**AB Vilniaus Vingis**

# Annual Accounts for the year 2003

# Contents

# Company details

**AB Vilniaus Vingis**

| | |
|---|---|
| Telephone | + 370 5 239 25 00 |
| Telefax | + 370 5 239 25 55 |
| Registered office: | Savanorių pr. 176,<br>Vilnius, LT-2600 Lithuania |

### Supervisory Council

Domininkas Kašys (Chairman)
Kęstutis Dagilis

### Board of Directors

Vaclovas Šleinota (Chairman)
Nerijus Dagilis
Giedrius Barysas
Vladislovas Cybas
Valdas Petrauskas
Rimvydas Savickas

### Management

Vaclovas Šleinota (Managing director)
Rimvydas Savickas (Technical director)
Vladislovas Cybas (Marketing director)
Darius Ožiūnas (Finance director)
Valdas Petrauskas (Geba complex production director)
Jonas Mažuolis (Valba complex production director)
Mečislovas Šakalys (Gija complex production director)
Jonas Čaplikas (Procurement director)
Antanas Savickas (Quality director)
Vaclovas Požėla (Personnel director)

### Auditors

KPMG Lietuva

### Bankers

Vilnius Bank
Nordea Bank PLC Vilnius branch
Snoras Bank
Hansa-LTB Bank
Vereins-und Westbank AG Vilnius branch

# Financial highlights

| LTL'000 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|
| **Key figures** | | | | |
| **Turnover** | **128,103** | **152,420** | **137,652** | **120,367** |
| Gross profit | 28,425 | 35,442 | 30,445 | 24,840 |
| Operating profit | 11,824 | 17,226 | 12,592 | 8,998 |
| Profit before taxation | 11,166 | 16,284 | 10,846 | 9,167 |
| **Profit for the year** | **9,531** | **13,656** | **11,226** | **9,108** |
| Non-current assets | 49,770 | 53,885 | 48,573 | 42,933 |
| Current assets | 40,640 | 42,305 | 42,172 | 32,512 |
| **Total assets** | **90,410** | **96,190** | **90,745** | **75,445** |
| Share capital | 36,493 | 36,493 | 36,493 | 45,616 |
| **Capital and reserves** | **63,457** | **66,086** | **52,288** | **57,730** |
| Non-current liabilities | 307 | 58 | 311 | 743 |
| Current liabilities | 26,646 | 30,046 | 38,146 | 16,972 |
| Net cash flow from operating activities | 24,017 | 21,207 | 14,563 | 11,412 |
| Net cash flow from investing activities | -6,677 | -14,572 | -13,915 | -13,353 |
| Net cash flow from financing activities | -15,456 | -7,342 | -699 | 1,668 |
| **Total cash flow** | 1,884 | -707 | -51 | -273 |
| **Average number of employees** | 2,238 | 2,269 | 2,244 | n/a |
| **Financial ratios** | | | | |
| Net profit ratio | 8.7% | 11.3% | 9.1% | 7.5% |
| Return on investment | 12.4% | 17.9% | 13.9% | 11.9% |
| Gross margin | 22.2% | 23.3% | 22.1% | 20.6% |
| Current ratio | 152.5% | 140.8% | 110.6% | 191.6% |
| Equity ratio | 70.2% | 68.7% | 57.6% | 76.5% |
| **Return on equity** | **14.7%** | **23.1%** | **20.4%** | **16.8%** |

# Financial highlights

## Calculation of financial ratios

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

# 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, 20 February 2004

Management:

------------------------
Vaclovas Šleinota
Managing director

Board of Directors:

| | | |
|---|---|---|
| ----------------------- | ------------------- | --------------------- |
| Vaclovas Šleinota (Chairman) | Nerijus Dagilis | Giedrius Barysas |
| ----------------------- | ------------------------ | ---------------------- |
| Vladislovas Cybas | Rimvydas Savickas | Valdas Petrauskas |

# Report of the auditor to the shareholders of AB Vilniaus Vingis

## Scope

We have audited the accompanying balance sheet of AB Vilniaus Vingis 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 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.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Vilniaus Vingis as at 31 December 2003, and of the results of its operations and its cash flows for the year then ended in conformity with the International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Vilnius, 20 February 2004
KPMG Lietuva

