	1,399	3,290	51,114
Accumulated depreciation and impairment	(1,988)	(16,082)	(1,056)	-	(19,126)
Carrying amount	11,988	16,367	343	3,290	31,988
Year ended 31 December 2005					
Opening carrying amount	11,988	16,367	343	3,290	31,988
Additions	404	875	189	3,255	4,723
Reclassification to investment property	(91)	-	-	-	(91)
Disposals and write-offs	-	(19)	(5)	-	(24)
Reclassifications	3,163	127	-	(3,290)	-
Depreciation	(887)	(3,613)	(129)	-	(4,629)
Closing carrying amount	14,577	13,737	398	3,255	31,967
At 31 December 2005					
Cost or valuation	17,452	33,168	1,265	3,255	55,140
Accumulated depreciation and impairment	(2,875)	(19,431)	(867)	-	(23,173)
Carrying amount	14,577	13,737	398	3,255	31,967

15. Property, plant and equipment (continued)

The Company’s buildings are stated at fair value less accumulated depreciation and impairment loss.

The revaluation was performed based on the reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. Valuation was made on the basis of market value.

At 31 December 2005 the carrying amount of buildings would have been LTL 9,728 thousand had the buildings been carried at historical cost (2004: LTL 6,766 thousand).

Additions include assets amounting to LTL 223 thousand acquired under finance lease (where the Company is the lessee).

The property, plant and equipment acquired by the Company under finance lease comprised as follows as at 31 December:

	2005	**2004**
Cost – capitalised finance lease amount		
– Plant and machinery and vehicles	5,625	5,436
Accumulated depreciation		
– Plant and machinery and vehicles	(1,601)	(824)
Net book value	4,024	4,612

To secure the repayment of borrowings from banks and non-financial institutions, the Company has pledged its property, plant and equipment with the net book value of LTL 12,694 thousand as at 31 December 2005 (2004: LTL 16,653 thousand).

(All tabular amounts are in LTL '000, unless otherwise stated)

Depreciation expenses of property, plant and equipment are accounted for in selling and distribution expenses, general and administrative expenses, and in cost of sales in the income statement, as well as in work in progress and finished products in the balance sheet.

16. Investment property

	2005	2004
Investment properties at fair value as at 1 January	1,292	1,564
Additions	6,000	-
Transfer to owner occupied premises	-	(176)
Transfer from owner occupied premises	91	-
Fair value losses	(194)	(96)
Investment properties at fair value as at 31 December	7,189	1,292

Investment property except for the building with an acquisition cost of LTL 6,000 acquired during 2005 (Note 4) are measured at fair value based on market value determined by independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. The last valuation of assets was performed as at 31 December 2002 by an independent property valuation company Korporacija Matininkai UAB.

16. Investment property (continued)

As at 31 December 2005 all of the Company's investment property is pledged to secure the repayment of borrowings from banks and non-financial institutions.

As at 31 December 2005 and 2004, except for the contingent liabilities described in Note 32, there were no other material restrictions on realisation of investment property or utilisation of proceeds received from sale of such property. At the year-end, there were no material contractual commitments to purchase, build, develop or perform repairs, maintenance and improvements of the investment property.

17. Intangible assets

	Intangible assets not yet available for use	Computer software and other intangible assets	Total
At 1 January 2004			
Cost	309	561	870
Accumulated amortisation	-	(479)	(479)
Carrying amount	309	82	391
Year ended 31 December 2004			
Opening carrying amount	309	82	391
Additions	659	148	807
Amortisation	-	(87)	(87)
Closing carrying amount	968	143	1,111
At 31 December 2004			

(All tabular amounts are in LTL ‘000, unless otherwise stated)

Cost	968	685	1,653
Accumulated amortisation	-	(542)	(542)
Carrying amount	968	143	1,111
Year ended 31 December 2005			
Opening carrying amount	968	143	1,111
Additions	-	46	46
Reclassifications	(968)	968	-
Amortisation	-	(271)	(271)
Closing carrying amount	-	886	886
At 31 December 2005			
Cost	-	1,543	1,543
Accumulated amortisation	-	(657)	(657)
Carrying amount	-	886	886

Amortisation expenses of intangible assets are accounted for in selling and distribution expenses, general and administrative expenses, and cost of sales in the income statement, as well as in work in progress and finished products in the balance sheet.

