

**AB Limarko Shipping Company**

Annual statutory accounts for  
2004

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## **Company details**

### **AB Limarko Shipping Company**

Telephone: +370 6 34 00 01  
Telefax: +370 6 34 11 95  
Company code: 1403 46648  
Registered office: Nemuno 22  
LT-93277 Klaipėda  
Lietuva

### **Board of Directors**

V.Lygnugaris (Chairman),  
I.Uba  
E.Bernotas  
R.Vyšniauskas  
A.Boicovas

### **Management**

V.Lygnugaris, President

### **Auditors**

"KPMG Lietuva"

### **Banks**

AB Vilniaus Bankas  
Berenberg Bank  
AB Bankas Hansabankas  
AB Bankas NORD/LB Lietuva  
AB Sampo Bankas

## **Annual report**

The Management has today discussed and adopted the annual statutory accounts and the annual report.

The annual statutory accounts have been prepared in accordance with Lithuanian Business Accounting Standards. We consider that the accounting policies used are appropriate and that the annual statutory accounts thus give a true and fair view.

We recommend the annual statutory accounts to be approved at the Annual General Meeting.

Klaipėda, 23 March 2005

Management:

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Vytautas Lygnugaris

Board of Directors:

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V.Lygnugaris (Chairman)

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I.Uba

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E. Bernotas

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R. Vyšniauskas

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A.Boicovas

## **Report of the auditor to the shareholders of AB Limarko Shipping Company**

### **Scope**

We have audited the accompanying balance sheet of AB Limarko Shipping Company as at 31 December 2004, and the related statements of income and cash flows for the year then ended.

### **Respective responsibilities of management and auditors**

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

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. 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.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2004, and of the results of its operations and cash flows for the year then ended in accordance with Lithuanian Business Accounting Standards.

**Matter of note**

Without qualifying our opinion, we draw attention to the following matter of note:

The vessel m/v "Seafrost" is included in the assets of AB Limarko Shipping Company by a carrying amount of 12,207 tLTL as at 31 December 2004. However, the 100% indirectly owned subsidiary, United Triumph SA, remains the legal owner of the vessel. The vessel is mortgaged as a security for a loan, included in the financial statements by an amount of 1,267 tLTL.

Klaipėda, 23 March 2005  
KPMG Lietuva

Leif Rene Hansen  
Danish State Authorised  
Public Accountant

Rokas Kasperavičius  
ACCA and Lithuanian  
Certified Auditor

## Balance sheet

(Litas)

Row No.	ASSETS	Note No.	Financial year	Previous financial year
<b>A.</b>	<b>NON-CURRENT ASSETS</b>		118,065,428	98,040,881
I.	INTANGIBLE NON-CURRENT ASSETS		102,473	29,395
I.1.	Development costs			
I.2.	Goodwill			
I.3.	Patents, licences			
I.4.	Software	3	102,473	29,395
I.5.	Other intangible non-current assets			
II.	TANGIBLE NON-CURRENT ASSETS	4	117,377,516	97,456,261
II.1.	Land			
II.2.	Buildings and plant		2,716,348	2,812,658
II.3.	Machinery and equipment			23,219
II.4.	Vessels and transport vehicles		111,161,522	90,958,687
II.5.	Other fixtures, fittings, tools and equipment		320,115	374,166
II.6.	Unfinished construction		3,179,531	3,287,531
II.7.	Other tangible non-current assets			
III.	FINANCIAL NON-CURRENT ASSETS		585,439	555,225
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year		254,424	224,211
III.4.	Other financial non-current assets		331,015	331,014
<b>B.</b>	<b>CURRENT ASSETS</b>		14,871,997	12,899,395
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS		2,998,983	1,437,950
I.1.	Inventories	8	1,232,778	1,158,599
I.1.1.	Raw materials and consumables		1,232,778	1,158,599
I.1.2.	Work in progress			
I.1.3.	Finished goods			
I.1.4.	Goods for resale			
I.2.	Prepayments		1,766,205	279,351
I.3.	Contracts in progress			
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		4,422,581	5,845,136
II.1.	Trade debtors		4,037,882	3,218,243
II.2.	Due from subsidiaries and associated companies			
II.3.	Other amounts receivable		384,699	2,626,893
III.	OTHER CURRENT ASSETS			
III.1.	Short-term investments			
III.2.	Term deposits			
III.3.	Other current assets			
IV.	CASH AND CASH EQUIVALENTS		7,450,433	5,616,309
	<b>TOTAL ASSETS</b>		132,937,425	110,940,276

## Balance sheet

(Litas)

