KPMG

UAB KPMG Lietuva
Auditas Apskaita Konsultacijos

Vytauto g. 12
2004 Vilnius
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Įmonės kodas 1149497
Juridinių asmenų registras
Įmonės registravimo Nr. UJ 94-154

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AB Anykščių Vynas

Annual Accounts for the year 2003

Anyksciu Vynas AA E 03

Company details

AB Anykščių Vynas

Telephone	+ 370 381 50233
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Registered office:	Dariaus ir Girėno str. 8, Anykščiai, Lithuania LT-4930

Supervisory Council

R. Sedlevičius (Chairman)
D. Žukauskienė
R. Krasuckis

Board of Directors

N. Bieliauskienė
J. Krivickienė
L. Garbauskienė

Management

Č. Matulevičius (Managing director)
J. Karvelis (Production director)
R. Gaigalienė (Finance director)
A. Zemlevičienė (Chief accountant)

Auditors

KPMG Lietuva

Bankers

Vilniaus Bankas

Financial highlights

LTL'000	2003	2002	2001

Key figures

Turnover	**43,386**	**41,277**	**50,698**
Gross profit	12,253	13,000	9,787
Operating result	-1,394	-1,818	-4,905
Result before taxation	-1,923	-3,019	-7,474
Result for the year	**-2,195**	**-2,673**	**-6,375**

Non-current assets	38,752	43,168	46,929
Current assets	16,977	16,347	20,743
Total assets	**55,729**	**59,515**	**67,672**
Share capital	49,081	49,081	49,081
Capital and reserves	**38,252**	**40,447**	**43,120**
Non-current liabilities	2,175	1,842	4,549
Current liabilities	15,302	17,226	20,003

Net cash flow from operating activities	6,468	9,139	N/A
Net cash flow from investing activities	-1,468	-1,071	N/A
Net cash flow from financing activities	-2,717	-8,642	N/A
Total cash flow	2,283	-574	N/A

Average number of employees	466	493	558

Financial ratios

Net profit ratio	-5.1%	-6.5%	-12.6%
Return on investment	-2.5%	-3.1%	-7.2%
Gross margin	28.3%	31.5%	19.3%
Current ratio	110.0%	94.7%	103.7%
Equity ratio	218.9%	212.1%	175.6%
Return on equity	**-4.1%**	**-3.5%**	**-8.1%**

Financial highlights

Calculation of financial ratios

Net profit ratio	$\frac{\text{Net profit x 100}}{\text{Turnover}}$
Return on investment	$\frac{\text{Profit/loss on operating activities before interest etc. x 100}}{\text{Total assets}}$
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Turnover}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Short-term creditors}}$
Equity ratio	$\frac{\text{Capital and reserves at year end x 100}}{\text{Total liabilities at year end}}$
Return on equity	$\frac{\text{Profit for purposes of analysis x 100}}{\text{Average capital and reserves}}$
Profit for purposes of analysis	Profit/loss on ordinary activities after tax

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Statement on the accounts

The Board of Directors and the Management have today discussed and adopted the accounts and the report.

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

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

Vilnius, 23 February 2004

Management:

Č. Matulevičius
Managing director

Board of Directors:

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N. Bieliauskienė	J. Krivickienė	L. Garbauskienė

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Report of the auditor to the shareholders of AB Anykščių Vynas

Scope

We have audited the accompanying balance sheet of AB Anykščių Vynas as at 31 December 2003 and the related statements of income, movements on equity and cash flows for the year then ended.

Respective responsibilities of directors and auditors

These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of the opinion

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

Qualification

The fixed assets of the Company are recorded as to Lithuanian Accounting principles, but the value indicated is neither accounted as to historical cost nor fair value as required by International Financial Reporting Standards. In accordance with the resolutions of Lithuanian Government, the fixed assets of the Company have been indexed 4 times up to 31 December 1995 which has increased the book value of the assets by 45,695 tLitas. The Company is not able to specify the effect of indexation on the book value as at 31 December 2003 and 2002, therefore, we qualify for the value of the fixed assets as at 31 December 2003 in accordance with International Financial Reporting Standards.