18. Investments in subsidiaries and associates

	2005	**2004**
Beginning of the year	22	4,589
Shareholders contribution to cover losses		2,294
Disposal of subsidiary- cost (Note 13)		(9,501)
Less impairment (Note 13)	-	4,934
Disposal of subsidiary- shareholders contribution to cover losses (Note 13)	-	(2,294)
	22	22

In May 2004, the Company sold 67 per cent of shares of Klaipėdos Baldų Prekyba UAB together with the following indirectly controlled investments: 41 percent of shares of Šilutės Baldai AB, 33 percent of shares of Kauno Baldai AB, 36 percent of shares of Karigė AB, 22 percent of shares of Akmena AB, and 67 percent of shares of KBP SIA.

At 31 December 2005, the Company’s interest in its principal associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss was as follows:

Name	Total assets	Total Liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation

(All tabular amounts are in LTL '000, unless otherwise stated)

Baldstata UAB	187	30	681	30	45	Lithuania

At 31 December 2004, the Company's interest in its principal associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss was as follows:

Name	Total assets	Total Liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Baldstata UAB	219	92	749	18	45	Lithuania

19. Available-for-sale investments

	2005	2004
Beginning of the year	210	441
Acquisitions	-	-
Impairment	-	(78)
Disposals	-	(153)
Closing balance	288	288
Less: impairment	(78)	(78)
	210	210
Non-current	210	210
Current	-	-
	210	210

19. Available-for-sale investments (continued)

In January 2004, the Company disposed of its short term investments in Baldstata UAB and SBA Baldų Kompanija UAB carried at acquisition cost of LTL 53 thousand and LTL 100 thousand, respectively, for the amounts of LTL 53 thousand and LTL 120 thousand, respectively.

20. Non-current amounts receivable

	2005	2004
Non current part of loans granted to related parties (Note 30)	3,255	15,847
Loans granted to employees	25	87
	3,280	15,934

Interest rate of loans granted to related parties is based on corresponding borrowing rate, therefore carrying amount of loans to related parties is equal to its fair value.

Interest rates on non-current receivables were as follows:

	2005	2004
Loans to related parties	3.3-4%	3.2-3.9%

(All tabular amounts are in LTL '000, unless otherwise stated)

Long-term loans granted to employees amounting to LTL 25 thousand in the Company's financial statements as at 31 December 2005 (31 December 2004: LTL 87 thousand) were not accounted for at amortised cost. This, however, did not have any significant effect on the financial statements as at 31 December 2005 and 31 December 2004.

Current portion of non-current receivables is disclosed in Note 22.

21. Inventories

	2005	2004
Raw materials	6,924	6,587
Work in progress	2,393	3,492
Finished products and goods for resale	1,314	42
Write-down to net realisable value	(516)	(404)
	10,115	9,717

As at 31 December 2005, the Company has pledged its inventories amounting to LTL 8,000 thousand (31 December 2004: LTL 6,183 thousand) to secure the repayment of its borrowings.

As at 31 December 2005, the cost of inventories carried at net realisable value amounted to LTL 516 thousand (31 December 2004: LTL 1,027 thousand).

22. Amounts receivable, prepayments and deferred charges

	2005	2004
Receivables from related parties, including current portion of long-term debts (Note 30)	15,036	18,249
Trade receivables	238	208
VAT receivable	-	95
Advanced profit tax paid	920	-
Current portion of loans granted to employees	42	129
Prepayments and deferred charges	317	311
Other amounts receivable	69	10
Impairment of doubtful amounts receivable	-	(179)
	16,622	18,823

23. Cash and cash equivalents

	2005	2004
Cash at bank	868	489
Cash in hand	28	10
	896	499

24. Share capital

As at 31 December 2005, the share capital comprised 8,166,312 ordinary registered shares with par value of LTL 1 each. All the shares are fully paid. There were no changes in share capital during the year.