Row No.	EQUITY AND LIABILITIES	Note No.	Financial year	Previous financial year
<b>C.</b>	<b>SHAREHOLDERS' EQUITY</b>		83,870,995	78,770,665
I.	SHARE CAPITAL	11	109,450,664	120,972,450
I.1.	Authorised (subscribed) capital		109,450,664	130,795,186
I.2.	Subscribed capital unpaid			
I.3.	Share premium account			
I.4.	Own shares			-9,822,736
II.	REVALUATION RESERVE (RESULTS)			
III.	RESERVES			
III.1.	Compulsory reserve		6,597,114	6,597,114
III.2.	Reserve for acquiring own shares			
III.3.	Other reserves			
IV.	RETAINED EARNINGS (LOSSES)		-32,176,783	-48,798,899
IV.1.	Current year profit (loss)		5,100,331	-38,543,218
IV.2.	Previous years profit (loss)		-37,277,114	-10,255,681
<b>D.</b>	<b>GRANTS, SUBSIDIES</b>			
<b>E.</b>	<b>AMOUNTS PAYABLE AND LIABILITIES</b>	13	49,066,430	32,169,611
I.	AMOUNTS PAYABLE AFTER ONE YEAR AND LONG-TERM LIABILITIES		32,441,555	21,998,871
I.1.	Financial liabilities		29,491,555	18,098,871
I.1.1.	Leasing (financial lease) or similar liabilities		66,010	145,221
I.1.2.	Credit institutions		29,425,545	17,953,650
I.1.3.	Other financial liabilities			
I.2.	Trade creditors			
I.3.	Prepayments received			
I.4.	Provisions			1,200,000
I.4.1.	Obligations and claims			
I.4.2.	Pensions and similar obligations			
I.4.3.	Other obligations			
I.5.	Deferred tax		2,950,000	2,700,000
I.6.	Other amounts payable and long-term liabilities			
II.	AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT-TERM LIABILITIES		16,624,875	10,170,740
II.1.	Current year portion of long-term debts		8,770,112	5,608,351
II.2.	Financial liabilities			
II.2.1.	Credit institutions			
II.2.2.	Other financial liabilities			
II.3.	Trade creditors		4,900,916	1,314,031
II.4.	Prepayments received		314,354	239,866
II.5.	Payable corporate income tax			
II.6.	Employment related liabilities		2,548,807	2,740,139
II.7.	Provisions			
II.8.	Other amounts payable and short-term liabilities		90,686	268,353
	<b>TOTAL EQUITY AND LIABILITIES</b>		132,937,425	110,940,276

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(Duties of the administration manager of the company)

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(Signature)

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(First and last names)



## Profit and loss account

(Litas)

Row No.	Items	Note No.	Financial year	Previous financial year
<b>I.</b>	<b>SALES</b>		62,208,038	60,736,919
<b>II.</b>	<b>COST OF SALES</b>		54,022,402	57,645,103
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>		<b>8,185,636</b>	<b>3,091,816</b>
<b>IV.</b>	<b>OPERATING EXPENSES</b>		<b>5,355,333</b>	<b>9,288,984</b>
IV.1.	Sales expenses		68,695	
IV.2.	General and administration expenses		5,286,638	9,288,984
<b>V.</b>	<b>OPERATING PROFIT (LOSS)</b>		<b>2,830,303</b>	<b>-6,197,168</b>
<b>VI.</b>	<b>OTHER ACTIVITIES</b>		<b>1,800,559</b>	<b>-3,309,443</b>
VI.1.	Income		1,944,002	62,839
VI.2.	Expenses		143,443	3,372,282
<b>VII.</b>	<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>17</b>	<b>719,469</b>	<b>-999,070</b>
VII.1.	Income		1,712,828	165,947
VII.2.	Expenses		993,359	1,165,017
<b>VIII.</b>	<b>ORDINARY PROFIT (LOSS)</b>		<b>5,350,331</b>	<b>-10,505,681</b>
<b>IX.</b>	<b>EXTRAORDINARY GAIN</b>		<b>0</b>	<b>0</b>
<b>X.</b>	<b>EXTRAORDINARY LOSS</b>		<b>0</b>	<b>0</b>
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>5,350,331</b>	<b>-10,505,681</b>
<b>XII.</b>	<b>CORPORATE INCOME TAX</b>		<b>-250,000</b>	<b>250,000</b>
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>		<b>5,100,331</b>	<b>-10,255,681</b>

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(Duties of the administration manager of the company)

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(First and last names)

## Statement of changes in equity

(Litas)

