AS Silvano Investment Group

Annual report
2005

AS SILVANO INVESTMENT GROUP
PUBLIC LIMITED COMPANY

2005 ANNUAL REPORT

Legal address:	2 Tartu Road, Tallinn
Commercial registry code:	11127815
Telephone:	6 818 050
Fax:	6 818 055
E-mail:	Indrek.rahumaa@altacapital.ee
Main area of activities:	Trade and brokerage, transport services, real estate transactions, company administration, consultancy in the field of law, economics and investment
Auditor:	KPMG Baltics AS
Beginning and end of financial year:	03.05.2005 – 31.12.2005

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BRIEF DESCRIPTION OF THE COMPANY, CONTACT INFORMATION

The main areas of activity of AS Silvano Invest Group include trade and brokerage, transport services, real estate transactions, company administration, consultancy in the field of law, economics and investment.
AS Silvano Investment Group has no employees.

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MANAGEMENT REPORT

AS Silvano Investment Group was founded on May 3rd, 2005. The main areas of activity of the company are investing and company administration. In 2005 the company was involved in no economic activities.
The company has no employees. The members of the Management and Supervisory Boards were paid no salary or other remuneration.

In 2006 the company will open its offices in both the Latvian and Ukrainian republics.

Indrek Rahumaa
Member of the Management Board

ANNUAL ACCOUNTS
Management Board's declaration for the annual accounts

The Management Board hereby declares that the annual accounts of AS Silvano Investment Group for the year 2005 presented on pages 5 to 13 are correct and complete.

The Management Board hereby confirms that:

1. The accounting principles used in preparing the annual accounts comply with Estonian good accounting practices;

2. Annual accounts reflect correctly and fairly the financial situation of the company, its economic results and cash flows;

3. AS Silvano Investment Group is a company pursuing its activities.

Member of the Management Board
(Indrek Rahumaa)

In Tallinn, 26.06 2006

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Date/kuupäev 26.06.2006
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Balance sheet
(in EEK)

	Note No.	31.12.2005	03.05.2005
ASSETS			
Current assets			
Cash	2	4	400 000
Claims and prepayments	3	400 556	0
Total of current assets		**400 560**	**400 000**
TOTAL OF ASSETS		**400 560**	**400 000**
LIABILITIES AND OWNERS' EQUITY			
Owners' equity			
Share capital	5	400 000	400 000
Profit (loss) of the financial year		560	0
TOTAL OF OWNERS' EQUITY		**400 560**	**400 000**
TOTAL OF LIABILITIES AND OWNERS' EQUITY		**400 560**	**400 000**

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Income statement (Scheme 2)
(in EEK)

	Note No.	2005
Miscellaneous financial revenue and costs	6	560
Total of financial revenue and costs		**560**
Net profit (loss) of the financial year		**560**

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Cash flow statement (starting with business profit)
(in EEK)

	Note No.	2005
Cash flow from investment		
Loans given	4	- 400 000
Interest received		4
Total cash flow from investment		**399 996**
Cash flow from financing		
Issue of shares	5	400 000
Total cash flow from financing		**400 000**
Total cash flow		4
Cash and cash equivalents at the beginning of period		0
Change in cash and cash equivalents		4
Cash and cash equivalents at the end of period		4

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Changes in owners' equity
(in EEK)

	Share capital	Retained profit	Total
Share capital issued	400 000		400 000
Net profit of the accounting period		560	560
Balance as at 31 Dec. 2005	**400 000**	**560**	**400 560**

More detailed information on share capital and its changes is presented in Note 5.

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Notes to the annual accounts

Note 1 Accounting policies used in preparing the annual accounts

The 2005 annual accounts of AS Silvano Investment Group are drafted in compliance with the accounting principles generally accepted in Estonia. The main requirements of good accounting practices are stipulated in the Accounting Act of the Republic of Estonia, supplemented by the instructions issued by the Estonian Accounting Standards Board.

The annual accounts have been prepared using the acquisition value principle, except for the cases that are described in the following accounting principles.

Annual accounts are prepared in Estonian kroons (EEK).

A. Cash and cash equivalents

Cash and cash equivalents in the balance sheet and income statement include cash in hand, bank account balance (except for overdraft), fixed-term deposits for up to 3 months and money market shares. Overdraft is recorded in the balance sheet under short-term debt liabilities.