Opinion

In our opinion, except for the effect of the matters discussed in the preceding paragraph, the financial statements give a true and fair view of the financial position of AB Anykščių Vynas as at 31 December 2003, and of the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as adopted by the International Accounting Standards Board.

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Report of the auditor to the shareholders of AB Anykščių Vynas

Matter of note

Without qualifying our opinion, we refer to Note 1 - Going concern. The Company suffered significant losses during the last three years. The going concern for the Company will depend on external financing as well as the started privatization. If the company's short-term loan is not prolonged and further external financing is not guaranteed from third parties during the privatization process, there is a doubt that the Company will be able to continue as a going concern.

Vilnius, 23 February 2004
KPMG Lietuva

Leif Rene Hansen
Danish State Authorised
Public Accountant

Rokas Kasperavičius
ACCA and Lithuanian
Certified Auditor
Certificate No. 70

390.851.RK/Ekr

Profit and loss account for the year ended 31 December

	Note	2003	2002
		Litas'000	Litas'000
Turnover	2	43,386	41,277
Production costs		-31,133	-28,277
Gross profit		12,253	13,000
Sales expenses	3	-5,661	-4,936
General and administrative expenses	4	-7,986	-9,882
Operating result		-1,394	-1,818
Financial expenses, net	5	-529	-1,201
Result before tax		-1,923	-3,019
Profit tax	6	-272	346
Result for the year		-2,195	-2,673
Earnings per share, Litas	7	-0.04	-0.05

Balance sheet at 31 December

	Note	2003	2002
		Litas'000	Litas'000
ASSETS			
Non-current assets			
Intangible assets	9	310	460
Property, plant and equipment	8	38,440	42,708
Other investments		2	-
Total non-current assets		38,752	43,168
Current assets			
Inventories	10	12,912	14,444
Trade receivables	11	451	666
Other receivables	12	558	464
Cash and cash equivalents	13	3,056	773
Total current assets		16,977	16,347
TOTAL ASSETS		55,729	59,515

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Balance sheet at 31 December

	Note	2003	2002
		Litas'000	Litas'000
EQUITY AND LIABILITIES			
Capital and reserves	14		
Share capital		49,081	49,081
Legal and other reserves		11,561	11,561
Retained earnings		-22,390	-20,195
Total capital and reserves		38,252	40,447
Non-current liabilities			
Deferred tax liability	6	2,075	1,803
Long term loan and financial leasing	15	100	39
Total non-current liabilities		2,175	1,842
Current liabilities			
Current portion of long-term loan and financial leasing	15	99	2,377
Short-term loans	15	7,600	8,100
Trade creditors		3,197	2,508
Other creditors and accruals	16	4,406	4,241
Total current liabilities		15,302	17,226
Total liabilities		17,477	19,068
TOTAL EQUITY AND LIABILITIES		55,729	59,515
Contingencies	17		
Staff costs	18		
Related party transactions	19		

Statement of changes in shareholders' equity

LTL'000	Note	Share capital	Legal and other reserves	Retained earnings	Total
Balance at 1 January 2002		49,081	11,561	-17,522	43,120
Result for 2002		0	0	-2,673	-2,673
Capital and reserves at 31 December 2002	14	49,081	11,561	-20,195	40,447
Result for 2003		0	0	-2,195	-2,195
Capital and reserves at 31 December 2003	14	49,081	11,561	-22,390	38,252

Cash flow statement

Litas'000	2003	2002
Result after tax	-2,195	-2,673
Adjustments for:		
Depreciation and amortisation	4,334	4,138
Property, plant and equipment sold, written off, etc.	593	352
Change in deferred taxation	272	-346
Change in provision for obsolete inventories	531	-1,002
Change in provision for doubtful receivables	156	116
Change in impairment provision for fixed assets	957	-60
Change in accruals	312	40
Interest expense	557	1,269
Net cash inflow from ordinary activities before any change in working capital	5,517	1,834
Change in trade receivables	59	472
Change in other receivables	-94	931
Change in inventories	1,001	3,707
Change in trade creditors	689	1,031
Change in other creditors	-147	2,433
Net cash inflow from ordinary activities	7,025	10,408
Net interest paid	-557	-1,269
Net cash inflow from operating activities	6,468	9,139
Acquisition of property, plant and equipment	-1,319	-773
Capitalisation of intangible fixed assets	-192	-298
Sales of property, plant and equipment	45	0
Acquisition of investments	-2	
Net cash outflow from investing activities	-1,468	-1,071
Payments of long-term borrowings, net	-39	-3,242
Payments of short-term borrowings, net	-2,678	-5,400
Net cash inflow/(outflow) from financing, net	-2,717	-8,642
Net cash inflow/outflow from operating activities, investing activities and financing	2,283	-574
Cash and cash equivalents at 1 January	773	1,347
Cash and cash equivalents at 31 December	3,056	773