	Paid in authorised capital	Share premium account	Own shares (-)	Revaluation reserve (results)		Legal reserve		Other reserves	Retained earnings	Total
				Of non-current tangible assets	Of financial assets	Compulsor-ry	For acquiring own shares			
<b>1. Balance at 31 December 2002</b>	130,795,186					6,597,114			-639,062	136,753,238
2. Result of changes in the accounting policies applied									-7,831,825	-7,831,825
3. Result of corrections of fundamental errors										
<b>4. Restated balance at 31 December 2002</b>	130,795,186					6,597,114			-8,470,887	128,921,413
5. Revaluation of tangible non-current assets										
6. Revaluation of financial non-current assets										
7. Acquisition / sale of own shares			-9,822,736							-9,822,736
8. Not recognised profit / loss in the Profit and Loss Account (Reorganisation loss)									-30,072,331	-30,072,331
9. Net profit / loss for the current financial year									-10,255,681	-10,255,681
10. Dividends										
11. Other payments										
12. Reserves allocated										
13. Reserves used										
14. Increase / decrease in capital										
<b>15. Balance at 31 December 2003</b>	130,795,186		-9,822,736			6,597,114			-48,798,899	78,770,665
16. Revaluation of tangible non-current assets										
17. Revaluation of financial non-current assets										
18. Acquisition of own shares										
19. Not recognised profit / loss in the Profit and Loss Account										
20. Net profit / loss for the current financial year									5,100,331	5,100,331
21. Dividends										
22. Other payments										
23. Reserves allocated										
24. Reserves used										
25. Increase / decrease in capital	-21,344,522		9,822,736						11,521,785	0
<b>26. Balance at 31 December 2004</b>	109,450,664					6,597,114			-32,176,783	83,870,995

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(Duties of the administration manager of the company)

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(Signature)

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(First and last names)

## Cash flow statement

(Litas)

Row No.	Items	Note No.	Financial year	Previous financial year
<b>I.</b>	<b>Cash flow from operating activities</b>			
I.1.	Net profit (loss)		5,100,331	-10,255,681
I.2.	Depreciation and amortisation		9,423,632	9,566,265
I.3.	(Increase) decrease in amounts receivable after one year			
I.4.	(Increase) decrease in inventories		-74,179	1,256,619
I.5.	(Increase) decrease in prepayments		-1,463,854	0
I.6.	(Increase) decrease in contracts in progress			
I.7.	(Increase) decrease in trade receivables		-819,639	253,700
I.8.	(Increase) decrease in liabilities of subsidiaries and associates			
I.9.	(Increase) decrease in other amounts receivable		2,181,767	1,294,535
I.10.	(Increase) decrease in other short-term assets			
I.11.	Increase (decrease) in long-term trade payables and received prepayments			
I.12.	Increase (decrease) in short-term trade payables and received prepayments		3,661,373	-1,708,823
I.13.	Increase (decrease) in profit tax liabilities			
I.14.	Increase (decrease) in employment liabilities		-191,332	-1,371,601
I.15.	Increase (decrease) in provisions			
I.16.	Increase (decrease) in other amounts payable and liabilities		-1,127,668	-224,984
I.17.	Elimination of results of financial and investing activities		-20,949	5,021,071
	<b>Net cash flow from operating activities</b>		16,669,482	3,831,101
<b>II.</b>	<b>Cash flow from investing activities</b>			
II.1.	Acquisition of non-current assets (except for investments)		-32,328,196	-2,282,150
II.2.	Transfer of non-current assets (except for investments)		3,627,649	12,419,834
II.3.	Acquisition of long-term investments			
II.4.	Transfer of long-term investments			
II.5.	Loans issued		-100,000	
II.6.	Loans recovered		130,213	
II.7.	Dividends, interest received			
II.8.	Other increase in cash flow from investing activities			52,689
II.9.	Other decrease in cash flow from investing activities			
	<b>Net cash flow from investing activities</b>		-28,670,334	10,190,373

## Cash flow statement

(Litas)

Row No	Items	Note No.	Financial year	Previous financial year
<b>III.</b>	<b>Cash flow from financial activities</b>			
III.1.	Cash flow related to shareholders			
III.1.1.	Emission of shares			
III.1.2.	Owners contributions against losses			
III.1.3.	Redemption of own shares			
III.1.4.	Dividends paid			
III.2.	Cash flow related to other financing sources			
III.2.1.	Increase in financial liabilities			
III.2.1.1.	Loans received		22,176,875	
III.2.1.2.	Bonds emission			
III.2.2.	Decrease in financial liabilities			
III.2.2.1.	Loans repaid		-7,535,846	-24,370,505
III.2.2.2.	Redemption of bonds			
III.2.2.3.	Interest paid		-961,158	-367,982
III.2.2.4.	Leasing (financial lease) payments		-86,584	-159,253
III.2.3.	Increase in other liabilities			
III.2.4.	Decrease in other liabilities			
III.2.5.	Increase in other cash flow from financial activities		241,689	-167,098
III.2.6.	Decrease in other cash flow from financial activities			
	<b>Net cash flow from financial activities</b>		13,834,976	-25,064,838
<b>IV.</b>	<b>Cash flow from extraordinary activities</b>			
IV.1.	Increase in cash flow from extraordinary activities			
IV.2.	Decrease in cash flow from extraordinary activities			
<b>V.</b>	<b>Impact of currency exchange fluctuations on the balance of cash and cash equivalents</b>			
<b>VI.</b>	<b>Increase (decrease) in net cash flow</b>		1,834,124	-11,043,364
<b>VII.</b>	<b>Cash and cash equivalents in the beginning of the period</b>		5,616,309	16,659,673
<b>VIII.</b>	<b>Cash and cash equivalents at the end of the period</b>		7,450,433	5,616,309

