AB Klaipėdos Jūrų Krovinių Kompanija

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA

1. We have audited the accompanying balance sheet of AB Klaipėdos Jūrų Krovinių Kompanija (a public limited liability company registered in the Republic of Lithuania, "the Company") and the consolidated balance sheet of the Company and subsidiaries ("the Group") as of 31 December 2005, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. The financial statements of the Company and the Group for the year ended 31 December 2004 were audited by other auditors, whose report dated 15 April 2005 was qualified. Issues described in paragraphs 4-5 bellow are also applicable for the year ended 31 December 2005. Issues that have an impact on the opening balances of 2005 and hence the results of operations and cash flows for the year 2005, which however do not impact the financial position of the Company and the Group as of 31 December 2005, are presented bellow:

   a) Scope limitation in the following areas: not participating in inventory and property, plant and equipment physical count, carrying value of the investment into subsidiaries and associates, results of the subsidiaries and associates in the Group's financial statements, carrying value of accrual for vacation pay, carrying value of buildings, structures, machinery and equipment not in use as of 31 December 2004.
   b) Not recording an additional allowance for low value and slow moving inventory in an amount of LTL 1,944 thousand. The Company and the Group have not recorded this allowance for the inventory balance as of 31 December 2004. The estimate of allowance for the inventory balance as of 31 December 2005 is LTL 1,440 thousand and was recorded in 2005 not adjusting the 2004 figures. If the additional allowance for inventories was booked last year, the net result for the year 2004 would be lower by LTL 1,944 thousand and for the year 2005 would be higher by LTL 504 thousand.

3. Except as discussed in paragraphs 2 a) above and 4-5 below, we conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

4. International Financial Reporting Standards require presentation of property, plant and equipment on a basis of historical cost or revalued amounts (IAS 16) or deemed cost (fair value or revaluation) (IFRS 1). The Company and the Group have not applied any of those valuation principles. In accordance with resolutions of the Lithuanian Government, the Company's and the Group's property, plant and equipment, also including investment property, have been revalued four times prior to 1 January 1996 (Note 5). Due to many movements and lack of separate registrations of the effect of indexations per asset, it is impossible to quantify the effect of indexations on the remaining balances of the property, plant and equipment, including investment property, as of 31 December 2005 and 2004. Accordingly, we are unable to express an opinion on the carrying amounts of the Company's and the Group's property, plant and equipment, including investment property, in accordance with International Financial Reporting Standards.

5. In 2005 and 2004 the Company and the Group carried out a large number of transactions with related parties, i.e. the Group shareholders and the companies controlled by them. There were no practical audit procedures that we could apply to enable us to obtain reasonable assurance regarding the value of related party transactions and assess a possible effect of the transactions on the Company's and the Group's financial position and the results of its operations had the Company and the Group carried them with non-related parties.

6. The Company owns 50% of the voting rights in UAB Klasco Ekspedicija and UAB Krantas Forwarding (see Note 1). As the Company jointly controls these companies and does not have control over them, they were not consolidated in the Group's financial statements for the year ended 31 December 2005. Their financial data were included into the Group's financial statements for the year ended 31 December 2004, though the Company did not have any control. If the above-mentioned companies' financial statements have not been included into the Group's financial statements for the year ended 31 December 2004, respectively the Group's total assets would be lower by LTL 1,932 thousand, total equity – by LTL 473 thousand, sales – by LTL 3,794 thousand, and result – by LTL 164 thousand. The data presented for 2004 have not been restated in this respect.

7. As further disclosed in Note 5 to the accompanying financial statements the Company's management changed the estimate of the useful life of the group of machinery (in particular gantry cranes) by reducing their useful lives. We believe that the useful life was reduced too much and the depreciation charge for 2005 is overstated by approximately LTL 6,500 thousand. If the reduction of the depreciation charge was accounted for, the shareholders' equity as of 31 December 2005 and the net result for 2005 would increase by approximately LTL 6,500 thousand.

8. In our opinion, except for the effect of such adjustments, if any, as might have been determined disclosed had we been able to perform the procedures described in paragraphs 2 a) and 4-5 above and except for the effect on the financial statements of the matters discussed in paragraphs 2 b), 6 and 7 above, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2005 and 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.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 000514

Jonas Akelis Auditor's licence No. 000003	Asta Štreimikienė Auditor's licence No. 000382

The audit was completed on 10 March 2006.

Balance sheets

	Notes	Group		Company	
		As of 31 December 2005	As of 31 December 2004	As of 31 December 2005	As of 31 December 2004
ASSETS					
Non-current assets					
Intangible assets	4	247	7,223	239	557
Property, plant and equipment	5				
Land		11,777	7,069	11,777	7,069
Buildings and constructions		146,111	158,530	142,481	152,575
Machinery and equipment		29,493	82,512	28,960	81,840
Other assets		4,993	6,194	4,345	5,944
Construction in progress and prepayments		109,511	38,185	540	6,800
Total property, plant and equipment		301,885	292,490	188,103	254,228
Investment property	6	1,175	1,372	1,175	1,372
Non-current financial assets					
Investments into subsidiaries, joint ventures and associates	7	655	41	2,567	10,694
Available-for-sale investments	8	3,155	53	3,155	53
Non-current receivables	9	1,876	2,002	110,118	36,280
Total non-current financial assets		5,686	2,096	115,840	47,027
Total non-current assets		**308,993**	**303,181**	**305,357**	**303,184**
Current assets					
Inventories	10	2,901	6,082	2,818	6,019
Receivables and prepayments	11	87,716	15,043	87,379	12,712
Cash and cash equivalents	12	19,104	6,106	18,362	4,072
Total current assets		**109,721**	**27,231**	**108,559**	**22,803**
Total assets		**418,714**	**330,412**	**413,916**	**325,987**

The accompanying notes are an integral part of these financial statements.

Balance sheets (cont'd)

	Notes	Group		Company	
		As of 31 December 2005	As of 31 December 2004	As of 31 December 2005	As of 31 December 2004
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1	126,704	126,704	126,704	126,704
Legal reserve	13	12,899	12,906	12,899	12,899
Retained earnings		100,473	102,547	108,169	105,888
		240,076	**242,157**	**247,772**	**245,491**
Minority interest		**-**	**1,099**	**-**	**-**
Total equity		**240,076**	**243,256**	**247,772**	**245,491**
Liabilities					
Non-current liabilities					
Non-current borrowings	14	88,786	62,109	88,786	62,109
Deferred income tax liability	21	1,970	3,798	2,991	3,798
Other non-current liabilities		1,026	2,431	1,026	2,639
Total non-current liabilities		**91,782**	**68,338**	**92,803**	**68,546**
Current liabilities					
Current portion of non-current borrowings and short-term borrowings	14	47,367	-	47,367	-
Trade payables		8,318	13,298	8,318	8,022
Income tax payable	21	1,948	38	1,948	-
Other payables	15	29,223	5,482	15,708	3,928
Total current liabilities		**86,856**	**18,818**	**73,341**	**11,950**
Total equity and liabilities		**418,714**	**330,412**	**413,916**	**325,987**

The accompanying notes are an integral part of these financial statements.

General Manager	V. Greičiūnas		10 March 2006
Chief Accountant	Š. Kručius		10 March 2006

Income statements

	Notes	Group 2005	Group 2004	Company 2005	Company 2004
Sales		127,578	98,317	127,423	94,209
Cost of sales	17	(99,816)	(71,130)	(99,653)	(69,092)
Gross profit		**27,762**	**27,187**	**27,770**	**25,117**
Operating expenses	18	(46,751)	(32,741)	(43,071)	(28,950)
(Loss) from operations		**(18,989)**	**(5,554)**	**(15,301)**	**(3,833)**
Other operating income (expenses), net	19	31,712	5,365	30,944	5,884
Income (expenses) from financial and investment activities, net	20	(3,580)	597	(821)	(505)
Profit from ordinary activities		**9,143**	**408**	**14,822**	**1,546**
Share of profit from joint ventures and associates	7	296	-	-	-
Profit before tax		**9,439**	**408**	**14,822**	**1,546**
Income tax	21	(120)	(713)	(1,141)	(675)
Net profit (loss)		**9,319**	**(305)**	**13,681**	**871**
Attributable to:					
Equity holders of the parent		**9,319**	**342**	**13,681**	**871**
Minority interest		-	(647)	-	-
		9,319	**(305)**	**13,681**	**871**
Basic and diluted earnings per share (LTL)	22	0.74	0.03		

The accompanying notes are an integral part of these financial statements.