Notes to the annual accounts

1 Summary of significant accounting policies and practises

The joint stock company AB Anykščių Vynas (the Company) was established in 1926 and registered as state enterprise in 1990. In 1995, the Company was re-registered as a joint stock company. The Company produces alcohol beverages: fruit-berry wine, strong alcohol drinks, alcohol cocktails, cider, sparkling wine and also other fruit and berry products. The Company's registered office is located at Dariaus ir Girėno str. 8, Anykščiai.

AB Anykščių Vynas is a publicly listed company domiciled in Lithuania. As at 31 December 2003, the Company employed 466 employees (2002 - 493 employees).

The Government of the Republic of Lithuania decided to privatize the Company by selling it's 72.9 per cent shareholding. It is foreseen that the privatisation will take place up to June 2004.

The shareholder's of AB Anykščių Vynas as at 31 December 2003 could be split as follows:

	Par value in Litas	Per cent
State property fund	35,793,407	72.9
Other shareholders (legal and natural persons)	13,287,128	27.1
	49,080,535	100.0

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

Basis of preparation

The financial statements are presented in Litas, rounded to the nearest thousand. The accounts are prepared on the historical cost basis except for derivative financial instruments and investments available-for-sale, which are stated at their fair value, as well as property, plant and equipment, which are stated at historical cost less accumulated depreciation, adjusted by the indexations as fixed by the Government. All property, plant and equipment acquired before 1 January 1996 had been subject to indexations using the Government approved rates as shown in Note 8.

Notes to the annual accounts

The accounting policies of the company as set out below are consistent with those of the preceding year.

Comparative information

The comparative information for 2002 was restated in respect of decrease of production costs and increase of operating costs by 1,002 tLitas which reflects the reclassification of provision to net realisable value of inventories.

Other minor, reclassifications were made on the balance sheet in order to coincide with the current period presentation.

Going concern

The Company suffered significant losses during the last three years. The going concern for the Company will depend on external financing as well as the started privatisation. The State Property Fund has not been able to sell it's shareholding during the first privatisation announced in 2002, therefore the second privatisation round started in 2003. In accordance with the public prospect the Fund requires a minimum price of 8 million Litas for the 72.9 % of the share capital. If during the privatisation process the short-term loan will not be prolonged and external financing will not be guaranteed from third parties, there is a doubt if the Company will be able to continue as a going concern.

Foreign currency

Transactions in foreign currencies are translated to Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment acquired on or after 1 January 1996 are stated at cost, less accumulated depreciation and impairment losses. Items of property, plant and equipment acquired before 1 January 1996 are stated at cost less accumulated depreciation as adjusted for indexation, using indexation rates set by the Lithuanian Government for different categories of assets. The cost of self-constructed assets includes the cost of materials, direct labour cost and an appropriate proportion of production overheads.

Notes to the annual accounts

The accounting policy of property, plant and equipment acquired prior to 1 January 1996 departed from International Financial Reporting Standards, requiring the use of either historical cost as adjusted for hyperinflation by a general price index, or a valuation supported by an independent value appraisal by a recognized firm.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

- buildings 15 - 80 years
- plant, machinery and equipment 4 - 50 years
- other fixed assets 2 - 11 years

Intangible fixed assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, including design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and is expected to deliver future benefits. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product to which they relate on the units produced basis over the period of their expected benefit but not exceeding three years.