25. Reserves

	2005	**2004**
Reserves:		
– revaluation reserve	5,792	6,166
– legal reserve	817	817
– other reserves	7,698	7,698
	14,307	14,681

Revaluation reserve
As at 31 December 2005, revaluation reserve amounted to LTL 5,792 thousand (2004: LTL 6,166 thousand). This reserve was recognised upon revaluation of buildings.

As at 31 December 2005, as a result of depreciation of these revalued assets, revaluation reserve was reduced by LTL 374 thousand (2004: LTL 407 thousand), whereas the retained result for the year then ended was increased by the same amount. Above mentioned amounts were disclosed in the statement of changes in shareholders' equity.

Legal reserve
A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfer of 5 per cent of net profit of the reporting period is compulsory until the reserve reaches 10 per cent of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses. A part of legal reserve in excess of 10 per cent of the authorised share capital may be redistributed when appropriation of profit for the following financial year is performed.

25. Reserves (continued)

Other reserves
Other reserves are established following the decision made during the annual general meeting of shareholders in relation to distribution of profit available for appropriation. This reserve may be used only for the purposes approved by annual general meeting of shareholders.

(All tabular amounts are in LTL '000, unless otherwise stated)

26. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using currently enacted tax rate.

As at 7 June 2005 Lithuanian Republic social tax law was enacted. Base of social tax is taxable profits calculated in accordance with the Profit tax law. Social tax rate of 4 per cent for 2006 and 3 per cent for 2007 will be applied. When calculating deferred tax asset in respect of the portion of assets and liabilities which will be realized in 2006 and 2007, a tax rate of 19 per cent and 18 per cent respectively was applied. Temporary differences in respect of the portion of assets which will be realized in 2008 and later on was be taxed at 15 per cent profit tax rate.

The movement in deferred income tax account was as follows:

	2005	**2004**
At beginning of year	(1,313)	(1,615)
Credited to income statement	263	302
At end of year	(1,050)	(1,313)

The movement in the Company's deferred tax assets and liabilities (prior to and after offsetting the balances) during the period was as follows:

	2003	**Credited (debited) to income statement**	**2004**	**Credited (debited) to income statement**	**2005**
Deferred tax assets					
– Inventories	78	(17)	61	37	98
– Differences in depreciation rates applied	-	81	81	117	198
– Accrued charges	144	14	158	11	169
	222	78	300	165	465
Deferred tax liabilities					
– Revaluation of fixed assets	(844)	61	(783)	29	(754)
– Investment relief	(993)	163	(830)	69	(761)
	(1,837)	224	(1,613)	98	(1,515)
Deferred tax liabilities, net	(1,615)	302	(1,313)	263	(1,050)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

26. Deferred income tax (continued)

	2005	**2004**
Deferred tax assets:		

– Deferred tax asset to be recovered after more than 12 months	198	81
– Deferred tax asset to be recovered within 12 months	267	219
	465	300
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	(1,245)	(1,389)
– Deferred tax liability to be recovered within 12 months	(270)	(224)
	(1,515)	(1,613)
	(1,050)	(1,313)

27. Borrowings

	2005	**2004**
Short-term borrowings		
Short-term loans received from banks	6,372	771
Current portion of long-term loans received from banks and non-financial institutions	4,325	2,750
Finance lease liabilities	1,229	1,156
	11,926	4,677
Long-term borrowings		
Long-term loans received from banks and non-financial institutions	5,445	11,199
Finance lease liabilities	1,463	2,502
	6,908	13,701
Total borrowings	18,834	18,378

The fulfilment of finance lease liabilities is substantially secured since the title to assets acquired under finance lease automatically reverts to the lessor in the event of default.

According to loan agreements signed with Hansabankas AB, the Company has a commitment to ensure that over the validity period of the loan agreements its borrowing costs coverage ratio will be not lower than 3 (three). As at 31 December 2005, the Company has complied with this commitment.

All Company's borrowings are denominated in EUR.