Leif Rene Hansen
Danish State Authorised
Public Accountant

Jekaterina Jocienė
ACCA and Lithuanian
Certified Auditor
Certificate No. 0425

390.670.JJ/EKr

# Profit and loss account for the year ended 31 December

| | Note | 2003 | 2002 |
|---|---|---|---|
| | | Litas'000 | Litas'000 |
| **Turnover** | 2 | 128,103 | 152,420 |
| Production costs | | -99,678 | -116,978 |
| **Gross profit** | | 28,425 | 35,442 |
| Distribution expenses | 3 | -4,081 | -4,907 |
| Administrative expenses | 4 | -13,792 | -14,326 |
| Other operating income, net | 5 | 1,272 | 1,017 |
| **Operating profit** | | 11,824 | 17,226 |
| Financial income, net | 6 | -658 | -942 |
| **Profit before tax** | | 11,166 | 16,284 |
| Profit tax | 7 | -1,635 | -2,628 |
| **Net profit for the year** | | 9,531 | 13,656 |
| Earnings per share | 8 | 1.05 | 1.54 |

# Balance sheet at 31 December

| | Note | 2003 | 2002 |
|---|---|---|---|
| | | Litas'000 | Litas'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 49,090 | 52,225 |
| Intangible assets | 10 | 382 | 1,095 |
| Other investments | 11 | 0 | 251 |
| Deferred tax assets | 12 | 298 | 314 |
| **Total non-current assets** | | 49,770 | 53,885 |
| **Current assets** | | | |
| Inventories | 13 | 14,817 | 13,726 |
| Trade receivables | | 21,314 | 24,466 |
| Other receivables | 14 | 2,394 | 3,882 |
| Cash and cash equivalents | 15 | 2,115 | 231 |
| **Total current assets** | | 40,640 | 42,305 |
| **TOTAL ASSETS** | | 90,410 | 96,190 |

# Balance sheet at 31 December

| | Note | 2003 | 2002 |
|---|---|---|---|
| | | Litas'000 | Litas'000 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | 16 | | |
| Share capital | | 36,493 | 36,493 |
| Share premium | | 2,211 | 2,211 |
| Reacquired own shares | | -972 | -177 |
| Hedging reserve | | 57 | 65 |
| Legal and other reserves | | 9,114 | 9,114 |
| Retained earnings | | 16,554 | 18,380 |
| **Total capital and reserves** | | 63,457 | 66,086 |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | 17 | 307 | 58 |
| **Total non-current liabilities** | | 307 | 58 |
| **Current liabilities** | | | |
| Interest bearing loans and borrowings | 17 | 8,199 | 11,836 |
| Trade creditors | | 12,955 | 11,743 |
| Other creditors | 18 | 5,492 | 6,467 |
| **Total current liabilities** | | 26,646 | 30,046 |
| **Total liabilities** | | 26,953 | 30,104 |
| **TOTAL EQUITY AND LIABILITIES** | | 90,410 | 96,190 |
| **Contingencies** | 19 | | |
| **Staff costs** | 20 | | |
| **Related party transactions** | 21 | | |
| **Foreign currency** | 22 | | |

# Statement of changes in shareholders' equity for the year ended 31 December

| LTL'000 | Share capital | Share premium | Own shares | Hedging reserve | Legal and other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| Capital and reserves at 31 December 2001 | 36,493 | 2,211 | 0 | -59 | 8,660 | 4,983 | 52,288 |
| Transfer to legal reserve | 0 | 0 | 0 | 0 | 454 | -454 | 0 |
| Acquisition of own shares | 0 | 0 | -4,433 | 0 | 0 | 0 | -4,433 |
| Disposal of own shares | 0 | 0 | 4,451 | 0 | 0 | 0 | 4,451 |
| Gain on disposal of own shares | 0 | 0 | -195 | 0 | 0 | 195 | 0 |
| Movement in hedging reserve | 0 | 0 | 0 | 124 | 0 | 0 | 124 |
| Net income for 2002 | 0 | 0 | 0 | 0 | 0 | 13,656 | 13,656 |
| Capital and reserves at 31 December 2002 | 36,493 | 2,211 | -177 | 65 | 9,114 | 18,380 | 66,086 |
| Dividend | 0 | 0 | 0 | 0 | 0 | -11,357 | -11,357 |
| Acquisition of own shares | 0 | 0 | -795 | 0 | 0 | 0 | -795 |
| Movement in hedging reserve | 0 | 0 | 0 | -8 | 0 | 0 | -8 |
| Net income for 2003 | 0 | 0 | 0 | 0 | 0 | 9,531 | 9,531 |
| Capital and reserves at 31 December 2003 | 36,493 | 2,211 | -972 | 57 | 9,114 | 16,554 | 63,457 |