Intangible assets (comprising computer software) that are acquired by the Company are stated at cost less accumulated amortisation. Computer software is amortised using the straight-line method over a 3 years period.

Trade and other receivables

Trade and other receivables are stated at their cost less provision for possible losses.

Notes to the annual accounts

Inventories

Raw materials are stated at the lower of cost or net realisable value, less provision for slow moving and obsolete inventories.

Work in progress is stated at cost comprising purchase price of raw materials and consumables, direct labour and an appropriate share of production overheads.

Finished goods are stated at standard selling prices adjusted for their average expected contribution margin.

Cost is determined by the first-in, first-out (FiFo) method.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Calculation of recoverable amount

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

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Notes to the annual accounts

Financial debts

Interest-bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Profit and loss account

Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement where delivery has been effected by the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Production costs

Cost of production comprises direct and indirect costs including depreciation and wages incurred in order to obtain the turnover for the year.

Costs of imported products include the purchase price and transportation costs corresponding to the turnover of the year.

Tax on result for the period

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current profit tax rate is 15%.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Notes to the annual accounts

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in either providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Cash flow statement

The cash flow statement shows the company's inflows and outflows of cash during the period as well as the financial position at the end of the year. The cash flow is related to three major areas: operating activities, investing activities and financing.

The cash flow statement is drawn up in such a manner that net cash inflow/(outflow) from operating activities is presented indirectly based on operating income and charges in the profit and loss account.

Cash and cash equivalents include cash at bank and in hand and short-term securities stated under current assets.

Net cash inflow/(outflow) from operating activities is calculated as the result of ordinary activities adjusted for non-cash operating items with the addition of an increase in, or reduction of, the working capital, net interest receivable or payable and extraordinary items and less corporation tax paid.

Working capital comprises current assets, excluding items included in cash and cash equivalents and short-term creditors, excluding bank loans, mortgage debt, taxation and dividends. Therefore, cash at bank and in hand and any securities stated under current assets are not included.

Net cash outflow/(inflow) from investing activities comprises acquisitions and disposals of fixed assets.

Additions are stated at cost. Disposals are stated at a sales price less related expenses.

Net cash inflow/(outflow) from financing comprises payments to and from shareholders as well as receipts from and repayment of mortgage debt and other long-term and short-term creditors not included under the working capital.

Notes to the annual accounts

2 Segment reporting

The Company's business segments (basis for primary reporting format) include production and sales of wine, strong alcohol drinks and other fruit and berry products.

Segment information is presented in respect of the Company's geographical segments (secondary reporting format).

The majority of the Company's sales are in the domestic market, Eastern and Western Europe, USA. All the Company's assets are located in the country, where it is domiciled.

Revenues, total assets and capital expenditure by geographical segments are as follows:

Primary segments

	Hard drinks		Wines		Fruit-berries products		Not allocated		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Sales										
Sales net value	16,857	16,503	18,478	20,583	6,490	2,145	1,561	2,046	43,386	41,277
Gross result	6,486	6,780	3,645	5,402	2,839	1,226	(717)	(408)	12,253	13,000
Operating expenses	0	0	0	0	0	0	(13,647)	(14,818)	(13,647)	(14,818)
Financial result	0	0	0	0	0	0	(529)	(1,201)	(529)	(1,201)
Result before tax	6,486	6,780	3,645	5,402	2,839	1,226	(14,893)	(16,427)	(1,923)	(3,019)
Profit tax	0	0	0	0	0	0	(272)	346	(272)	346
Net result	6,486	6,780	3,645	5,402	2,839	1,226	(15,165)	(16,081)	(2,195)	(2,673)

Secondary segments

	Sales		Total assets		Capital expenditure	
Litas'000	2003	2002	2003	2002	2003	2002
Lithuania	34,733	36,995	55,729	59,515	1,511	1,071
Germany	5,619	1,298	0	0	0	0
Latvia	1,551	2,034	0	0	0	0
USA	427	208	0	0	0	0
Poland	0	518	0	0	0	0
Other countries	1,056	224	0	0	0	0
	43,386	41,277	55,729	59,515	1,511	1,071