General Manager	V. Greičiūnas		10 March 2006
Chief Accountant	Š. Kručius		10 March 2006

Statements of changes in equity

		Equity attributable to equity holders of the parent					
Group	**Notes**	**Share capital**	**Legal reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total**
Balance as of 31 December 2003		**126,704**	**12,906**	**102,200**	**241,810**	**1,287**	**243,097**
Change due to non-consolidation		-	-	-	-	459	459
Currency translation reserve	1	-	-	5	5	-	5
Net profit (loss) for the year		-	-	342	342	(647)	(305)
Balance as of 31 December 2004		**126,704**	**12,906**	**102,547**	**242,157**	**1,099**	**243,256**
Dividends paid	23	-	-	(11,400)	(11,400)	-	(11,400)
Transfer from reserve		-	(7)	7	-	-	-
Change due to non-consolidation	1	-	-	-	-	(1,099)	(1,099)
Net profit for the year		-	-	9,319	9,319	-	9,319
Balance as of 31 December 2005		**126,704**	**12,899**	**100,473**	**240,076**	**-**	**240,076**

Company	**Notes**	**Share capital**	**Legal reserve**	**Retained earnings**	**Total**
Balance as of 31 December 2003		**126,704**	**12,899**	**105,017**	**244,620**
Net profit for the year		-	-	871	871
Balance as of 31 December 2004		**126,704**	**12,899**	**105,888**	**245,491**
Dividends paid	23	-		(11,400)	(11,400)
Net profit for the year		-	-	13,681	13,681
Balance as of 31 December 2005		**126,704**	**12,899**	**108,169**	**247,772**

The accompanying notes are an integral part of these financial statements.

General Manager	V. Greičiūnas		10 March 2006
Chief Accountant	Š. Kručius		10 March 2006

Cash flow statements

	Group		Company	
	2005	2004	2005	2004
Cash flows from operating activities				
Net profit	9,319	342	13,681	871
Adjustments for non-cash items:				
Depreciation	38,563	20,340	38,053	19,734
Amortisation	370	813	370	349
Result from joint ventures and associates	(296)	-	-	-
Negative goodwill on acquisition	(111)	-	-	-
Minority interest	-	(188)	-	-
Interest expenses	4,032	1,938	4,032	1,400
Interest income	(176)	(656)	(2,972)	(645)
Dividend income	(8)	-	(108)	(150)
Income tax expenses	120	713	1,141	675
Foreign exchange reserve	-	5	-	-
Change in accrued income and deferred expenses	(6,278)	371	(7,701)	521
Discounting of loans granted	171	-	171	-
Impairment loss of property, plant and equipment	4,380	24	4,380	511
Change in allowance for and write-offs of doubtful receivables	146	(4)	146	(4)
Change in allowance for and write-offs of inventory	1,440	943	1,440	919
Gain on property, plant and equipment sales	(23,525)	(2,705)	(22,765)	(3,203)
Write-off of property, plant and equipment and other assets	2,382	637	2,078	-
	30,529	22,573	31,946	20,978
Changes in working capital:				
Decrease (increase) in inventories	1,690	(217)	1,761	(188)
(Increase) decrease in receivables and prepayments	(2,386)	1,946	(184)	214
(Decrease) increase in payables	(3,581)	(744)	4,344	(821)
Income tax (paid)	-	(146)	-	-
Increase (decrease) in other current liabilities	26,560	(1,938)	9,517	(1,400)
Net cash flows from operating activities	**52,812**	**21,474**	**47,384**	**18,783**

The accompanying notes are an integral part of these financial statements.

Cash flow statements (cont'd)

	Group		Company	
	2005	2004	2005	2004
Cash flows (to) investing activities				
(Acquisition) of property, plant and equipment	(99,383)	(79,234)	(20,488)	(45,955)
(Acquisition) of intangible assets	(18)	(11,392)	(10)	(13)
Proceeds from sale of property, plant and equipment	1,398	7,609	1,398	3,539
(Acquisition) of associates and other investments	(977)	(3)	(977)	(3)
(Acquisition) of subsidiaries	-	-	-	(13,693)
Proceeds from sales of subsidiaries and other investments	3	(24)	3	5,501
Loans (granted)	(23)	-	(74,479)	(33,785)
Loans repaid	57	-	53	-
Dividends received	108	-	108	150
Interest received	176	656	2,146	645
Net cash flows (to) investing activities	**(98,659)**	**(82,388)**	**(92,246)**	**(83,614)**
Cash flows from financing activities				
Dividends (paid)	(11,351)	-	(11,351)	-
Proceeds from loans	74,242	70,656	74,242	70,656
(Repayment) of loans	-	(13,057)	-	(10,359)
Interest (paid)	(3,739)	-	(3,739)	-
Net cash flows from financial activities	**59,152**	**57,599**	**59,152**	**60,297**
Net increase (decrease) in cash and cash equivalents	**13,305**	**(3,315)**	**14,290**	**(4,534)**
Change due to non consolidation	(307)	-	-	-
Cash and cash equivalents at the beginning of the year	**6,106**	**9,421**	**4,072**	**8,606**
Cash and cash equivalents at the end of the year	**19,104**	**6,106**	**18,362**	**4,072**

The accompanying notes are an integral part of these financial statements.

General Manager	V. Greičiūnas		10 March 2006
Chief Accountant	Š. Kručius		10 March 2006

Notes to the financial statements

1 General information

AB Klaipėdos Jūrų Krovinių Kompanija (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

J. Zauerveino Str. 18, Klaipėda
Lithuania

The Company is engaged in provision of stevedoring and related services in the seaport of Klaipėda. The Company started its activities in September 1994. Until 31 May 1994 the Company's name was SPĮ Klaipėdos Valstybinis Jūrų Prekybos Uostas. On 3 May 1995 the Company was registered as a public limited liability company. The Company's shares are included in the Current Baltic Equity List of Vilnius Stock Exchange.

As of 31 December 2005 and 2004 the shareholders of the Company were:

	2005		2004	
	Number of shares held	Percentage	Number of shares held	Percentage
UAB Koncernas Achemos Grupė	11,753,023	92.76%	11,715,617	92.46%
AB Achema	-	-	5,899	0.05%
Other minor shareholders	917,406	7.24%	948,913	7.49%
Total	12,670,429	100.00%	12,670,429	100.00%

All the shares of the Company are ordinary shares with the par value of LTL 10 each and were fully paid as of 31 December 2005 and 2004. The share capital did not change in 2005 and 2004. Subsidiaries, joint ventures and associated companies did not hold any shares of the Company as of 31 December 2005 and 2004. The Company did not hold its own shares either.

The Group consists of the Company and the subsidiary as of 31 December 2005 (hereinafter referred to as "the Group"):

Company	Registration address	Share of the stock held by the Group (%)	Year of establishment / acquisition	Main activities
UAB Krovinių terminalas	Lithuania	51	1999	Cargo services

As of 31 December 2004 the Group consisted of the following subsidiaries:

Company	Registration address	Share of the stock held by the Group (%)	Year of establishment / acquisition	Main activities
UAB Krovinių Terminalas	Lithuania	51	1999	Cargo services
UAB Klasco Ekspedicija	Lithuania	50	1999	Forwarding services
UAB Krantas Forwarding	Lithuania	50	2000	Forwarding services
UAB Transfosa	Lithuania	60	2004	Port polluters utilisation

In 2005 the Company sold 40.68% of share capital of UAB Klaipėdos Keleivių Ir Krovinių Terminalas (former name UAB Transfosa). Additionally, in 2005 the Company had no control in UAB Klasco Ekspedicija and UAB Krantas Forwarding, therefore these companies were not included in the Group's consolidated financial statements as of 31 December 2005.

In 2004 the Company management has ceased control in a subsidiary ZAO Baltijskaja Transportnaja-ekspeditorskaja Kompanija - 2K, and it was not included in the consolidated Group financial statements as of 31 December 2004, and the currency translation reserve resulting from revaluation of this investment was reversed in the Statement of Changes in Equity for 2004.

Investments in UAB Klasco Ekspedicija, UAB Krantas Forwarding and ZAO Baltijskaja Transportnaja-ekspeditorskaja Kompanija - 2K are classified as investments in joint ventures 31 December 2005.

1 General information (cont'd)

On 22 December 2005 the Company signed 3 share purchase-sales agreements with 3 private persons for an acquisition of 14,700 ordinary shares of UAB Krovinių Terminalas with a par value of LTL 100 each (49% of share capital). According to the agreements and subsequent amendments the total purchase price is LTL 26,133 thousand. According to the agreements, the title to the shares is transferred after the final settlement for the shares. As the final settlement for the shares was made on 23 February 2006, the share purchase was not accounted in these financial statements. As described in Note 11, as of 31 December 2005 the Company has made a prepayment for the above shares amounting to LTL 4,000 thousand which was accounted under prepayment balance.