The weighted average interest rates (%) were as follows as at 31 December:

	2005	**2004**
Long-term bank loans	3.40	3.33
Short-term bank loans	3.60	3.48
Finance lease liabilities	3.42	3.27

Interest rate of borrowings is based on market interest rate, therefore carrying amount of borrowings is equal to its fair value.

27. Borrowings (continued)

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

(All tabular amounts are in LTL ‘000, unless otherwise stated)

	2005	**2004**
Within 12 months or less	18,834	18,378
1 – 5 years	-	-
	18,834	18,834

Maturity terms of long-term borrowings (excluding finance lease liabilities):

	2005	**2004**
Between 1 and 2 years	3,606	3,009
Between 2 and 5 years	1,839	8,190
After 5 years	-	-
	5,445	11,199

Borrowing facilities contracted but undrawn as at the date of the balance sheet were as follows:

	2005	**2004**
Subject to fixed interest rate:		
– drawdown term matures within one year	-	-
Subject to floating interest rate:		
– drawdown term matures within one year	2,855	2 000
	2,855	2,000

Finance lease liabilities – minimum lease payments:

	2005	**2004**
Not later than 1 year	1,356	1,260
After 1 year but not later than 5 years	1,438	2,595
After 5 years	-	-
	2,794	3,855
Future finance lease charges	(102)	(197)
Present value of finance lease liabilities	2,692	3,658

Present value of finance lease liabilities:

Not later than 1 year	1,229	1,156
After 1 year but not later than 5 years	1,463	2,502
After 5 years	-	-
	2,692	3,658

28. Trade and other amounts payable

	2005	**2004**

(All tabular amounts are in LTL ‘000, unless otherwise stated)

Trade payables	1,956	11,137
Payables to related parties (Note 30)	565	1,711
Taxes	716	1,286
Remuneration and social security payable	1,205	1,638
Advance amounts received	2	1,138
Other amounts payable and accrued charges	1,019	1,230
	5,463	18,140

29. Cash flows from operating activities

Reconciliation of net profit with cash flows from operating activities:

	Year ended 31 December		
	2005	2004	COMPANY 2004
Net profit	3,855	3,586	3,577
Adjustments for:			
Goodwill amortisation	-	368	-
Minority interest	-	(453)	-
Income tax expenses	781	1,573	1,520
Result of subsidiaries and associates	-	(298)	-
Depreciation (Note 15)	4,629	5,974	3,987
Amortisation (Note 17)	271	94	87
Fair value impairment (Note 16)	194	96	96
Subsidy amortisation	(7)	(13)	(7)
(Gain) loss on disposal of property, plant and equipment and write-off	(30)	78	78
Impairment and write-offs of amounts receivable	-	-	-
Reversal of impairment of amounts receivable	(179)	(34)	(34)
Write down of inventories	112	27	27
Interest expenses	717	1,122	694
Interest income	(71)	(3)	(3)
(Gain) loss on disposal of subsidiary (Note 13)	-	541	2,651
Gain on disposal of short-term investment	-	(20)	(20)
Change in deferred tax liabilities (Note 12)	(263)	(302)	(302)
Change in working capital:			
– amounts receivable and prepayments	9,954	(2,471)	(1,610)
– inventories	(510)	(5,885)	(988)
– amounts payable	(12,450)	7,236	(730)
Cash flows from operating activities	7,003	11,216	9,023

Non-monetary transactions
The principal non-monetary transactions represent the acquisition of property, plant and equipment under finance lease terms and building accounted for under investment property amounting to LTL 6,000 thousand acquired from Klaipėdos baldų prekyba UAB (Note 16).

30. Related party transactions

Subsidiaries and associate companies of ultimate parent company Koncernas SBA UAB and the Company‘s

(All tabular amounts are in LTL '000, unless otherwise stated)

management are treated as related parties.