Notes to the annual accounts

		2003	2002
		Litas '000	Litas '000
3	**Sales expenses**		
	Advertising expenses	4,217	3,336
	Transportation	1,140	858
	Distribution	304	484
	Other	-	258
		5,661	4,936
4	**General and administrative expenses**		
	Salaries and social insurance to management and administration staff	3,161	3,434
	Change in impairment of fixed assets and write-offs	933	292
	Expenses for own retail network	854	876
	Taxes and fees, except profit tax	839	659
	Depreciation and amortisation	499	1,148
	Security	292	295
	Vehicle maintenance costs	240	310
	Laboratory costs	196	286
	Representation costs	160	198
	Telephone and internet costs	158	162
	Change in provision for doubtful debtors	156	116
	Other	498	2,106
		7,986	9,882
5	**Financial expenses, net**		
	Interest expense	-557	-1,269
	Foreign exchange transaction loss	-17	-137
	Other financial expenses	-2	-18
	Foreign exchange transaction gain	7	183
	Other financial income	40	40
		-529	-1,201

Notes to the annual accounts

		2003	2002
		Litas '000	Litas '000
6	**Profit tax expense**		
	Result before tax	-1,923	-3,019
	Effect of temporary differences	-125	2,415
	Effect of permanent differences	2,048	604
	Taxable result for the year	0	0
	Change in deferred taxation	-272	346
	Tax for the period	-272	346
	Deferred tax		
	Temporary differences	-6,381	-9,702
	Tax loss carry forward	10,308	12,841
		3,927	3,139
	Deferred tax before provision	589	471
	Provision for realisation	-2,664	-2,274
	Deferred tax liability	-2,075	-1,803
	Specification of deferred tax		
	Deferred tax assets at 15%:		
	Tax loss carry forward	1,546	1,926
	Impairment of assets	999	280
	Accruals	120	66
	Other	-	2
	Deferred tax assets before provision	2,665	2,274
	Provision for realisation	-2,665	-2,274
	Deferred tax assets, net	0	0
	Deferred tax liabilities at 15%:		
	Difference between tax and financial depreciation	-2,075	-1,803
	Deferred tax liabilities	-2,075	-1,803

Notes to the annual accounts

The movement on deferred tax liability account is as follows:

	2003	2002
	Litas '000	Litas '000
1 January	1,803	2,149
Change in deferred tax liability	272	-346
Deferred tax at 31 December	2,075	1,803

The reconciliation of effective tax rate is as follows:

	2003	2002
Result before tax	-1,923	-3,019
Tax income at effective tax rate	288	453
Tax effect on permanent differences	-308	-91
Tax effect on temporary differences	-252	-16
Profit tax (expense) income	-272	346

7 **Earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The average number of ordinary shares reacquired by the Company is excluded from shares outstanding during the year.

	2003	2002
Net loss for the year	-2,195	-2,673
Number of shares (thousand) in the beginning of the year	49,081	50,144
Decrease of share capital	0	-1,063
Number of shares (thousand) at the end of the year	49,081	49,081
Weighted average number of shares in issue (thousand)	49,081	49,478
Basic earnings per share	-0.04	-0.05

The Company has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

Notes to the annual accounts

8 Property, plant and equipment

Litas'000	Buildings	Machinery and equipment	Other fixed assets	Construction in progress	Total
Cost price					
Cost at 1 January	29,029	50,089	8,512	1,684	89,314
Additions	0	561	233	525	1,319
Disposals and write offs	0	-503	-616	-556	-1,675
Reclassifications	-1,375	5,460	-4,085	0	0
Cost at 31 December	27,654	55,607	4,044	1,653	88,958
Accumulated depreciation					
Depreciation at 1 January	8,436	29,490	5,475	0	43,401
Depreciation for the year	507	3,192	425	0	4,124
Disposals and write-offs	0	-436	-601	0	-1,037
Reclassifications	-1,003	3,650	-2,647	0	0
Depreciation at 31 December	7,940	35,896	2,652	0	46,488
Impairment					
Impairment at 1 January	0	0	1,549	1,656	3,205
Charge for the year	88	743		-6	825
Reclassifications	0	1,549	-1,549	0	0
Impairment at 31 December	88	2,292	0	1,650	4,030
Net book value at 1 January	20,593	20,599	1,488	28	42,708
Net book value at 31 December	19,626	17,419	1,392	3	38,440
Depreciated over	15-80 years	4-50 years	2-11 years		