As of 31 December 2005, the number of employees of the Company was 858 (517 as of 31 December 2004). As of 31 December 2005 the number of employees of the Group was 925 (1,051 as of 31 December 2004).

The Company's management approved these financial statements on 10 March 2006.The shareholders of the Company have a statutory right not to approve the financial statements and require a new set of financial statements to be presented by management.

2 Form and contents of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, except for the accounting for property, plant and equipment acquired before 1 January 1996, as disclosed in the accounting policies hereafter.

2.1. Basis of accounting

International Accounting Standard Board has issued IFRS No. 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). IFRS 1 requires that an entity's first IFRS financial statements are the first annual financial statements in which the entity adopts all IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRS. IFRS 1 requires the Company and the Group to prepare its IFRS financial statements as if it is a first-time adopter as the Company's and the Group's financial statements in prior years did not have an explicit and unreserved statement of compliance with IFRS, owning to non implementation of IAS 29 Financial Reporting in Hyperinflationary Economies and the inclusion of indexations of property, plant and equipment, including investment properties, which did not meet the requirements of IAS 16 Property, Plant and Equipment.

IFRS 1 requires that the Company and the Group recognise all assets and liabilities that meet the recognitions criteria of IFRS and measure these assets in accordance with each IFRS. At the date of these financial statements the Company and the Group have not fully implemented IFRS 1 (see sections 3.5 and 3.6 below).

2.2. Changes in accounting policies

IFRS 3 Business Combinations has been applied for business combinations for which the agreement date is on or after 31 March 2004. The adoption of IFRS 3 and IFRS 36 Impairment of Assets (revised) has resulted in the Group ceasing annual goodwill amortisation and commencing testing it for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005. The adoption of transitional provisions of IFRS 3 had no effect on the Group's financial statements.

Further, no negative goodwill is accounted in the balance sheet: the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost arising on acquisitions on or after 31 March 2004 is recognised in the income statement immediately.

Moreover, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Until the end of the last year, intangible assets were considered to have a finite useful life with a rebuttable presumption that that life would not exceed twenty years from the date when the asset was available for use. In accordance with the revised IAS 38 Intangible Assets, some of the intangible assets are regarded to have an indefinite useful life 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 for the Group. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

2 Form and contents of the financial statements (cont'd)

2.2 Changes in accounting policies (cont'd)

IFRS and IFRIC Interpretations not yet effective

The Company and Group have not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective:

- IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006);
- IFRIC 4 Determining whether an Arrangement contains a Lease (effective from 1 January 2006);
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006);
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies (effective from 1 March 2006);
- Amendments to IFRS 1 First-time Adoption of IFRS and the Basis for Conclusions of IFRS 7 - Financial instruments: Disclosures (effective from 27 January 2006);
- Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 27 January 2006);
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts - Financial Guarantee Contracts (effective from 27 January 2006);
- IFRIC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective from 27 January 2006);
- IFRIC Interpretation 8 Scope of IFRS 2 (effective from 1 May 2006);
- IFRIC Interpretation 9 Reassessment of Embedded Derivatives (effective from 1 June 2006).

The Company and Group expect that adoption of the pronouncements listed above as they become effective will have no impact on their financial statements.

2.3. Functional currency

The Company's and the Group's functional currency is local currency, Litas (LTL). The amounts shown in these financial statements are also presented in the local currency, Litas. Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

3 Accounting principles

The principal accounting policies adopted in preparing the Company's and the Group's financial statements for 2005 are as follows:

3.1. Consolidation

The consolidated financial statements of the Group include AB Klaipėdos Jūrų Krovinių Kompanija and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Investments in associated companies where significant influence is exercised by AB Klaipėdos Jūrų Krovinių Kompanija in the consolidated financial statements are accounted for using the equity method. An assessment of investment in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

3 Accounting principles (cont'd)

3.1 Consolidation (cont'd)

All other investments are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

Consolidated financial statements are prepared by using uniform accounting policies for like transactions and other events in similar circumstances.

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

The losses applicable to the minority in a consolidated subsidiary exceeding the minority interest in the equity of the subsidiary and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

3.2. Interest in a joint venture

The Group has an interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture applying equity method. The financial statements of the joint venture are prepared for the same reporting year as the Parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the asset to an independent party.

3.3. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.4. Other intangible assets

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

3 Accounting principles (cont'd)

Licenses

Amounts paid for licences are capitalised and then amortised over their validity period.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over a period not exceeding 3 years.

Costs incurred in order to restore or maintain the future economic benefits that the Company expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

3.5. Property, plant and equipment

The Company's and the Group's property, plant and equipment, acquired before 1 January 1996, are stated at indexed cost less indexed accumulated depreciation and impairment losses (Note 5). Property, plant and equipment other than acquired before 1 January 1996, are stated at cost less accumulated depreciation and impairment losses.

The accounting policy applied for property, plant and equipment represents a departure from International Financial Reporting Standards (IAS 16 and IAS 29), which require the use of either historical cost as adjusted for hyperinflation through a general price index, or a valuation supported by independent, professionally qualified valuers. The Company and the Group is unable to quantify the impact of non-compliance with IAS 29 on these financial statements. The above indexation was not performed in accordance with the provisions of IAS 16 since the revaluation method did not assure the indexed amount of buildings to be approximate to their fair value as at the date of indexation.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operations, such as repair and maintenance costs, are normally charged to income statement in the period the costs are incurred. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised. The Company and the Group capitalizes property, plant and equipment purchases with an estimated useful life exceeding one year and an acquisition cost above LTL 200.

Depreciation is computed on a straight-line basis over the following ranges of estimated useful lives:

Buildings and constructions	10-90 years
Machinery and equipment	5-40 years
Vehicles	4-20 years
Other non-current assets	3-40 years

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Construction in progress is stated at cost less impairment losses. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and put into operation.

3 Accounting principles (cont'd)

3.6. Investment property

Investment property, comprising buildings, is held for long term rental yields and is not occupied by the Group. Investment property, acquired before 1 January 1996, is stated at indexed cost less accumulated indexed depreciation and any accumulated impairment losses. Investment property, acquired after 1 January 1996, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed on a straight-line basis over 10-90 years.

3.7. Investments and other financial assets

According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

The category "financial assets at fair value through profit or loss" includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

3.8. Inventories

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow-moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. Unrealisable inventory has been fully written-off.

3 Accounting principles (cont'd)

3.9. Cash and cash equivalents

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

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

3.10. Borrowings

Borrowing costs are expensed as incurred.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings.

3.11. Financial and operational leases

<u>Financial lease</u>

The Group recognizes financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Group's composite interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the Group's income statement for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets can not be depreciated over the period longer than lease term, unless the Group, according by the lease contract, gets transferred their ownership after the lease term is over.

If the result of sales and lease back transactions is financial lease, any profit from sales exceeding the book value is not recognised as income immediately. It is postponed and amortised over the lease term.

<u>Operating lease</u>

The Group as the lessee

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

If the result of sales and lease back transactions is operating lease and it is obvious that the transaction has been carried out at fair value, any profit or loss is recognised immediately. If the sales price is lower than the fair value, any profit or loss is recognised immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The profit is then deferred and it is amortised in proportion to the lease payments over a period, during which the assets are expected to be operated. If the sales price exceeds the fair value, a deferral is made for the amount by which the fair value is exceeded and it is amortised over a period, during which the assets are expected to be operated.

3 Accounting principles (cont'd)

3.11 Financial and operational leases (cont'd)

The Group as the lessor

Assets leased out under operating leases are included in property, plant and equipment and investment property in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognized on a straight-line basis over the lease term.

3.12. Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

In 2005 and 2004 the standard income tax rate in Lithuania was 15%. On 1 January 2006 the Provisional Social Tax Law will come into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January 2006, companies will have to pay an additional 4% tax calculated based on the income tax principles, and for the following year a 3% tax starting from 1 January 2007. After the year 2007 the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%.

Tax losses can be carried forward for 5 consecutive years, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments that can be carried forward for 3 consecutive years. The losses from disposal of securities and/or derivative financial instruments can only be used to reduce the taxable income earned from the transactions of the same nature.

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

Deferred tax asset has been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognized in the financial statements.

3.13. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts. Revenue for stevedoring and related services is recognised when the cargo is loaded to ships / unloaded from ships and leaves the territory of the Company.

3.14. Expense recognition

Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted for as the amount paid or due, excluding VAT. In the cases when a long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

3.15. Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognized in the income statement. Such balances are translated at period-end exchange rates.