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(Duties of the administration manager of the company)

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(Signature)

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(First and last names)

## **Notes to the financial statements**

### **1. Background information**

#### Activity

The main activity of AB Limarko Shipping Company is transportation of cargo by sea transport (vessels). Previously the Company operated mainly in the transportation market of frozen sea cargo. On 17 November 2004 the shareholders meeting took a decision to expand the fleet by acquiring dry cargo vessels. As a result, the main activity of AB Limarko Shipping Company includes transportation of frozen and dry sea cargo. The experience gained, skills and qualification of the staff as well as long-term co-operation with business partners enable the Company to adjust to the specifics of the transportation market of dry sea cargo and expect to work successfully in the future.

#### Market and activity survey

The vessels of AB Limarko Shipping Company operate in the international market of sea cargo transportation and the quality of the services provided comply with international standards. As to the Company's competitiveness in the market, it can be stated that the present potential of the staff and vessels allows to operate successfully in the mentioned market. The scope of sales depends upon a situation in the international market, which is not dependent upon monopolistic users. There are no limitations on supplies with materials, consumables, production areas, labour and financial resources. Materials and services are purchased from different suppliers and therefore the Company is not dependent on a certain supplier.

In accordance with the approved project for reorganisation of AB Klaipėda Transport Fleet and UAB Limarko Shipping Company, dated 6 October 2003, shares of UAB Limarko Shipping Company held by its shareholders were converted into the shares of AB Klaipėda Transport Fleet. The reorganisation process was finished as at 27 February 2004 upon elimination of the by-laws of UAB Limarko Shipping Company and registration of the new by-laws of AB Klaipėda Transport Fleet according to which the share capital was decreased from 130,795,186 LTL to 109,450,664 LTL. On 14 May 2004 AB Klaipėda Transport Fleet was re-named into AB Limarko Shipping Company.

Income for the year 2004 amounted to 62,208,038 LTL, which is by 2.4% more than in 2003. Operating profit, excluding depreciation charge, amounted to 12,253,936 LTL and increased by 263.7%, compared to 2003. Net profit for 2004 amounts to 5,100,331 LTL.

The Company's authorised capital as at 31 December 2004 was 109,450,664 LTL and comprised 109,450,664 ordinary shares at par value of 1 Litas each. All shares are fully paid in. The major shareholders of the Company are: UAB Limarko (67.29%), UAB VB Rizikos Kapitalo Valdymas (25.00%), Skandinaviska Enskilda Banken (5.00%), AB Hansabank (0.97%), other shareholders (1.74%).

Non-current assets of the Company were revaluated prior to 1996 in accordance with the procedure set by the Government of the Republic of Lithuania. The revaluation may be depreciated also for tax purposes. The carrying amount of revaluation as at 31 December 2004 amounts to 785,436 LTL. In the year 2004 the Company acquired two vessels (universal transporting refrigerators "Astra" and "Andromeda"), sold the fully depreciated m/v "Kastytis, built in 1978, and rented two dry cargo vessels. Previously acquired vessels are depreciated over a period of 16 years, the vessels "Astra" and "Andromeda" - over 10 years. The Company has insured its 12 vessels by a total value of 50.2 Mio USD or 127.23 Mio LTL (at the exchange rate of LTL to USD valid as at 31 December 2004). The book value of the vessels as at 31 December 2004, including other vessel assets, was 110,287,790 LTL. An average age of the Company's vessels was 18.8 years at the year end.

As at 31 December 2004 long-term financial assets amounted to 585,439 LTL and included shares of Alpha Reefer Transport GmbH amounting to 331,015 LTL and loans to employees amounting to 254,424 LTL.

The 20% shareholding in Alpha Reefer Transport GmbH is recognised as an investment.

The Company's loans in total amounting to 15,040,000 USD (38,118,880 LTL) as at 31 December 2004 can be specified as follows:

- The balance of the loan granted by Berenberg Bank, Germany, for acquisition of vessels amounts to 500,000 USD (or 1,267,250 LTL at the exchange rate of 1 USD/2.5345 LTL). The loan matures in November 2005. M/v "Seafrost" has been pledged to secure the loan.
- In 2003 a syndicated loan amounting to 7,500,000 USD was granted by AB Vilniaus Bankas, AB Bankas Hansabankas, AB Bankas Nord/LB and AB SAMPO Bankas. The loan should be repaid by 30 September 2008. The loan is secured by pledging m/v "Lyra", m/v "Marsas", m/v "Seda", m/v "Ignalina", m/v "Argo". The loan balance as at 31 December 2004 was 6,000,000 USD (15,207,000 LTL).
- In February 2004 a loan of 3,150,000 USD was granted by AB Bankas Hansabankas for acquisition of the m/v "Astra". The loan matures on 30 June 2009. The loan is secured by pledging m/v "Astra". The loan balance as at 31 December 2004 was 2,940,000 USD (7,451,430 LTL).
- In December 2004 a loan of 5,600,000 USD was granted by AB Vilniaus Bankas for acquisition of m/v "Andromeda". The loan matures on 31 December 2011. The loan is secured by pledging m/v "Andromeda". The loan balance as at 31 December 2004 was 5,600,000 USD (14,193,200 LTL).