		COMPANY
Sales of goods and services	**2005**	**2004**
SBA Baldų Kompanija UAB	99,208	115,897
Šilutės Baldai AB	1,209	790
Karigė AB	206	415
Koncernas SBA UAB	65	276
Klaipėdos Baldų Prekyba UAB	218	267
Kauno Baldai AB	55	89
Akmena AB	82	32
Baldstata UAB	4	14
Baldutura UAB	6	2
	101,053	117,782
Interest received		
SBA Baldų Kompanija UAB	201	-
Koncernas SBA UAB	23	274
Klaipėdos Baldų Prekyba UAB	121	191
	345	465
Purchases of goods and services		
Koncernas SBA UAB	438	6,756
Šilutės Baldai AB	430	2,580
Baldutura UAB	254	768
Baldstata UAB	-	720
Klaipėdos Baldų Prekyba UAB	6,019	142
Justima UAB	-	123
Karigė AB	567	88
Kauno Baldai AB	27	76
SBA Baldų Kompanija UAB	36,093	44
Akmena AB	20	35
	43,849	11,332

In 2004 the Company made payments to Koncernas SBA UAB for consulting services on issues related to the Group's finances, human resources, implementation of information technologies, as well as on legal and other strategic matters.

Other related party transactions mostly comprise sales and purchases of furniture and materials.

30. Related party transactions (continued)

(All tabular amounts are in LTL ‘000, unless otherwise stated)

Amounts receivable within one year	**COMPANY 2005**	**COMPANY 2004**
SBA Baldų Kompanija UAB	13,131	13,870
Koncernas SBA UAB (for shares)	-	1,400
Klaipėdos Baldų Prekyba UAB	1,561	1,305
Koncernas SBA UAB (loan)	-	1,231
Karigė AB	136	333
Akmena AB	135	62
Vincas Januška	4	41
Kauno Baldai AB	39	7
Baldutura UAB	30	-
	15,036	18,249

Amounts receivable after one year	**2005**	**2004**
SBA Baldų Kompanija UAB	616	-
Klaipėdos Baldų Prekyba UAB	2,639	8,639
Koncernas SBA UAB (loan)	-	5,408
Koncernas SBA UAB (for shares)	-	1,800
	3,255	15,847

Amounts payable within one year	**2005**	**2004**
Šilutės Baldai AB	524	798
Koncernas SBA UAB	41	698
Baldstata UAB	-	129
Association Industry Marketing and Business Centre	-	64
Justima UAB	-	12
Baldutura UAB	-	10
	565	1,711

Sale of shares	**2005**	**2004**
Koncernas SBA UAB	-	4,000
Mr. V. Januška	-	53
Mr. A. Martinkevičius	-	120
	-	4,173

Key management compensation	**2005**	**2004**
Salaries and other short-term employee benefits	766	1,286
	766	**1,286**

(All tabular amounts are in LTL ‘000, unless otherwise stated)

31. Contingent liabilities and commitments

Guarantees issued

The Company has guarantee agreements with the bankas NORD/LB Lietuva AB, bankas Snoras AB and the bankas Hansabankas AB, based on which it has issued a guarantee for the amount of all its assets on behalf of Akmena AB, Koncernas SBA UAB and SBA Baldų Kompanija UAB, to secure their borrowings from the above-mentioned banks.

The Company‘s management believe that Akmena AB, Koncernas SBA UAB and SBA Baldų Kompanija UAB will meet their obligations to the banks and other creditors, therefore, no provisions were established for commitments related to the guarantees issued in the financial statements for the year ended 31 December 2005.

Furthermore the Company has a commitment against VB Lizingas UAB to repurchase equipment leased by Akmena UAB from VB Lizingas UAB for the amount EUR 165 thousand in case the lease agreement between VB Lizingas UAB and Akmena AB is terminated prior to its expiry term.

Commitments

Following the agreement with Klaipėda Municipality dated 2 October 2002, the Company in exchange to right for expansion of its factory facilities has committed to finance various municipality projects with total preliminary costs of LTL 1,100 thousand. In 2005, the Company financed projects worth LTL 174 thousand (2004: 257).

32. Post-balance sheet events

On 13 February 2006, based on the decision of the Company‘s Board, the Company signed a guarantee agreement with the bankas NORD/LB Lietuva AB, bankas Hansabankas AB and Bayerische Hypo- und Wereinsbank AG based on which the Company has issued a guarantee for the amount of all its assets on behalf of SBA Furniture Group UAB (company controlled by SBA Koncernas UAB), to secure its syndicate borrowing from the above-mentioned banks.