3 Accounting principles (cont'd)

3.16. Segment information

In these financial statements a business segment means a constituent part of the Company or the Group participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

In these financial statements a geographical segment means a constituent part of the Company or the Group participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments.

For the management purposes, the activities of the Group are organised as one major segment – provision of cargo services. Other services such as forwarding, towage, document handling, weighting and moorage are supporting the main business and are not treated as separate segments. Further, all the Group's operations are in Lithuania. Therefore, the Group does not present segment information.

3.17. Impairment of assets

Financial assets

Financial assets as well as goodwill are reviewed for impairment at each balance sheet date.

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

Other assets

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

3.18. Use of estimates in the preparation of financial statements

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

3.19. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

3.20. Subsequent events

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

3 Accounting principles (cont'd)

3.21. Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain IFRS specifically require or allow such set-off.

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

4 Intangible assets

Movements in the Company's and Group's intangible assets during 2005 can be specified as follows:

	Group			
	Goodwill	**Other**	**Total**	**Company**
Cost:				
Balance as of 31 December 2004	6,818	2,069	8,887	1,897
Additions	-	60	60	52
Disposals and write-offs	(4,706)	(254)	(4,960)	(254)
Transfers to the value of investment (Note 8)	(2,112)	-	(2,112)	-
Retirements due to non consolidation	-	(172)	(172)	-
Balance as of 31 December 2005	-	1,703	1,703	1,695
Accumulated amortisation:				
Balance as of 31 December 2004	170	1,494	1,664	1,340
Charge for the year	-	370	370	370
Disposals and write-offs	(170)	(254)	(424)	(254)
Retirements due to non consolidation	-	(154)	(154)	-
Balance as of 31 December 2005	-	1,456	1,456	1,456
Net book value as of 31 December 2005	**-**	**247**	**247**	**239**

4 Intangible assets (cont'd)

Movements in the Company's and Group's intangible assets during 2004 can be specified as follows:

	Group			
	Goodwill	**Other**	**Total**	**Company**
Cost:				
Balance as of 31 December 2003	879	2,340	3,219	2,296
Additions	11,363	29	11,392	13
Disposals and write-offs	(4,695)	(12)	(4,707)	-
Impairment loss	(729)	-	(729)	-
Transfers to construction in progress	-	(412)	(412)	(412)
Balance as of 31 December 2004	6,818	1,945	8,763	1,897
Accumulated amortisation:				
Balance as of 31 December 2003	541	1,025	1,566	991
Charge for the period	460	353	813	349
Disposals and write-offs	(252)	(8)	(260)	-
Impairment loss	(579)	-	(579)	-
Balance as of 31 December 2004	170	1,370	1,540	1,340
Net book value as of 31 December 2004	**6,648**	**575**	**7,223**	**557**

Amortisation expenses of intangible assets are included within operating expenses in the income statement.

Part of the non-current intangible assets of the Company and the Group with the acquisition value of LTL 789 thousand as of 31 December 2005, was fully amortised (LTL 701 thousand as of 31 December 2004) but was still in use.

Goodwill

As further described in Note 7, based on the share purchase-sales agreement signed on 15 July 2005 the Company sold 40.68% of the shares of UAB Klaipėdos Keleivių Ir Krovinių Terminalas (previous name UAB Transfosa) for its acquisition value amounting to LTL 5,999 thousand and has written-off the proportional part of goodwill recognised on acquisition of this investment. This investment is treated as available -for-sale and is accounted at cost, as the Company was not able to evaluate the fair value of this investment.

5 Property, plant and equipment

Movements in property, plant and equipment during the year ended 31 December 2005 can be specified as follows:

Group	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress and prepayments	Total
Cost, historical or indexed:						
Balance as of 31 December 2004	7,069	226,629	269,488	45,078	39,021	587,285
Retirements due to non consolidation (Note 1)	-	(5,815)	(2,498)	(540)	(104)	(8,957)
Additions	4,708	-	727	739	95,130	101,304
Disposals	-	(14,770)	(56,847)	(3,583)	(156)	(75,356)
Retirements	-	(1,934)	(5,514)	(272)	(389)	(8,109)
Transfers to intangible assets	-	-	-	-	(42)	(42)
Transfers between captions	-	15,260	7,997	(37)	(23,220)	-
Balance as of 31 December 2005	11,777	219,370	213,353	41,385	110,240	596,125
Accumulated depreciation:						
Balance as of 31 December 2004	-	66,727	186,976	38,884	-	292,587
Retirements due to non consolidation (Note 1)	-	(2,612)	(1,949)	(462)	-	(5,023)
Charge for the year	-	11,321	25,462	1,583	-	38,366
Disposals	-	(4,775)	(23,062)	(3,341)	-	(31,178)
Retirements	-	(706)	(4,735)	(286)	-	(5,727)
Transfers between captions	-	-	(15)	14	-	(1)
Balance as of 31 December 2005	-	69,955	182,677	36,392	-	289,024
Impairment losses:						
Balance as of 31 December 2004	-	-	-	-	836	836
Charge for the year	-	3,304	1,183	-	-	4,487
Reversals	-	-	-	-	(107)	(107)
Balance as of 31 December 2005	-	3,304	1,183	-	729	5,216
Net book value as of 31 December 2005	**11,777**	**146,111**	**29,493**	**4,993**	**109,511**	**301,885**

5 Property, plant and equipment (cont'd)

Company	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress and prepayments	Total
Cost, historical or indexed:						
Balance as of 31 December 2004	7,069	216,046	266,743	44,176	7,636	541,670
Additions	4,708	-	599	206	16,896	22,409
Disposals	-	(14,770)	(56,847)	(3,583)	(156)	(75,356)
Retirements	-	(1,808)	(5,514)	(263)	(181)	(7,766)
Transfers to intangible assets	-	-	-	-	(42)	(42)
Transfers between captions	-	15,260	7,663	(39)	(22,884)	-
Balance as of 31 December 2005	11,777	214,728	212,644	40,497	1,269	480,915
Accumulated depreciation:						
Balance as of 31 December 2004	-	63,471	184,903	38,232	-	286,606
Charge for the year	-	10,924	25,410	1,522	-	37,856
Disposals	-	(4,775)	(23,062)	(3,341)	-	(31,178)
Retirements	-	(677)	(4,735)	(276)	-	(5,688)
Transfers between captions	-	-	(15)	15	-	-
Balance as of 31 December 2005	-	68,943	182,501	36,152	-	287,596
Impairment losses:						
Balance as of 31 December 2004	-	-	-	-	836	836
Charge for the year	-	3,304	1,183	-	-	4,487
Reversals	-	-	-	-	(107)	(107)
Balance as of 31 December 2005	-	3,304	1,183	-	729	5,216
Net book value as of 31 December 2005	**11,777**	**142,481**	**28,960**	**4,345**	**540**	**188,103**

5 Property, plant and equipment (cont'd)

Movements in property, plant and equipment during the year ended 31 December 2004 can be specified as follows:

Group	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress and prepayments	Total
Cost, historical or indexed:						
Balance as of 31 December 2003	6,189	162,916	262,630	48,744	27,022	507,501
Additions	880	583	4,494	1,162	69,542	76,661
Assets of the subsidiary at the acquisition date	-	1,801	634	4	61	2,500
Disposals and write-offs	-	(705)	(2,325)	(2,749)	-	(5,779)
Transfers between captions	-	58,074	2,205	(2,263)	(58,016)	-
Transfers from intangible assets	-	-	-	-	412	412
Balance as of 31 December 2004	7,069	222,669	267,638	44,898	39,021	581,295
Accumulated depreciation:						
Balance as of 31 December 2003	-	55,431	177,718	39,959	-	273,108
Charge for the year		9,161	9,722	1,300	-	20,183
Disposals and write-offs	-	(471)	(2,314)	(2,537)	-	(5,322)
Transfers between captions	-	18	-	(18)	-	-
Balance as of 31 December 2004	-	64,139	185,126	38,704	-	287,969
Impairment losses:						
Balance as of 31 December 2003	-	-	-	-	349	349
Charge for the year	-	-	-	-	487	487
Reversals	-	-	-	-	-	-
Balance as of 31 December 2004	-	-	-	-	836	836
Net book value as of 31 December 2004	**7,069**	**158,530**	**82,512**	**6,194**	**38,185**	**292,490**