The Company leases cars from UAB Nordea Finance Lithuania.

In 2004 the vessels operating in ART pool generated 57.19% of the total income of AB Limarko Shipping Company. At the year end, 8 vessels of the Company operated in ART pool. The vessels m/v "Seda" and "Ignalina" operated on the basis of COA, m/v "Seafrost" - based on the time charter agreement. As of 1 November 2004 the Company rents dry cargo vessels "Sonata" and "Siuita", which operate on the basis of COA. In December 2004 the Company's vessel, m/v "Andromeda", is engaged in the pool, management by the company United Reefer.

During the year 2004 the Company transported 315,043 tons of cargo, which is by 15.52% more than in 2003. An increase was achieved due to a stable percentage of employment of the Company's fleet, a qualified work of the fleet management department and the crews of the fleet, as well as an increase in transportation of other cargo.

As at 31 December 2004 the Company had 429 employees: 389 in the fleet, 40 on shore. The average salary for the worker on shore was 3,842 LTL and for the fleet worker - 4,120 LTL, including daily allowance.

In 2005 the Company is planning to reach sales turnover of 73 Mio LTL. The experience, new markets, and the new fleet renewal program give expectations for stable operating results in the future.

The Company changed accounting policies for deferred tax and vessel repair expenses, which are incurred during inspections of the vessels by class survey companies.

Previously the deferred tax was not accounted for in the financial statements but was disclosed as a contingent liability. The vessels of the Company are subject to regular inspections in order to ensure safe operation of the vessels and to fulfill the requirements of class survey companies. Repair costs incurred during such inspections were booked under the deferred expenses and amortised over a 3 years period. After the change in accounting policies such costs will be expensed when incurred at the balance sheet date. Moreover, the Company booked in the financial statements a provision for own shares in order to meet the requirements of Lithuanian Business Accounting Standards.

The effect of changes in the accounting policy on result and equity could be presented as follows:

LTL'000	2004		2003	
	Equity	Result	Equity	Result
Balance before changes	91,273	4,437	96,658	-10,022
Changes in accounting policy				
Provision for own shares	0	0	-9,822	0
Deferred repair costs	-4,452	913	-5,365	-483
Deferred tax	-2,950	-250	-2,700	250
Total changes	-7,402	663	-17,888	-233
Balance after the changes	<u>83,871</u>	<u>5,100</u>	<u>78,771</u>	<u>-10,255</u>

## **2. Significant accounting policies**

### **Statement of compliance**

The annual accounts of AB Limarko Shipping Company have been prepared in accordance with Lithuanian Business Accounting Standards (BAS).

### **Basis of preparation**

The financial statements are presented in Litas. They are prepared on the historical cost basis.

The preparation of the financial statements in accordance with BAS requires from the management to make judgements, estimates and assumptions that affect on the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

### **Foreign currency transactions**

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

### **Financial risk management**

The company is operating in the international markets, thus is exposed to foreign exchange and liquidity risks.. Methods used to manage these risks can be described as follows:

#### ***Credit risk***

Credit risks, or the risk of counter-parties default, are controlled by application of credit terms and monitoring procedures. The Company has no significant concentration of credit risk with any single counterpart or group of counter-parties.



### ***Foreign exchange risk***

The main part of the Company's transactions in 2004 are denominated USD, therefore the Company is expose to significant foreign currency exchange risk. However, the major part (97%) of sales income is as well received in USD.

Accounts receivable and payable in foreign currencies as of 31 December 2004 could be specified as follows:

'000	Loans	Trade amounts receivable	Trade amounts payable
USD	15,040	1,547	1,282
EUR		33	168

### ***Liquidity risk***

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

### ***Interest rate risk***

The Company's borrowings are subject to variable (fixed) interest rates, related to LIBOR (refer to note 13)

As of 31 December 2003 the Company did not use any financial instruments to hedge its financial risks.

## **Balance sheet**

### **Intangible fixed assets**

Intangible fixed assets are stated at cost price less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over a period of 3-4 years.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost plus revaluation less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials and an appropriate proportion of production overheads.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lifetime is as follows:

Buildings and plant	11-44 years
Vessels	10-16 years
Transport vehicles	4-8 years
Equipment and other assets	2-7 years

### **Investments**

Investments classified as being available-for-sale are stated at fair value, with any resultant gain or loss being recognised in the income statement. When fair value of the investment can not be measured reliably, the investment is valued at the purchase cost less impairment losses.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses.