Klaipėdos Baldai AB
PERFORMANCE REPORT
FOR 2005

STRUCTURE OF CAPITAL AND SHAREHOLDERS

Capital structure

As at 31 December 2005, the authorised share capital of Klaipėdos Baldai AB amounted to LTL 8,166,312.

Par value of one share is equal to LTL 1.

The number of shareholders (as at 19 April 2005) was 915.

There are no state-owned shares in the Company's authorised share capital.

Shareholders

Shareholders	Number of shares as at 31 December 2005	Holding, %
Koncernas SBA UAB	5,478,842	67.09 %
Rančys Virgilijus	429,599	5.26%
Other shareholders	2,257,871	27.65%
Total	8,166,312	100.0%

PRICE OF SHARES AND TRADE ON NATIONAL STOCK EXCHANGE

The Company's shares are quoted in the Current List of National Stock Exchange. In 2005, an overall turnover in the Company's shares amounted to LTL 3,352,754.

INDICATORS OF MARKET VALUE

	2005	2004
Capitalization, LTL	71,863,541	89,829,432
Earnings per share, LTL	0.47	0.44
Book value per share, LTL	5.58	5.12
Earnings to price ratio	0.05	0.04
Book value to price ratio	0.63	0.47
Share price, LTL		
highest	12.0	13.00
lowest	8.30	8.25
average	9.66	10.38
year-end	8.80	11.00

PERSONNEL

In 2005, the average number of employees on the Company's list was 676, 612 whereof worked in manufacture (representing 90.5 per cent of total personnel), and 64 whereof occupied the positions of management and professional staff (representing 9.5 per cent of total personnel).

In 2005, the Company had 45 employees with higher education, 126 employees with post-secondary vocational education, 321 employees with secondary education, and 196 employees with incomplete secondary education. Training and professional qualification development requirements are applicable to all staff members of the Company. During 2005, various training courses were attended by 406 employees of the Company, accounting for 59 per cent of total personnel. Many of the Company's staff members visited local and foreign trade fairs of furniture, technology, and IT. Total training expenses of personnel amounted to LTL 65,214 in 2005.

PRODUCTION

For the purpose of maintaining and strengthening its position in home market and meeting in full the needs of the customers and complying with their expectations, the Company's experts are actively involved in experiments and planning of new products. Currently, the Company supplies for the market a wide range of furniture products of about 509 different names:

- bedroom furniture
- office furniture,
- custom-made household furniture (a wide range of racks, magazine tables, shelving, chests of drawers).

The latest items of products reproduce fashionable European minimalism and laconic style of forms. All new products have already earned recognition among the customers.

Manufacturing process at the Company is organised and managed in accordance with the requirements of ISO 9001 and 14001 standards. The focus is given to serial production of furniture, which involves the use of wood wool chipboards of various thickness covered with natural veneer, synthetic decorative film or laminate. The Company uses only certified raw materials and components.

In 2005, the total area of finished products of the Company increased by 3.7 per cent. Finished products were sold for LTL 99.914 million, i.e. LTL 8.3 million per month, as compared to respectively LTL 113.8 million and LTL 9.5 million per month in 2004. Working efficiency in terms of monetary value per employee was LTL 145.2 thousand per month as compared to LTL 163.0 thousand per month in 2004.

The main objectives for 2005 in respect of manufacturing process are to ensure high quality of products and improve productive capacity. These are intended to be achieved through maximum use of facilities, optimal deployment of technological flows, and more measured investments in new facilities.

SALES

In 2005, sales of goods and services amounted to LTL 101.9 million as compared to LTL 118.0 million in 2004. It is important to note that the major and sole bulk-buyer of the Company‘s production is SBA Baldų Kompanija UAB. Klaipėdos Baldai AB is engaged solely in manufacturing of products and trade to private persons or legal entities on an individual basis.