5 Property, plant and equipment (cont'd)

Company	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress and prepayments	Total
Cost, historical or indexed						
Balance as of 31 December 2003	6,189	160,931	262,383	45,247	26,216	500,966
Additions	880	525	4,480	973	39,024	45,882
Disposals and write-offs	-	(686)	(2,325)	(2,579)	-	(5,590)
Transfers between captions	-	55,276	2,205	535	(58,016)	-
Transfers from intangible assets	-	-	-	-	412	412
Balance as of 31 December 2004	7,069	216,046	266,743	44,176	7,636	541,670
Accumulated depreciation:						
Balance as of 31 December 2003	-	55,183	177,644	39,456	-	272,283
Charge for the year	-	8,755	9,573	1,249	-	19,577
Disposals and write-offs	-	(467)	(2,314)	(2,473)	-	(5,254)
Balance as of 31 December 2004	-	63,471	184,903	38,232	-	286,606
Impairment losses:						
Balance as of 31 December 2003	-	-	-	-	349	349
Charge for the year	-	-	-	-	487	487
Reversals	-	-	-	-	-	-
Balance as of 31 December 2004	-	-	-	-	836	836
Net book value as of 31 December 2004	**7,069**	**152,575**	**81,840**	**5,944**	**6,800**	**254,228**

The depreciation charge of the Company's and the Group's property, plant and equipment for the year 2005 amounts to LTL 37,856 thousand and LTL 38,366 thousand respectively (LTL 19,577 thousand and LTL 20,183 thousand in 2004 respectively). The Company's and the Group's depreciation expenses amounting to of LTL 37,645 thousand and LTL 37,645 thousand for the year 2005 respectively (LTL 19,697 thousand and LTL 19,842 thousand for the year 2004 respectively) have been included into cost of sales in income statement. The remaining amounts have been included into operating expenses for the year.

Property, plant and equipment of the Company and the Group with a net book value of LTL 99,680 thousand as of 31 December 2005 (LTL 121,876 thousand as of 31 December 2004) was pledged to banks as a collateral for the loans (see Note 14).

Property, plant and equipment of the Company and the Group with the acquisition cost of LTL 189,189 thousand and LTL 189,824 thousand respectively were fully depreciated as of 31 December 2005 (LTL 74,447 thousand and LTL 74,658 thousand as of 31 December 2004 respectively) but were still in active use. The major part of fully depreciated assets in use is machinery and equipment.

5 Property, plant and equipment (cont'd)

The impairment, amounting to LTL 4,487 thousand, for structures and machinery not in use, located in a distant area from the main operations of the Company, was accounted for in 2005. As it is not possible to assess the fair (sales) value of these assets, value in use method was used for impairment calculation. The mentioned structures and machinery are not used in the operations of the Company and do not generate income for the Company and the management's plans for the future usage are unclear, therefore an impairment for a full amount was recorded in the financial statements. A write-off of impairment for Construction in progress in the amount of LTL 107 thousand was made in the year 2005 as impaired projects were written-off from the Company's books. The impairment for structures and machinery was accounted for as operating expenses for the year (Note 18).

The Company has in 2005 sold property, plant and equipment of the container terminal the net book value of which amounted to LTL 44,471 thousand. The gain from the operation in the amount of LTL 22,631 thousand has been included into income from other activities for the year. The remaining amount of accounts receivable of LTL 65,545 thousand is accounted in other receivables balance (Note 11).

The Company has changed depreciation calculation (useful life) estimates in the year 2005. The useful life of the group of machinery and equipment was reduced from 15 years to 5-10 years. The management believes that this estimate better reflects pattern of usage of the respective asset group. The effect of the change in the amount of LTL 13,477 thousand have been included into cost of sales for the year. Due to the change in accounting estimates the expenses in the year 2006 will increase by LTL 795 thousand.

Four revaluations of property, plant and equipment were performed during a period of hyperinflation prior to 1 January 1996. Revaluations of property, plant and equipment were performed by indexing the cost and accumulated depreciation of property, plant and equipment, applying indexation rates set by the Lithuanian Government for different asset categories. The revalued amounts have not been specifically assessed by independent, professionally qualified valuators.

Indexation rates used for the four revaluations were as follows (depending upon the date of acquisition and category of property, plant and equipment):

Revaluation	The range of indexes for property, plant and equipment revaluation
Revaluation effective 1 July 1991	2.2 times
Revaluation effective 1 January 1992	2 – 5 times
Revaluation effective 1 April 1994	1.4 – 14 times
Revaluation effective 31 December 1995	1.6 – 1.7 times

Because of major movements and lack of separate registrations of the effect of indexations per asset, the Company and the Group cannot quantify the remaining effect of indexation on the balance of property, plant and equipment as of 31 December 2005. The net book value of indexed property, plant and equipment was LTL 26,118 thousand as of 31 December 2005.

6 Investment property

Movements in the Company's and the Group's investment property during the year ended 31 December 2005 can be specified as follows:

	Buildings
Cost, historical or indexed:	
Balance as of 31 December 2004	3,015
Disposals	(104)
Balance as of 31 December 2005	2,911
Accumulated depreciation:	
Balance as of 31 December 2004	1,643
Charge for the year	197
Disposals	(104)
Balance as of 31 December 2005	1,736
Net book value as of 31 December 2005	**1,175**

Movements in the Company's and the Group's investment property during the year ended 31 December 2004 can be specified as follows:

	Buildings
Cost, historical or indexed:	
Balance as of 31 December 2003	2,942
Additions	73
Balance as of 31 December 2004	3,015
Accumulated depreciation:	
Balance as of 31 December 2003	1,486
Charge for the year	157
Balance as of 31 December 2004	1,643
Net book value as of 31 December 2004	**1,372**

Investment property includes rented warehouses and other buildings and structures. The management can not determine the fair value of investment property as there is no reliable market value of such type of assets at the moment.

The main expenses related to investment property are depreciation charge.

7 Investments into subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associated companies of the Company as of 31 December 2005 and 2004 could be specified as following:

	2005		2004	
	Share of capital	Cost value	Share of capital	Cost value
UAB Krovinių Terminalas	51%	2,130	51%	2,130
UAB Krantas Forwarding	50%	200	50%	200
ZAO Baltijskaja Transportnaja-ekspeditorskaja Kompanija - 2K	50%	162	50%	162
UAB Klasco Ekspedicija	50%	5	50%	5
UAB Euroga	49%	70	-	-
UAB Klaipėdos Keleivių Ir Krovinių Terminalas	-	-	60%	8,197
		2,567		10,694

Movement in investments in subsidiaries, joint ventures and associated companies of the Company during 2005 and 2004 are presented below:

	Company	
	2005	2004
At the beginning of the year	10,694	2,526
Increase in share capital of subsidiary	907	-
Disposals of shares to minority shareholders	(5,999)	(5,501)
Transfers to available for sale investments	(3,105)	(24)
Acquisition of associate and subsidiary	70	13,693
	2,567	10,694

On 6 January 2005 the shareholders of UAB Klaipėdos Keleivių Ir Krovinių Terminalas (former name UAB Transfosa) decided to increase the share capital of this company by LTL 1,512 thousand by issuing 5,400 ordinary shares with a par value of LTL 280 each. The Company acquired 3,240 newly issued shares (60% of the new shares) with a par value of LTL 280 each for the total amount of LTL 907 thousand at the nominal amount. The increased share capital was registered on 19 January 2005 and the acquired shares were transferred to the Company on 28 February 2005.

As described in Note 1, on 15 July 2005 the Company signed share purchase-sale agreement for the sale of 6,957 ordinary shares (40.68% of share capital) of UAB Klaipėdos Keleivių Ir Krovinių Terminalas at the cost value equal to LTL 5,999 thousand to the ultimate parent of the Company UAB Koncernas Achemos Grupė. The management of the Company plans to sell the remaining part of the shares in 2006 and therefore reclassified the investment in UAB Klaipėdos Keleivių Ir Krovinių Terminalas to available-for-sale investments caption as of 31 December 2005.

On 23 May 2005 the Company signed a share purchase-sales agreement for an acquisition of 49 ordinary shares with a par value of LTL 100 each (49% of share capital) of UAB Euroga for an amount of LTL 70 thousand. The Company accounts investment in associated company at cost value, and in the Group's consolidated financial statements the Company accounted for a negative goodwill arising from acquisition in amount of LTL 111 thousand in the income statement.

In 2004 the Company acquired 100% (11,700 shares with a nominal value of LTL 280 each) of shares of UAB Transfosa (current name UAB Klaipėdos Keleivių Ir Krovinių Terminalas) for an amount of LTL 13,693 thousand and recognised goodwill from acquisition of LTL 11,363 thousand. Later in 2004 the Company sold 40% of share capital of UAB Transfosa for an amount of LTL 5,753 thousand.