# Cash flow statement

| Litas'000 | 2003 | 2002 |
|---|---|---|
| Result after tax | 9,531 | 13,656 |
| Adjustments for: | | |
| Depreciation and amortisation | 10,301 | 9,230 |
| Amortisation of grants | 0 | -17 |
| Subsidies received | -86 | -77 |
| Property, plant and equipment sold, written off, etc. | 477 | -1 |
| Result from sale of securities | 0 | -22 |
| Deferred taxation | 16 | 66 |
| Provision for obsolete inventories | 83 | -175 |
| Provision for doubtful receivables | -61 | 199 |
| Accrual for current taxation | 1,619 | 2,562 |
| Vacation reserve | -193 | 50 |
| Financial income and expenses | 658 | 942 |
| Net cash inflow from ordinary activities before any change in working capital | 22,345 | 26,413 |
| Change in trade and other receivables | 4,685 | -1,959 |
| Change in inventories | -1,174 | 352 |
| Change in trade creditors and other creditors | 2,031 | -2,657 |
| Net cash inflow from ordinary activities | 27,887 | 22,149 |
| Net interest received/paid | -658 | -942 |
| Profit tax paid | -3,214 | 0 |
| **Net cash inflow from operating activities** | 24,015 | 21,207 |
| Acquisition of property, plant and equipment | -6,091 | -13,853 |
| Acquisition / sale of investments | 251 | 295 |
| Capitalisation of intangible fixed assets | -1,168 | -1,121 |
| Disposal of property, plant and equipment | 331 | 107 |
| **Net cash outflow from investing activities** | -6,677 | -14,572 |

Carried forward

# Cash flow statement

| Litas'000 | 2003 | 2002 |
| --- | --- | --- |
| Brought forward | | |
| Decrease in share capital | 0 | -460 |
| Subsidies received | 86 | 77 |
| Acquisition of own shares | -795 | -4,433 |
| Proceeds from sales of treasury shares | 0 | 5,284 |
| Dividend paid | -11,357 | -11 |
| Change in long term borrowings | 249 | -236 |
| Change in short-term borrowings | -3,637 | -7,563 |
| **Net cash inflow/(outflow) from financing, net** | -15,454 | -7,342 |
| **Net cash inflow/outflow from operating activities, investing activities and financing** | 1,884 | -707 |
| Cash and cash equivalents at 1 January | 231 | 938 |
| **Cash and cash equivalents at 31 December** | 2,115 | 231 |

# Notes to the annual accounts

## 1 Summary of significant accounting policies and practises

The joint stock company AB Vilniaus Vingis (the Company) is a publicly listed company domiciled in Lithuania. The Company is involved in the manufacture of electronic components. The main products are deflection yokes and transformers. As at 31 December 2003, the Company employed 2,200 employees.

The Company's shares were traded on the Official List of the National Stock Exchange of Lithuania (NSEL).

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 thousand Litas. They are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value, and except for 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 9.

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

### 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.

# Notes to the annual accounts

### Derivative financial instruments

The Company uses derivative financial instruments (copper futures) to hedge its exposure to copper price variation risks arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged (refer to accounting policy on hedging below).

### Hedging

### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognized in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss recognized in equity is recognized in the income statement immediately.

## 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. During 2001, the Company made a valuation of a major part of property, plant and equipment, which was acquired prior to 1 January 1996. The summary of valuation is provided in Note 9.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other 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, and major components that are accounted for separately. The estimated useful lives are as follows:

- buildings 8 - 60 years
- plant, machinery and equipment 2 - 15 years
- motor vehicles 5 - 6 years
- other assets 2 - 8 years

Assets with the cost of less than Litas 500 and useful life less than 1 year are expensed in the year of acquisition.

## 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 the Company has sufficient resources and is planning to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses, should there be a substantial doubt that the improved product will be implemented for commercial production.

# Notes to the annual accounts

Development costs that have been capitalised are amortised from the commencement of the commercial production of the related product over the period of the expected benefit.

Other 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 1 -3 years period.

## Investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other investments held by the Company are classified as being available-for-sale under non-current assets and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

Investments held for trading and available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investments.

## Trade and other receivables

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

## 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.

# Notes to the annual accounts

## 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.

## Repurchase of own shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as own shares and presented as a deduction from total equity. Any gain or loss resulting from repurchase or disposal of own shares is recognized directly in equity.

## Dividends

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

## Grants received

Grants received relating to the acquisition of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Grants received as a compensation of expenses are recognised in the profit and loss account in the period the mentioned expenses were incurred.

## Interest-bearing borrowings

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.

# Notes to the annual accounts

## 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.

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.

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.