INVESTMENTS

In 2005, for the development of its operations, Klaipėdos Baldai AB made investments in property, plant and equipment amounting to: LTL 404 thousand for buildings, LTL 3,255 thousand for construction in progress, and LTL 1,064 thousand for acquisition of new facilities and motor vehicles. In 2005, the Company acquired the following facilities: one-ended veneer cutting line, drilling machine ‘Detel‘, electric loading machine, and hydraulic press. In 2005, a building (furniture sales centre) was acquired for LTL 6.0 million.

The new facilities enabled the Company to produce modern design furniture, develop the production of office furniture, wherein it is of the utmost importance to have the capability of processing curvilinear elements of large formats and various thicknesses, as well as to ensure high quality of veneering.

QUALITY

Since 1997, the Company has Quality Management System, which has been effectively operating in compliance with the requirements of a new standard LST EN ISO 9001:2001. This is affirmed through annual audits by the experts of TUV CERT. The Company seeks to satisfy the needs of its customers, maintain successful performance not only in present days, but also in future, and earn long-term profit. Moreover, it endeavours to work for the benefit of the Company‘s shareholders, employees, and community as a whole. The problems faced are analysed and solved on a regular basis, the operations are subject to continuous improvements by selecting a better Quality Management Development stage – Overall Quality Management. The main quality objectives for 2005 are as follows:

- to ensure high quality of furniture manufactured
- to ensure that the products manufactured meet the needs of the customers in terms of their quality and design
- to improve the level of staff competence, awareness and professional training.

INTERACTION OF BUSINESS AND ECOLOGY

Environment protection management system was introduced at Klaipėdos Baldai AB in 1999 in accordance with ISO 14001 standard requirements. For modernization of manufacturing process, only up-to-date and patented technology that meets the standard of a ‘cleaner manufacturing‘ was acquired. However, technology and capital can now more effectively than ever make damage to our environment. This causes the necessity for application of internal controls and business ethics. Therefore, environment protection management system requires continuous and systematic monitoring of effectiveness of the system, assessment and forecasting of outcomes. For that purpose monitoring is applied to observe changes over certain time (energy costs to furniture manufacturing ratio, energy resources costs per 1,000 m2 of manufactured products and etc.). Moreover, internal and external audits are carried out for the existing system.

In 2005, environment protection costs amounted to LTL 4.2 million. These costs mainly comprised:

- reconstruction of central heating station;
- reinsulation of the existing heating routes;
- reconstruction of ventilation system piping;
- reconstruction of irrigation system;
- reconstruction of heating systems;
- reconstruction of press hydraulic system;
- reconstruction of illumination;

- construction of a new warehouse;
- others.

All the measures implemented by the Company enabled it to save energy resources.

THE COMPANY'S ASSETS AND SHAREHOLDERS' EQUITY

The financial statements of Klaipėdos Baldai AB for the year 2005 were prepared in accordance with the International Financial Reporting Standards. As at 31 December 2005, the Company's non-current assets at net book value amounted to LTL 43,554 thousand. Non-current intangible assets decreased by LTL 225 thousand, whereas property, plant and equipment increased by LTL 5,876 thousand. Amortisation charge for the year amounted to LTL 5,096 thousand.

	Number of shares	Nominal value	Price, LTL	Authorised share capital	Holding, %	Investment amount	Provisions	Net book value
Klaipėdos Vystymo Grupė UAB	2,758	100	100	6,000,000	4.6%	275,800	-74,902	200,898
Baldstata UAB	225	100	100	50,000	45.0%	22,500		22,500
Klaipėdos Reg. Atliekų Tvarkymo Centras UAB	86	100	100	3,700,500	0.2%	8,600		8,600
Pramonės ir Verslo Centras AB	12	250	250	600,000	0.5%	3,000	-3,000	0
						309,900	**-77,902**	**231,998**

Following the end of 2004, Klaipėdos Baldai AB invested LTL 309.9 thousand in other companies (acquisition cost of financial assets). No financial assets were acquired in 2005.