7 Investments into subsidiaries, joint ventures and associates (cont'd)

The following table illustrates summarised information of the Group's investment in joint ventures and associated companies:

	2005					2004
	UAB Klasco Ekspedicija	UAB Krantas Forwarding	UAB Euroga	ZAO Baltijskaja Transportnaja -ekspeditors-kaja Kompanija - 2K	Total	ZAO Baltijskaja Transportnaja -ekspeditors-kaja Kompanija - 2K
Share of the balance sheet:						
Current assets	2,213	94	241	9	2,557	10
Non-current assets	32	15	18	32	97	33
Current liabilities	(1,960)	(23)	(16)	-	(1,999)	(2)
Non-current liabilities	-	-	-	-	-	-
Net assets	285	86	243	41	655	41
Share of the revenue and profit						
Revenue	6,345	472	954	-	7,771	188
Profit (loss)	232	2	62	-	296	(49)
Carrying amount of the investment	285	86	243	41	655	41

As described in Note 1, in 2005 the Company has no control in subsidiaries UAB Klasco Ekspedicija and UAB Krantas Forwarding, therefore these subsidiaries were not included in the Group's consolidated financial statements as of 31 December 2005.

As described in Note 1, in 2004 the Company management has ceased control in a subsidiary ZAO Baltijskaja Transportnaja-ekspeditorskaja Kompanija - 2K, and it was not included in the consolidated Group financial statements as of 31 December 2004, and the currency translation reserve resulting from revaluation of this investment was reversed in the Statement of Changes in Equity for 2004.

In consolidated Group financial statements for the year 2005 the Company recognised the loss of UAB Krovinių Terminalas applicable to the minority in a consolidated subsidiary exceeding the minority interest in the equity of the subsidiary against the Company's interest.

8 Available-for-sale investments

Available-for-sale investments of the Company and the Group as of 31 December 2005 and 2004 are presented in the table below:

	2005		2004	
	Share of capital	Book value	Share of capital	Book value
UAB Klaipėdos Keleivių Ir Krovinių Terminalas	19.32%	3,105	-	-
AB Laivitė	0.25%	49	0.25%	49
AB Pramonės Ir Verslo Centras	10.00%	1	10.00%	1
SAO Sovmortrans	5.93%	-	5.93%	-
UAB Ship-service Klaipėda	-	-	50.00%	-
OOO Litovskij Torgovij Centr	-	-	31.60%	3
		3,155		53

As the fair values of the investments in the above companies are not available, therefore the available-for-sale investments are accounted at cost value in the Company's and the Group's financial statements as of 31 December 2005 and 2004. The management of the Company estimates that cost value of available-for-sale investment does not materially differ from the fair value.

As described in Note 4, based on the share purchase-sales agreement signed on 15 July 2005 the Company sold 40.68% of the shares of UAB Klaipėdos Keleivių Ir Krovinių Terminalas (previous name UAB Transfosa) for its acquisition value amounting to LTL 5,999 thousand and has written-off the proportional part of goodwill recognised on acquisition of this investment. As the Company was not able to evaluate the fair value of this investment, it was accounted at cost value, which includes proportional part of goodwill acquired, under available-for-sale investments balance as of 31 December 2005.

On 14 January 2005 the Company signed share purchase-sale agreement and sold 240 ordinary shares with a par value of LTL 100 each (50% of share capital) of UAB Ship-service Klaipėda for an amount of LTL 1.

On 25 August 2005 the Company sold 31.60% of share capital of OOO Litovskij Torgovij Centr for an amount of RUB 32 thousand (LTL 3 thousand).

9 Non-current receivables

	Group		Company	
	2005	2004	2005	2004
Long-term loan to subsidiary UAB Krovinių Terminalas	-	-	108,242	33,786
Non-current deferred expenses	1,035	-	1,035	-
Long-term receivable from UAB Klaipėdos Keleivių Ir Krovinių Terminalas	490	-	490	492
Long-term loans granted to the Company employees	351	399	351	399
Trade receivables	-	1,603	-	1,603
	1,876	2,002	110,118	36,280

On 13 April 2004 the Company signed loan agreement with a subsidiary UAB Krovinių Terminalas, according to which the Company re-lend part of the loans received from AS Parex-Banka and AB SEB Vilniaus bankas (Note 14) to the subsidiary for the financing of construction of Oil and chemical products terminal ("Oil terminal"). The initial amount of the loan was EUR 21,000 thousand (LTL 72,509 thousand), which on 18 August 2005 was increased to EUR 30,000 thousand (LTL 103,584 thousand) and on 11 October 2005 to EUR 33,000 (LTL 113,942 thousand). The loan bears interest rate equal to interest rates of the loans taken from AS Parex-Banka and AB SEB Vilniaus bankas. The maturity of the loan is 8 August 2009, however it can be prolonged under request of the borrower. According to the agreement, the loan should be repaid in equal 6 months instalments after 24 months from the date of first withdrawal (19 April 2004) according to the loan repayment schedule to be signed, however the repayment schedule was not signed as of the date of these financial statements. Due to this and the fact that the management of the Company intends to postpone the beginning of the loan repayment, this loan was classified as non-current as of 31 December 2005. After completion of construction of Oil terminal the subsidiary is obliged to pledge the assets of Oil terminal to AS Parex-Banka. Additionally, as described in Note 14, the loans from AS Parex-Banka and AB SEB Vilniaus bankas are guaranteed by pledge of property, plant and equipment, cash flows and shares of the Company owned by UAB Koncernas Achemos Grupė.

Long-term receivable from UAB Klaipėdos Keleivių Ir Krovinių Terminalas represents receivable for the gantry crane sold. The receivable matures in 2012 and bears no interest rate. This receivable is accounted at discounted value using 4% interest rate.

Long-term loans granted to the employees of the Company are non interest bearing and matures from 2006 to 2020. These loans are accounted at discounted value using 4% interest rate.

As of 31 December 2004 trade receivables represented a receivable from AB Lifosa which was paid by the end of 2005.

10 Inventories

	Group		Company	
	2005	2004	2005	2004
Spare parts	3,246	3,691	3,230	3,691
Other inventory	2,389	3,686	2,322	3,623
	5,635	7,377	5,552	7,314
Less: net realisable value allowance	(2,734)	(1,295)	(2,734)	(1,295)
	2,901	6,082	2,818	6,019

The carrying value of the Company's and the Group's inventories accounted for at net realisable value as of 31 December 2005 and 2004 amounted to LTL 1,399 thousand and LTL 2,566 thousand respectively. Changes in the allowance for inventories for the year 2005 and 2004 have been included into operating expenses.

11 Receivables and prepayments

	Group		Company	
	2005	2004	2005	2004
Trade receivables	9,669	11,184	9,414	10,603
Receivables from subsidiaries	-	-	826	487
Other receivables	66,358	952	65,570	153
Loans granted	50	107	50	103
	76,077	12,243	75,860	11,346
Less: allowance for doubtful trade receivables	(144)	(60)	(144)	(60)
	75,933	12,183	75,716	11,286
Accrued income, deferred expenses and prepayments	11,783	2,860	11,663	1,426
	87,716	15,043	87,379	12,712

Receivables for the sales of container terminal (Note 5) amounting to LTL 65,545 thousand are accounted for as other receivables as of 31 December 2005.

The Company's and the Group's accrued income, deferred expenses and prepayments balance includes a prepayment of LTL 4,000 thousand for the shares of UAB Krovinių Terminalas (Note 1) and accrued rent income for the rent of property, plant and equipment of containers terminal amounting to LTL 6,843 thousand (including accrued VAT receivable of LTL 1,004 thousand) (Note 19).

12 Cash and cash equivalents

	Group		Company	
	2005	2004	2005	2004
Cash at bank	1,951	3,430	1,923	1,497
Cash on hand	60	141	56	40
Deposits with a term of less than three months	17,093	2,535	16,383	2,535
	19,104	6,106	18,362	4,072

Cash held in current account at AB SEB Vilniaus Bankas and future cash inflows into this account up to LTL 10,000 thousand have been pledged by the Company and the Group as security for the bank borrowings (Note 14).

The Company and the Group has a commitment to ensure cash turnover of not less than LTL 58,698 thousand in its banks accounts with AS Parex-Banka and (or) AB PAREX BANKAS (Note 14).

As of 31 December 2005 the Company's term deposits with AB SEB Vilniaus bankas are comprised of a USD 500 thousand deposit with a maturity at 16 January 2006 and an annual interest rate of 3.3%, LTL 1,400 thousand deposit with a maturity at 2 January 2006 and an annual interest rate of 1.8%. As of 31 December 2005 the Company's overnight deposit with AB SEB Vilniaus bankas comprised of LTL 908 thousand, annual interest rates on this deposit was 0.51%.