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Notes to the annual accounts

Depreciation has been allocated as follows:

	2003	2002
	Litas '000	Litas '000
Production costs	3,834	2,872
Operating costs	290	1,111
Total	4,124	3,983

Property, plant and equipment with book value of 5,720 tLitas as at 31 December 2003 is not used in the operations of the Company (2002 - 3,245 tLitas). An impairment provision of 2,279 tLitas was recorded as at 31 December 2003.

Security

At 31 December 2003, property, plant and equipment with a carrying amount of 36,319 tLitas (2002: 40,943 tLitas) are pledged to secure bank loans (refer Note 15).

Revaluations

Four revaluations of property, plant and equipment were performed during the period between 1 July 1991 and 31 December 1995. The revaluations of property, plant and equipment were performed by indexing the cost and accumulated depreciation of the property, plant and equipment using the indexes set by the Lithuanian Government.

The range of revaluations and revaluation indexes was as follows:

Revaluation	The range of indexes
Effective from 1 July 1991	2.2 times
Effective from 1 January 1992	2 - 5 times
Effective from 1 June 1994	1.4 - 14 times
Effective from 31 December 1995	1.6 - 1.7 times

The effect of all 4 indexations was an increase of the book value of fixed assets by 45,695 tLitas.

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Notes to the annual accounts

9 Intangible fixed assets

	Total
Cost price	
Cost at 1 January	1,231
Additions during the period	192
Disposals and write-offs	-177
Cost at 31 December	1,246
Accumulated amortisation	
Amortisation at 1 January	753
Amortisation for the period	210
Disposals and write-offs	-177
Amortisation at 31 December	786
Impairment	
Impairment at 1 January	18
Charge for the year	132
Impairment at 31 December	150
Net book value at 1 January	460
Net book value at 31 December	310
Amortised over	3 years

Amortisation has been allocated as follows:

	2003	2002
	Litas '000	Litas '000
Production costs	91	118
Operating costs	119	37
Total	210	155

10 Inventories

	2003	2002
Raw materials	2,934	3,281
Work in progress	8,542	9,187
Finished goods	1,990	1,932
Goods for resale	76	143
	13,542	14,543
Provision for obsolete and slow-moving items	-630	-99
Net book value at 31 December	12,912	14,444

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Notes to the annual accounts

Raw materials consist of main and auxiliary materials used in production.

At 31 December 2003 inventories up to carrying amount of 12,090 tLitas (2002: 18,319 tLitas) are pledged to secure bank loans (refer Note 15).

		2003	2002
		Litas '000	Litas '000
11	**Trade receivables**		
	Receivable from customers for production sold	1,170	1,200
	Receivable for heating supplied*	1,131	1,160
		2,301	2,360
	Provision for bad and doubtful debtors	-1,850	-1,694
	Net book value at 31 December	451	666

*Related to receivable from UAB Anyksciu Šiluma for heating that the Company supplied until 30 June 1999. At 12 March 2001 the Panevezys county court rejected the claim from UAB Anyksciu Šiluma and adjudged to pay the debt to AB Anyksciu Vynas. During 2003 UAB Anyksciu Šiluma paid 29 tLitas (2002 - 345 tLitas). Due to slow payment there is a risk that UAB Anyksciu Šiluma will not have sufficient working capital to pay to AB Anyksciu Vynas. In addition, the fixed assets of UAB Anyksciu Šiluma are arrested due to unpaid liabilities to banks. It is uncertain if UAB Anyksciu Šiluma will be able to pay all the debt to Anyksciu Vynas, therefore, a provision for uncollectibility of 848 tLitas was recorded as at 31 December 2003 (2002 - 703 tLitas).