Balance sheet, '000 LTL

	2005	2004
Non-current assets	**43,554**	**50,557**
Intangible assets	886	1,111
Property, plant and equipment	31,967	31,988
Investment property	7,189	1,292
Investments in associates	22	22
Available-for-sale investments	210	210
Non-current amounts receivable	3,280	15,934
Current assets	**27,633**	**29,039**
Inventory	10,115	9,717
Trade and other amounts receivable	16,622	18,823
Cash and cash equivalents	896	499
TOTAL ASSETS	**71,187**	**79,596**

Balance sheet, '000 LTL (continued)

	2005	2004
Capital and reserves	**45,594**	**41,739**
Share capital	**8,166**	**8,166**
Reserves	**14,307**	**14,681**
Revaluation reserve	5,792	6,166
Legal reserve	817	817
Other reserves	7,698	7,698
RETAINED EARNINGS	**23,121**	**18,892**
For the reporting year	3,854	3,586
For the previous year	18,892	15,306
LIABILITIES	**25,593**	**37,857**
Non-current liabilities	**8,204**	**15,021**
Deferred tax liabilities	1,050	1,313
Borrowings	6,908	13,701
Other non-current amounts payable	246	7
Current liabilities	**17,389**	**22,836**
Income tax payable	-	19
Borrowings	5,463	18,140
Trade and other amounts payable	11,926	4,677
TOTAL EQUITY AND LIABILITIES	**71,187**	**79,596**

Liquidity and debt ratios	2004	2005
Current liquidity ratio	1.272	1.589
Critical liquidity ratio	0.846	1.007
Net solvency ratio	0.272	0.589
Debt ratio	47.56 %	35.95 %
Average indebtedness level	0.59 %	0.7 %

PROFITABILITY OF OPERATIONS

The Company‘s sales per employee amounted to LTL 150.7 thousand per year, which is lower by LTL 12.47 thousand or 8 per cent as compared to 2004. This was mainly caused by a continuously growing competition among the manufacturers, decrease in prices and unfavourable conditions for trade in furniture at the end of the year rather than by decrease in capacities.

In 2005, revenue from sales of goods and services of Klaipėdos Baldai AB decreased by 13.6 per cent as compared to 2004. The Company‘s gross profit amounted to LTL 8.86 million, and net profit amounted to LTL 3.85 million.

COMMUNITY AND PHILANTHROPIC ACTIVITIES

The Company maintains close relations with the community. It is actively involved in social and cultural life throughout the country and in Klaipėda city. With consistent and timely payment of taxes to the state budget and State Social Security Fund, each year the Company allocates a part of its profit for charity and support. In 2005, various taxes paid amounted to LTL 19,085 thousand, charity and support amounted to LTL 43.6 thousand.

Support granted by the Company to:
Child Care House
Organisations of trade unions
Various local institutions of sports, health care, and education

BUSINESS DEVELOPMENT PERSPECTIVES FOR 2006

- To sell products for LTL 124.96 million
- To earn profit before tax of LTL 5.2 million
- To carry out consistent implementation of Quality Policy, maintain Quality Management System in accordance with LST EN ISO 9000:2001
- To increase manufacturing efficiency
- To allocate LTL 8.0 million for investment in manufacturing process
- To implement consistently the project for standardisation and automation of business management process throughout SBA group.

In 2006, the Company plans to sell products for LTL 124.96 million, i.e. more by 22.6 per cent as compared to 2005.

The manufacturing process at the Company will be organised and managed in accordance with the requirements of ISO 9001 and 14001 standards. The focus will be placed on serial production of furniture, which involves the use of wood wool chipboards of various thickness covered with natural veneer, synthetic decorative film or laminate. The Company will use only certified raw materials and components.

In line with increasing the volumes of production in 2006, it is planned to ensure high quality of goods and adjust the range of products offered with reference to the needs of the customers.

Considering the issues related to improvement of manufacturing process and increase of effectiveness, in 2006 it is planned to invest LTL 8.0 million in the manufacturing process.

The operations of Klaipėdos Baldai AB focused on sustained and stable development in perspective will ensure satisfaction of the interests of all stakeholders of the Company, including its shareholders, customers, the Company itself and its business partners, as well as mutual understanding, and matching of benefits with objectives.