As of 31 December 2005 the Company's term deposits with AB PAREX BANKAS are comprised of EUR 1,155 thousand deposit a with maturity at 9 January 2006 and an annual interest rate of 2.2%, and of EUR 2,500 thousand deposit with a maturity at 2 January 2006 and an annual interest rate of 2.2%.

12 Cash and cash equivalents (cont'd)

As of 31 December 2005 the Group's term deposits with AB PAREX BANKAS in addition are comprised of EUR 72 thousand deposit with a maturity at 3 January 2006 and an annual interest rate of 1.25%, also of LTL 461 thousand deposit with a maturity at 3 January 2006 and an annual interest rate of 1.25%.

Furthermore, as of 31 December 2004 the Company has issued a letter of credit for the amount of LTL 4,025 thousand (EUR 1,166 thousand), valid until 15 January 2005.

13 Equity

Share capital

6,461,919 of the Company's shares owned by UAB Koncernas Achemos Grupė as of 31 December 2005 are pledged to secure the repayment of its financial liabilities to AS Parex-Banka. This pledge will be cancelled when the Company will pledge the shares of the subsidiary UAB Krovinių Terminalas (Note 14).

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with IFRS, are compulsory until the reserve reaches 10% of the share capital. The legal reserve is fully formed by the Company.

14 Borrowings

Borrowings of the Company and the Group could be specified as following:

	Group		Company	
	2005	**2004**	**2005**	**2004**
Non-current borrowings				
Loan from AS Parex-Banka (secured by the Company's assets)	88,786	62,109	88,786	62,109
	88,786	62,109	88,786	62,109
Current borrowings				
Current portion of loan from AS Parex-Banka (secured by the Company's assets)	14,798	-	14,798	-
Current borrowing from AB Achema (related party)	22,569	-	22,569	-
Credit line in SEB Vilniaus bankas (secured by the Company's assets)	10,000	-	10,000	-
	47,367	-	47,367	-
	136,153	62,109	136,153	62,109

14 Borrowings (cont'd)

Terms of repayment of non-current debts are as follows:

	As of 31 December 2005			
	Group		Company	
Year	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2007	-	14,798	-	14,798
2008	-	14,798	-	14,798
2009	-	14,798	-	14,798
2010	-	14,798	-	14,798
2011	-	14,798	-	14,798
2012	-	14,796	-	14,796
	-	88,786	-	88,786

Weighted average effective interest rates of borrowings outstanding at the year-end:

	2005	2004
Current borrowings	4.00%	4.00%
Non-current borrowings	3.95%	4.00%

Parts of borrowings at the end of the year in national and foreign currencies:

	Group		Company	
	2005	2004	2005	2004
Borrowings denominated in:				
EUR	103,584	62,109	103,584	62,109
LTL	32,569	-	32,569	-
	136,153	62,109	136,153	62,109

Non-current loan from AS Parex-Banka represents loan taken for a financing of construction of Oil and chemical products terminal by the subsidiary UAB Krovinių Terminalas (Note 9). The loan notional amount is EUR 30,000 thousand (LTL 103,584 thousand) and the maturity is 8 September 2012. Interest rate for the loan in 6 months EUR LIBOR +1.8%.

As of 31 December 2005 buildings and constructions with net book value of LTL 86,981 thousand (LTL 53,106 thousand as of 31 December 2004), machinery and equipment with net book value of LTL 12,699 thousand (LTL 65,678 thousand as of 31 December 2004), vehicles with net book value of LTL 0 (LTL 3,092 thousand as of 31 December 2004) were pledged to secure the loan payable to AS Parex-Banka (Note 5).

6,461,919 of the Company's shares owned by UAB Koncernas Achemos Grupė as of 31 December 2005 are pledged to secure the repayment of its financial liabilities to AS Parex-Banka. This pledge will be cancelled when the Company will pledge the shares of the subsidiary UAB Krovinių Terminalas (Note 13).

The Company and the Group has a commitment to ensure cash turnover of not less than LTL 58,698 thousand in its banks accounts with AS Parex-Banka and (or) AB PAREX BANKAS (Note 12).

14 Borrowings (cont'd)

The Company has a credit line agreement in the amount of LTL 10,000 thousand with AB SEB Vilniaus bankas, dated 8 February 2001. According to the subsequent amendments the maturity term of the credit line is 8 August 2006. The credit line bears 6 months VILIBOR + 1.6% interest rate. As of 31 December 2005 the Company had used all funds in the credit line amounting to LTL 10,000 thousand.

Cash held in current account at AB SEB Vilniaus Bankas and future cash inflows into this account up to LTL 10,000 thousand have been pledged by the Company and the Group as security for bank borrowings (Note 12).

Current borrowing from AB Achema (related party) represents short-term loan for a financing of working capital denominated in EUR bearing 4.18% interest rate and maturing on 30 April 2006.

15 Other payables

	Group		Company	
	2005	**2004**	**2005**	**2004**
Taxes, salaries and social security payable	8,855	2,817	8,668	2,718
Vacation pay and social security accrual	2,980	501	2,784	501
Amounts received in advance	-	1,351	-	47
Interest and commitment fees accrued	693	400	693	400
Other payables and accrued expenses	16,695	413	3,563	262
	29,223	5,482	15,708	3,928

Other payables of the Group mainly include accounts payable for the construction of Oil and chemical products terminal (Note 9).

16 Operating lease

The Company and the Group concluded several contracts of operating lease of vehicles. The terms of lease do not include restrictions of the activities of the Company and the Group in connection with the dividends, additional borrowings or additional lease agreements. In 2005, the lease expenses of the Company and the Group amounted to LTL 359 thousand (LTL 282 thousand in 2004). The Company made prepayments for operating lease amounting to LTL 140 thousand.

Future lease payments according to the signed lease contracts are as follows:

	Group	Company
Within one year	383	383
From one to five years	276	276
	659	659
Denominated in:		
- EUR	437	437
- LTL	222	222

Also the Company has signed eight Klaipėda State Seaport land rent agreements for a total area of 1,248,306 square meters with the maturity terms ending from 31 December 2044 till 14 October 2054. One square meter annual rent fee varies from LTL 1.50 to LTL 7.11. Rent fee is reviewed periodically.

17 Cost of sales

	Group		Company	
	2005	2004	2005	2004
Employee compensation costs	31,790	22,616	31,790	21,769
Depreciation (see Note 5 regarding the increase in 2005)	37,645	19,842	37,645	19,697
Maintenance and repairs	10,267	7,197	10,267	7,174
Rent expenses	9,256	8,604	9,256	8,604
Forwarding services	368	3,553	368	809
Other production overheads	10,490	9,318	10,327	11,039
	99,816	71,130	99,653	69,092

18 Operating expenses

	Group		Company	
	2005	2004	2005	2004
Management fee	13,333	8,786	13,333	8,786
Employee compensation costs	12,665	11,049	10,628	9,157
Write-off and impairment of property, plant and equipment	4,380	344	4,380	177
Taxes (other than income tax)	2,652	1,717	2,640	1,593
Security services	2,397	2,353	2,397	2,261
Charity and donations	2,259	1,108	2,259	1,108
Maintenance and repair	1,816	78	1,724	55
Change in allowance for inventories	1,439	299	1,439	275
Depreciation and amortisation	1,288	1,311	778	386
Rent expenses	1,086	184	588	110
Employee trainings	495	495	421	486
Consultation and similar services	492	247	394	167
Advertising	451	1,117	440	1,104
Business trips	355	305	293	244
Utilities	266	413	222	303
Insurance	215	215	199	192
Bank services	79	57	70	49
Other	1,083	2,663	866	2,497
	46,751	32,741	43,071	28,950

Rental expenses increased in 2005 due to increase in rent fees and rent volumes.

19 Other operating income (expenses), net

	Group		Company	
	2005	2004	2005	2004
Gain on disposal of property, plant and equipment (Note 5)	23,525	2,705	22,765	3,203
Rent income	7,029	1,394	7,029	1,387
Other income	2,833	2,723	2,670	2,465
(Loss) gain from sale of inventories, net	(370)	75	(370)	81
Other expenses	(1,305)	(1,532)	(1,150)	(1,252)
	31,712	5,365	30,944	5,884

Prior to sales of containers terminal as described in Note 5, the Company rented the property, plant and equipment of containers terminal to the buyer, and earned LTL 5,839 thousand of rent income, which significantly increased rent income in 2005 compared to 2004.