B. Other claims

All other receivables (accrued income, loans provided and other short- and long-term receivables), except for the receivables acquired for sale, are carried at amortised cost.

Normally the amortised cost of short-term receivables is equal to their nominal value (less possible value adjustments) due to which short-term receivables are presented at the amount likely to be collected. Long-term receivables are initially recognised at the fair value of the consideration receivable and subsequently measured at amortised cost using the effective interest rate method. The receivables acquired for sale are recognized at the fair value.

C. Revenue recognition

Revenue earned from the sale of goods is reflected in the fair value of payment received or to be received, considering all the discounts given. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, sales revenue and expenses related to the transaction can be determined and it can be expected to receive revenue from the transaction. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed

Revenue from interest and dividend is recorded when it is probable to receive the revenue and when it is possible to assess the amount of the revenue. Interest revenue is recorded using the internal interest rate of the asset, except for the cases when receiving the interest is not certain. In such cases interest revenue is calculated based on cash accounting. Revenue from dividends is recorded when the owner has the lawful right to receive such dividends.

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D. Mandatory legal reserve

Mandatory legal reserve is formed in accordance with the Commercial Code. Mandatory legal reserve is formed on the account of the annual net profit. Every financial year at least 1/20 of net profit shall be allocated into mandatory legal reserve until the reserve capital forms 1/10 of share capital. Legal reserve can be used for the covering of a loss, also to increase the share capital. No disbursements to shareholders can be made from mandatory legal reserve.

Note 2 Cash

	31.12.2005	03.05.2005
Bank accounts	4	400 000
Total cash	**4**	**400 000**

Note 3 Claims and prepayments

	31.12.2005	03.05.2004
Miscellaneous short-term claims	400 556	0
Interests	*556*	*0*
Miscellaneous claims (Note 4)	*400 000*	*0*
Total of claims and prepayments	**400 556**	**0**

Note 4 Miscellaneous short- and long-term claims

	Balance 31 Dec. 2005	*within 12 months*	Term of repayment	Interest rate
Other claims	400 000	*400 000*	*2006*	10% per annum
Total	**400 000**	*400 000*		

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Note 5 Owners' equity

	31.12.2005	03.05.2005
Share capital (in EEK)	400 000	400 000
Number of shares	40 000	40 000
Nominal value of a share (in EEK)	10	10

The retained earnings of the company (taking into account the liability prescribed by the law to transfer 1/20 of the financial year's net profit to the statutory legal reserve) as at 31 December 2005 amounted to EEK 532. Since 1 January 2006 the dividends paid to the shareholders are subject to the income tax of 23 / 77 of the net dividend paid. Thus the shareholders could be paid dividend from the retained earnings existing on the balance day in the amount of EEK 410 and it would be subject to income tax on dividend amounting to EEK 122.

Note 6 Other financial revenue

The other financial revenue of AS Silvano Investment Group amounting to EEK 560 was revenue from interests.

Note 7 Other off-balance sheet liabilities

AS Silvano Investment Group has entered into a contract with Iluna Group S.P.A under which will be purchased 2,627 shares of JSC Milavitsa.

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Auditor's report

To the shareholders of AS Silvano Investment Group

(translation from the Estonian original)

We have audited the accompanying financial statements of AS Silvano Investment Group (the "Company") as of 31 December 2005. These financial statements, as set out on pages 5 to 12, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles generally accepted in Estonia.

Tallinn, 26 June 2006

(signature)

Taivo Epner
Authorised Public Accountant

Aktsiaselts KPMG Baltics, a company incorporated
under the Commercial Code of the Republic of Estonia,
is the Estonian member firm of KPMG International, a Swiss cooperative.

PROPOSAL FOR DISTRIBUTING FINANCIAL YEAR'S PROFIT

The Management Board of AS Silvano Investment Group proposes the annual general meeting to distribute the net profit of 2005 in the sum of EEK 560 as follows:

1. Transfer to mandatory legal reserve – EEK 28
2. Transfer to retained earnings – EEK 532

No dividend will be paid.

Management Board's signatures to 2005 annual report

The annual report of AS Silvano Investment Group for the year 2005 was approved by the annual general meeting on ...30.06..... *2006* and was signed on ...30.06..... *2006*:

Member of the Management Board (Indrek Rahumaa)	Member of the Supervisory Board (Edgars Stelmahers)
Member of the Supervisory Board (Jaak Raid)	Member of the Supervisory Board (Andres Ratsepp)