The cost of the inventories is based on FIFO principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### **Amounts receivable**

Trade and other receivable are stated at their cost less impairment losses.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and cash at bank, including call deposits.

### **Impairment**

The carrying amounts of the company's assets, other than inventories, 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. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. All impairment losses are recognised 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 the 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.

### **Legal reserve**

Following the legislation, annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can not be distributed.

### **Dividends**

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

### **Provisions**

Provision is recognised in the balance when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **Profit and loss account**

#### **Sales**

Revenue from sale of goods and rendering of services is recognised on accrual basis.

Revenue from sale of goods is included in the profit and loss account when the significant risks and rewards of ownership have been transferred to the client.

Long-term contracts are recognised as turnover according to the percentage of completion method.

#### **Cost of sales**

Cost of sales comprises costs including depreciation, wages and salaries and other costs incurred in order to obtain the turnover for the year.

The vessels of the Company are subject to regular inspections in order ensure safe operation of the vessels and fulfill the requirements of class survey companies. The costs of such services and repair costs, if necessary, are recognised when are incurred at the balance sheet date.

### **Operating expenses**

Operating expenses comprise costs regarding sales personnel, advertising, administrative staff, management, office premises and office expenses etc. including depreciation and amortisation.

### **Other income and expenses**

Other operating income and charges comprise items secondary in relation to the primary activities including a rental income in connection with letting of property.

### **Financial and investing income and expenses**

Financial income and expenses comprise interest receivable and payable, realised and unrealised exchange gains and losses regarding debtors and creditors denominated in foreign currencies.

Dividends income is recognised when the shareholder's right to receive payment is established.

### **Extraordinary gains and losses**

Extraordinary gains and losses comprise income and charges resulting from activities other than ordinary ones.

### **Tax on profit for the year**

Income tax on the profit or loss for the year comprises current tax.

Current tax is the expected tax payable on the taxable income using applicable tax rate and calculated in accordance with the tax legislation.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax 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.

A deferred tax asset should only be recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## **Cash flow statement**

The cash flow statement shows the company's inflows and outflows of cash during the year as well as the financial position at year-end.

### **Cash flows from operating activities**

Cash flows arising from operating activities are presented indirectly and are calculated as turnover less operating charges and adjusted for non-cash operating items, changes to the operating capital, financial and extraordinary items paid and corporation tax paid.

### **Cash flows from investing activities**

Cash flows arising from investing activities include payments in connection with the acquisition and sale of fixed assets and investments.

### **Cash flows from financing activities**

Cash flows arising from financing activities include payments to and from shareholders and raising of and repayments of mortgage loans and other long-term and short-term creditors not included under working capital.

### 3. Intangible non-current assets (Litas)

	Items	Develop- ment	Goodwill	Patents, licences, etc.	Software	Other intangible assets	Total
	<b>Balance at the end of the previous financial year</b>				29,395		29,395
<b>a)</b>	<b>Intangible non-current assets at acquisition value</b>						
	At the end of the previous financial year				56,676		56,676
	Financial year changes:						
	- acquisition of assets				79,008		79,008
	- cessions to other persons and written-off assets (-)						
	- transfers from one heading to another +/-(-)						
	<b>At the end of the financial year</b>				135,683		135,683
<b>b)</b>	<b>Amortisation</b>						
	At the end of the previous financial year				27,282		27,282
	Financial year changes:						
	- amortisation in financial year				5,929		5,929
	- written back (-)						
	- amortisation of cessions to other persons and written-off assets (-)						
	- transfers from one heading to another +/-(-)						
	<b>At the end of the financial year</b>				33,211		33,211
<b>c)</b>	<b>Decrease in value</b>						
	At the end of the previous financial year						
	Financial year changes:						
	- decrease in value in financial year						
	- written back (-)						
	- of cessions to other persons and written-off assets(-)						
	<b>At the end of the financial year</b>						
<b>d)</b>	<b>Balance at the end of the financial year (a)-(b)-(c)</b>				102,473		102,473