20 Income (expenses) from financial and investment activities, net

	Group		Company	
	2005	2004	2005	2004
Interest income	176	656	2,972	645
Foreign currency exchange (loss) gain, net	300	(287)	286	(217)
Interest expenses	(4,032)	(1,938)	(4,032)	(1,400)
Profit on disposal of available-for-sale investments	-	2,174	-	-
Recognition of negative goodwill from acquisition	111	-	-	-
Dividend income	8	-	108	150
Loan discounting	(171)	-	(171)	-
Other financial income (expenses)	28	(8)	16	317
	(3,580)	597	(821)	(505)

21 Income tax

	Group		Company	
	2005	2004	2005	2004
Current income tax for the reporting year	1,948	38	1,948	-
Change in deferred income tax due to change in tax rate	203	-	203	-
Change in temporary differences	(2,031)	675	(1,010)	675
Income tax expenses recorded in income statement	120	713	1,141	675
Deferred income tax asset				
Tax loss carry forward	1,021	2,234	-	1,272
Impairment of property, plant and equipment	718	-	718	-
Allowance for inventories	729	194	729	194
Vacation pay accrual	205	75	205	75
Other temporary differences	328	28	328	28
	3,001	2,531	1,980	1,569
Less: valuation allowance	-	(1,755)	-	(793)
Deferred income tax asset, net	3,001	776	1,980	776
Deferred income tax liability				
Investment incentive	(4,253)	(4,574)	(4,253)	(4,574)
Depreciation rates differences	(718)	-	(718)	-
Deferred income tax liability	(4,971)	(4,574)	(4,971)	(4,574)
Deferred income tax liability, net	(1,970)	(3,798)	(2,991)	(3,798)

While assessing deferred income tax assets and liability components for the year ended 31 December 2005 and 2004 the Company used income tax rates of 19% and 18% for those items, which will be realised in 2006 and 2007, respectively, and 15% rate was used for the items which will be realised in 2008 and later.

The reported amount of income tax expenses attributable to the period can be reconciled to the theoretical amount of income tax expenses that would arise from applying statutory income tax rate to pre-tax income as follows:

	Group		Company	
	2005	2004	2005	2004
Profit before tax	9,439	408	14,822	1,546
Income tax expenses computed using the statutory tax rate (15%)	1,416	61	2,223	232
Permanent differences	256	2,222	(492)	1,998
Change in tax rate	203	-	203	-
Change in valuation allowance	(1,755)	(1,570)	(793)	(1,555)
	120	713	1,141	675

22 Basic and diluted earnings per share

Basic earnings per share reflect the Group's net profit, divided by the outstanding number of shares. The Company does not have any potential shares, therefore basic and diluted earnings per share are the same. Calculation of the basic and diluted earnings per share is presented below:

	Group	
	2005	2004
Net profit, attributable to the shareholders	9,319	342
Weighted average number of shares outstanding (in thousand items)	12,670	12,670
Basic and diluted earnings per share (in LTL)	0.74	0.03

23 Dividends per share

	Group	
	2005	2004
Dividends paid	11,400	-
Weighted average number of shares outstanding (in thousand items)	12,670	12,670
Dividends per share (LTL)	0.90	-

24 Financial assets and liabilities and risk management

Credit risk

The Company and the Group has significant concentration of trading counterparties. The main two customers of the Group – AB Achema (a related company) and Belaruskalij – on 31 December 2005 account for approximately 37% (31% as of 31 December 2004) of the total Group's trade receivables.

The Company's and the Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The Company and the Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Company and the Group considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

Interest rate risk

The major part of the Company's and the Group's borrowings is with variable rates, related to LIBOR, which creates an interest rate risk. There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 December 2005 and 2004.

23 Financial assets and liabilities and risk management (cont'd)

Liquidity risk

The Company's and the Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Company's liquidity and quick ratios as of 31 December 2005 were 1.48 and 1.44 respectively (1.91 and 1.40 as of 31 December 2004 respectively). The Group's liquidity and quick ratios as of 31 December 2005 were 1.26 and 1.23 respectively (1.45 and 1.12 as of 31 December 2004 respectively).

Foreign exchange risk

The Company's and the Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Company and the Group does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL is pegged. Monetary assets and liabilities stated in various currencies as of 31 December 2005 were as follows:

	Group		Company	
	Assets	Liabilities	Assets	Liabilities
LTL	108,894	61,678	106,171	48,517
EUR	4,507	114,990	109,078	114,636
USD	722	-	722	-
Total	114,123	176,668	215,971	163,153S

Fair value of financial instruments

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

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) The carrying amount of current trade accounts receivable, current trade accounts payable, other receivables and other payables and short-term borrowings approximates fair value.
(b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

25 Commitments and contingencies

In 2005 VĮ Klaipėdos Valstybinio Jūrų Uosto Direkcija (state enterprise Klaipėda State Seaport Authority) increased the port land rent fee as it has improved the port infrastructure. However, the Company disputes the fee increase and claims that the infrastructure was not improved according to the agreement, and refused to pay the increased rent fee. Consequently on 28 February 2006 Klaipėda State Seaport Authority sued the Company for an amount of LTL 626 thousand for unpaid rent fee. As the outcome of the dispute is uncertain, no provision is made for this amount as of 31 December 2005.

26 Subsequent events

As described in Note 1, on 23 February 2006 the Company took over 49% of share capital of UAB Krovinių Terminalas according to 3 agreements signed on 22 December 2005.

27 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group are its shareholders and other companies that are controlled by the shareholders.

2005	Purchases	Sales	Receivables	Payables
UAB Koncernas Achemos Grupė	12,016	6,006	1	1,789
AB Achema	866	38,269	3,090	22,594
UAB Achema Shipping	-	6	-	-
UAB Achemarida	1,163	3	-	133
UAB Achemos Mokymo Centras	477	17	5	4
UAB Agrochema	-	462	193	-
UAB Budrus Sakalas	3,270	62	3	348
Carsagrorent	-	-	-	1
UAB Energetinių Projektų Centras	-	-	46	-
UAB Euroga	3,119	-	-	72
UADB Industrijos Garantas	464	-	1	249
UAB Iremas	7,219	769	4	424
UAB FMĮ Kapitalo Srautai	66	-	-	13
UAB Klaipėdos Keleivių Ir Krovinių Terminalas	8	10	610	-
AB Klaipėdos Laivų Remontas	-	-	-	1
UAB Klasco Ekspedicija	112	8,214	369	12
UAB Krantas Forwarding	193	55	2	20
UAB Krovinių Terminalas	21	2,865	109,080	-
VšĮ Kūrybinės Programos	200	-	-	-
UAB Lietuvos Žinios	53	-	80	-
Liteximp Sp.z.o.o.	52	-	-	-
UAB Palangos Vėtra	-	-	-	1
UAB Sienojus	5,139	159	6	764
AB Spaustuvė Titnagas	-	-	-	1
UAB Transachema	-	-	1	-
	34,438	56,897	113,491	26,426

27 Related party transactions (cont'd)

2004	Purchases	Sales	Receivables	Payables
AB Achema	616	28,065	1	33
AB Spaustuvė Titnagas	2	-	-	-
BĮ Achempak	1	-	-	-
UAB Achema Shipping	-	4	-	-
UAB Achemarida	955	-	-	111
UAB Achemos Mokymo Centras	510	5	-	22
UAB Agrochema	-	215	-	-
UAB Budrus Sakalas	3,217	174	-	292
UAB Iremas	8,656	722	-	961
UAB Lietuvos Žinios	662	-	-	-
UAB Maitinimas	12	-	-	12
UAB Naujoji Rūta	51	-	-	-
UAB Palangos Vėtra	10	6	-	-
UAB Ship-service Klaipėda	-	-	-	-
UAB Sienojus	7,922	131	244	646
UAB Transachema	-	15	-	-
UAB Vialogas	386	-	-	-
UAB FMĮ Kapitalo Srautai	52	-	-	7
UAB koncernas Achemos Grupė	11,000	5	-	-
UADB Industrijos Garantas	261	2	-	1,789
	34,313	29,344	245	3,873

The sales and purchases from related parties are made at normal market prices. Outstanding non-current balances at the year-end should be secured by pledge of assets and are accounted at amortised value using effective interest rate (Notes 9). There have been no guarantees provided or received for any related party receivables or payables, except as disclosed in Note 14. For the years ended 31 December 2005 and 2004 the Company and the Group has not made any provisions for doubtful debts relating to amounts owed by related parties.

Remuneration of the management and other payments

The Company's management remuneration amounted to LTL 1,718 thousand in 2005 (LTL 1,997 thousand in 2004). In 2005 and 2004, the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.