		2003	2002
12	**Other receivables**		
	Deferred cost	211	237
	Prepayments for raw materials	178	111
	Other receivables	169	116
	Net book value at 31 December	558	464
13	**Cash and cash equivalents**		
	Cash at bank	3,053	712
	Cash in hand	3	61
	Cash and cash equivalents at the end of the year	3,056	773

Notes to the annual accounts

At 31 December 2003 cash in bank and inflows into bank accounts up to 12,000 tLitas (2002: 12,000 tLitas) are pledged to secure bank loans (refer Note 15).

14 Capital and reserves

Share capital

The share capital comprises 49,081 thousand ordinary shares with a nominal value of Litas 1 each and total share capital of 49,081 tLitas.

Legal and other reserves

Legal reserve in amount of 3,388 tLitas is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve and the share premium reach 10% of the authorised capital. The legal reserve can only be used to cover any future losses.

The other reserve in amount of 6,254 tLitas relates to the reserve for investment financing. Decrease of the reserve not available for distribution is possible only when converted into the authorised capital.

	2003	2002
	Litas '000	Litas '000
15 Interest bearing loans and borrowings		
Non-current liabilities		
Financial leasing	100	39
Net book value at 31 December	100	39
Current liabilities		
Current portion of financial leasing	99	19
Curent portion of long-term loan		2,358
Short term, secured financing facility	7,600	8,100
Net book value at 31 December	7,699	10,477

Notes to the annual accounts

Financial leasing

AB Anyksciu Vynas has concluded a number of financial leasing contracts with UAB Sampo Banko Lizingas regarding the lease of vehicles and machinery.

The finance lease liabilities are payable as follows:

	Total payments	Interest	Principal
Less than 1 year	106	7	99
Between 1 and 5 years	102	2	100
	208	9	199

Short-term secured financing facility

The Company received a short-term loan of 20,000 tLitas from Vilniaus bankas as at 17 August 1999. The initial repayment date was 16 August 2000, but then it was extended 5 times to 17 April 2004. As to the last change of the agreement at 31 October 2003, the Company uses 9,700 tLitas credit limit until 1 February 2004 and 8,000 tLitas until 17 April 2004 for an annual interest of 4.9%. The repayments of the loan are 2,100 tLitas at 1 February 2004 and the remaining amount by 17 April 2004.

The company pledged fixed assets amounting to 36,319 tLitas, inventories of 12,090 tLitas, bank accounts and inflows to the bank accounts for an amount of 12,000 tLitas and land rent right for 600 tLitas.

		2003	2002
		Litas '000	Litas '000
16	**Other creditors and accruals**		
	Payable for services	1,705	1,385
	VAT payable	961	876
	Accrued salaries and social insurance	871	845
	Excize tax	556	1,132
	Other payables and accrued charges	313	3
	Net book value at 31 December	4,406	4,241

Notes to the annual accounts

Alcohol production is taxed by excise tax as to Lithuanian legislation.

The excise tax rates for the Company's produced wines vary from 40 to 370 Litas per hectolitre. Other products containing alcohol are subject to a rate of 3,200 Litas per hectolitre of pure alcohol content.

From 1 June 2001 the excise tax rates are as follows:

Drink	Alcohol volume concentration	Litas, for hectolitre
Frothy wine	7%	40
Sparkling wine	11%	150
Alcoholic mix (per hectolitre of pure alcohol content)	5-6%	3,200
Ciders	6%	40
Strong alcoholic drinks (per hectolitre of pure alcohol content)	37.5-50%	3,200
Wine	8.5%	40
Wine	10.5%	150
Wine and vermouth	11-15%	250
Wine and vermouth	16-22%	370
Wine	18-19%	230

17 Contingencies

The Company rents 3 land plots from the state. The annual rent fee is approximatelly 33 tLitas. The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the financial statements as at 31 December 2003 as the management was not able to estimate timing and amount of such works.

Apart from the above, the company had no other significant contingent liabilities as at 31 December 2003.

Notes without reference

		2003	2002
		Litas '000	Litas '000
18	**Staff costs**		
	Production costs	5,292	5,798
	Selling, administrative and other expenses	4,212	4,879
		9,504	10,677

Staff costs include wages and salaries and emoluments for the management of 410 tLitas (2002: 396 tLitas).

19 Related party transactions

As to the management, the related party transactions include only remuneration to the staff.