#### 4. Tangible non-current assets (Litas)

	Items	Land	Buildings and plants	Machinery and equipment	Vessels and transport vehicles	Other fixtures, fittings, tools and equipment	Construction in progress	Other tangible assets	Total
	<b>Balance at the end of the previous financial year</b>		2,812,658	23,219	90,958,687	374,166	3,287,531		97,456,261
<b>a)</b>	<b>Acquisition value</b>								
	At the end of the previous financial year		4,203,870	23,219	134,081,386	893,958	3,287,531		142,489,964
	Financial year changes:								
	- acquisition of assets				32,092,357	133,832			32,226,189
	- cessions and written-off assets (-)				-6,093,133	-142,848	-108,000		-6,343,981
	- transfers from one heading to another +/-(-)			-23,219		23,219			0
	<b>At the end of the financial year</b>		4,203,870	0	160,080,610	908,161	3,179,531		168,372,172
<b>b)</b>	<b>Revaluation</b>								
	At the end of the previous financial year								
	Financial year changes:								
	- increase (decrease) in value +/-(-)								
	- of cessions to other persons and written-off assets (-)								
	- transfers from one heading to another +/-(-)								
	<b>At the end of the financial year</b>								
<b>c)</b>	<b>Depreciation</b>								
	At the end of the previous financial year		1,391,212		43,122,699	519,792			45,033,703
	Financial year changes:								
	- depreciation in financial year		96,310		9,158,679	162,714			9,417,703
	- written back (-)								
	- depreciation of cessions to other persons and written-off assets (-)				-3,362,290	-94,460			-3,456,750
	- transfers from one heading to another +/-(-)								
	<b>At the end of the financial year</b>		1,487,522		48,919,088	588,046			50,994,656
<b>d)</b>	<b>Decrease in value</b>								
	At the end of the previous financial year								
	Financial year changes:								
	- decrease in value in the financial year								
	- written back (-)								
	- of cessions to other persons and written-off assets (-)								
	- transfers from one heading to another +/-(-)								
	<b>At the end of the financial year</b>								
<b>e)</b>	<b>Balance at the end of the financial year (a)+(b)-(c)-(d)</b>		2,716,348		111,161,522	320,115	3,179,531		117,377,516

\* Information about the assets of trust is provided below the table

**5. Pledge of tangible non-current assets**

Name of pledged asset	Book value (Litas)	End date of pledge
8 vessels	85,609,864	31/11/2011

**6. Depreciation rates for tangible non-current assets**

Groups of tangible non-current assets*	Average useful life time (in years)
Buildings and plant	11-44
Machinery and equipment	
Vessels and transport vehicles	4-16
Other fixtures, fittings, tools and equipment	2-7
Other tangible non-current assets	

\* Assets may also be grouped on functional basis

**7. Depreciated tangible non-current assets in use**

Name of asset group	Acquisition cost (Litas)
Transport vehicles	65,450
Other fixtures, fittings, tools and equipment	268,267

**8. Inventories (Litas)**

	Items	Raw materials and consumables	Work in progress	Finished goods	Goods for resale	Total
a)	Acquisition value of inventories					
	At the end of the previous financial year	1,318,599				1,318,599
	At the end of the financial year	1,392,778				1,392,778
b)	Write-down to net realisable value (reversals of write-down)					
	At the end of the previous financial year	-160,000				-160,000
	At the end of the financial year	-160,000				-160,000
c)	Net realisable value at the end of the financial year (a) - (b)	1,232,778				1,232,778
	Differences in valuation if LIFO was used					
	Value of inventories pledged					



**9. Subsidiary companies**

Name of subsidiary company	Type of activity	Controlled share (%)	Shareholders' equity (Litas)	Net profit (loss) (Litas)
None				

**10. Associated companies**

Name of the company	Type of activity	Controlled share (%)	Shareholders' equity (Litas)	Net profit (loss) (Litas)
None				

**11. Structure of the authorised capital**

	Items	Number of shares	Amount (Litas)
	Structure of the share capital at the end of the financial year		
1.	As to type of shares		
1.1.	Common shares	109,450,664	109,450,664
1.2.	Preferred shares		
1.3.	Employees' shares		
1.4.	Special shares		
1.5.	Other shares		
	<b>TOTAL</b>	109,450,664	109,450,664
2.	Capital owned by the state or municipalities		
	Shares owned by the company		
	Shares owned by subsidiaries		

## 12. Draft appropriation of profit

Items	Amount (Litas)
Retained earnings at the end of the previous financial year	-48,798,899
Net result - profit (loss) - for the financial year	5,100,331
Not recognised profit (loss) in the Profit and loss account	11,521,785
Profit (loss) to be distributed at the end of the financial year	-32,176,783
Shareholders' contributions against losses	
Transfers from reserves	
Profit for distribution	
Profit distribution:	
– to legal reserves	
– to other reserves	
– dividends	
– other	
Retained earnings at the end of the financial year	-32,176,783

## 13. State of liabilities (Litas)

	Items	Amounts or part of amounts payable		
		During the financial year	After one year but not more than five years	After five years
	Specification of liabilities per type			
	Financial liabilities (including liabilities to subsidiaries and associated companies)			
1.	Leasing (financial lease) or similar liabilities	76,777	66,010	
2.	Credit institutions	8,693,335	25,370,345	4,055,200
3.	Other financial liabilities			
	<b>Other amounts payable</b>	7,854,763	2,950,000	
	<b>TOTAL</b>	16,624,875	28,386,355	4,055,200

## 14. Information about business segments (Litas)

Items	Segments (of production, goods, types of activities)						Company total	
	A		B		C		20X4	20X3
	20X4	20X3	20X4	20X3	20X4	20X3		
Revenue								
Costs								
Operating profit								

**15. Rights and commitments not disclosed in the Balance sheet (Litas)**

Items	Amount
Guarantees issued or irrevocably promised by the company	
Including: bills of exchange in circulation endorsed by the company	
Other (to be specified)	

**Commitments and restriction**

In connection to the loan received from Berenberg Bank, the Company is obliged that United Triumph S.A will remain the owner of the vessel m/v "Seafrost" throughout the lifetime of the loan agreement. If the major shareholder of the Company sells its shares or reduces the shareholding below 51%, the bank is entitled to terminate the loan agreement with a prior 30 days notice.

**16. Financial relations with management and other related parties (Litas)**

	Items	Financial year	Previous financial year	Balance at the end of the financial year
A.	Amounts related to labour relations paid to:			
1.	Management	953,955	601,595	
2.	Other related parties			
B.	Loans issued by the company to:			
1.	Management	100,000		157,666
2.	Other related parties			
C.	Loans received:			
1.	From management			
2.	From other related parties			
D.	Assets given free of charge to :			
1.	Management		120,800	
2.	Other related parties			
E.	Guarantees issued on behalf of the company to:			
1.	Management			
2.	Other related parties			
F.	Other significant amounts calculated during the year to:			
1.	Management		35,420	
2.	Other related parties			
G.	Other significant commitments from:			
1.	Management			
2.	Other related parties			
H.	Assets sold to:			
1.	Management			
2.	Other related parties			
	Average number of management during the year	6	8	

**17. Results from financial and investing activities (Litas)**

	Items	Financial year	Previous financial year
a)	<b>INCOME FROM FINANCIAL AND INVESTING ACTIVITIES</b>	1,712,828	165,947
	Specification of material amounts:		
	Positive currency exchange rate difference	1,631,145	0
	Interest income	62,613	139,327
	Dividends income	19,070	26,620
b)	<b>EXPENSES FROM FINANCIAL AND INVESTING ACTIVITIES</b>	993,359	1,165,017
	Specification of material amounts:		
	Negative currency exchange rate difference	0	797,035
	Interest expense	961,158	367,982
	Penalties and fines	31,607	
	Other expenses	594	
c)	<b>RESULT FROM FINANCIAL AND INVESTING ACTIVITIES (a-b)</b>	719,469	-999,070

**18. Exchange of goods and services (Litas)**

Name of goods and services	Financial year	Previous financial year
None		

**19. Extraordinary items (Litas)**

	Items	Financial year	Previous financial year
a)	<b>TOTAL EXTRAORDINARY GAIN</b>		
	Specification of amounts:		
	None		
b)	<b>TOTAL EXTRAORDINARY LOSS</b>		
	Specification of amounts:		
	None		

**20. Information about correction of errors (Litas)**

The name of corrected financial statement item and description of the error	Size of the error	Amount before correction	Amount after correction
None			

**21. Transactions with related parties**

During 2004 the Company carried out transactions with the related party, UAB Limarko:

<u>LTL'000</u>	<u>Sales</u>	<u>Purchases</u>
UAB Limarko	44	2,001

Balances of receivable and payable include the following amounts:

<u>LTL'000</u>	<u>Receivable 31/12/2004</u>	<u>Payable 31/12/2003</u>
UAB Limarko	8	0

**22. Deferred tax**

Changes in the deferred tax incurred during the years 2004 and 2003 can be presented as follows:

<u>LTL'000</u>	<u>2004</u>	<u>2003</u>
Result for the year before taxation	5,350	-10,506
Changes in temporary differences	3,729	3,795
Permanent differences	1,069	2,885
Taxable result for the year	10,148	-3,826
Taxable loss carried forward	-10,148	0
Profit tax expense for the period	0	0
Change in deferred tax	250	-250
Profit tax recognised in the income statement	250	-250
Temporary differences	42,891	45,614
Deferred repair expenses	0	5,365
Taxable loss carried forward	-23,224	-32,979
Temporary differences, net	19,667	18,000

Deferred tax assets and liabilities evaluated at a 15% profit tax rate can be specified as follows:

	<u>31/12/2004</u>	<u>31/12/2003</u>
Deferred tax assets:		
Taxable loss carried forward	3,400	5,000
Deferred tax asset, net	<u>3,400</u>	<u>5,000</u>
Deferred tax liability:		
Book value of assets used for investment incentives	6,350	6,900
Deferred repair expenses	0	800
Deferred tax liability, net	<u>6,350</u>	<u>7,700</u>
Deferred tax, net	<u><u>2,950</u></u>	<u><u>2,700</u></u>