# Notes to the annual accounts

### 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 only business segment (basis for primary reporting format) is the manufacture of electronic components.

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, Germany, Hungary, England, Spain and Belarus. 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:

| | Sales | | Total assets | | Capital expenditure | |
|---|---|---|---|---|---|---|
| Litas'000 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Lithuania | 40,630 | 47,182 | 90,410 | 96,190 | 6,091 | 13,853 |
| Germany | 37,148 | 54,930 | 0 | 0 | 0 | 0 |
| Hungary | 22,114 | 12,294 | 0 | 0 | 0 | 0 |
| England | 12,065 | 17,386 | 0 | 0 | 0 | 0 |
| Spain | 6,652 | 10,811 | 0 | 0 | 0 | 0 |
| Belarus | 333 | 5,804 | 0 | 0 | 0 | 0 |
| Other countries | 9,161 | 4,013 | 0 | 0 | 0 | 0 |
| | 128,103 | 152,420 | 90,410 | 96,190 | 6,091 | 13,853 |

| | 2003 | 2002 |
|---|---|---|
| | Litas '000 | Litas '000 |
| **3 Distribution expenses** | | |
| Commissions | 1,695 | 1,933 |
| Transportation | 1,015 | 1,625 |
| Salaries and social insurance | 732 | 689 |
| Other | 639 | 660 |
| | 4,081 | 4,907 |

# Notes to the annual accounts

| | | 2003 | 2002 |
|---|---|---|---|
| | | Litas '000 | Litas '000 |
| 4 | **Administrative expenses** | | |
| | Salaries and social insurance | 4,187 | 4,038 |
| | Repairs | 1,282 | 2,345 |
| | Teritory guards and cleaning | 1,079 | 1,134 |
| | Depreciation | 674 | 808 |
| | Road tax | 639 | 782 |
| | Cars exploatation | 569 | 557 |
| | Utilities | 447 | 417 |
| | Real estate tax | 217 | 420 |
| | Business trips | 163 | 184 |
| | Employee training | 76 | 199 |
| | Transportation | 69 | 42 |
| | Other | 4,390 | 3,400 |
| | | 13,792 | 14,326 |
| 5 | **Other operating income, net** | | |
| | Rental income | 1,083 | 958 |
| | Subsidies received | 86 | 77 |
| | Gains of sales of raw materials | 81 | 75 |
| | Profit on disposal of property, plant and equipment | 15 | 0 |
| | Other gains and losses | 7 | -93 |
| | | 1,272 | 1,017 |
| 6 | **Financial income, net** | | |
| | Interest expense on bank borrowings | -452 | -877 |
| | Foreign exchange transaction gain, net of loss | -171 | -99 |
| | Other gains and losses | -35 | 34 |
| | | -658 | -942 |

# Notes to the annual accounts

| | | 2003 | 2002 |
|---|---|---|---|
| | | Litas '000 | Litas '000 |
| 7 | **Profit tax** | | |
| | Current tax | 1,674 | 2,562 |
| | Profit tax corrections previous periods | -55 | 0 |
| | Change in deferred taxation | 16 | 66 |
| | Tax for the period | 1,635 | 2,628 |

The reconciliation of effective tax rate is as follows:

| | 2003 | 2002 |
|---|---|---|
| Result before tax | 11,166 | 16,284 |
| Permanent differences: | | |
| Bonuses, presents to employees | 99 | 312 |
| Other non-deductible expenses | 84 | 753 |
| Result on sale of own shares | 0 | 195 |
| Non-taxable income | -35 | -19 |
| Charity | -46 | -165 |
| Temporary differences: | | |
| Change in vacation reserve | -792 | 50 |
| Provision for obsolete inventories | 83 | -175 |
| Change in accrued audit fee | 21 | -21 |
| Change in tax allowable provisions for debtors an other assets | 88 | -57 |
| Expensed research | 489 | -78 |
| Taxable profit | 11,157 | 17,079 |
| Profit tax at rate of 15% | 1,674 | 2,562 |

# Notes to the annual accounts

The movement on deferred tax asset account is as follows:

| Litas '000 | 2003 | 2002 |
|---|---|---|
| 1 January | 314 | 380 |
| Change in deferred tax asset | -16 | -66 |
| Deferred tax at 31 December | 298 | 314 |

## 8 Earnings per shares

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 profit for the year | 9,531 | 13,656 |
| Weighted average number of shares in issue less treasury shares (thousand) | 9,078 | 8,857 |
| Basic earnings per share | 1.05 | 1.54 |

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

## 9 Property, plant and equipment

| Litas'000 | Buildings | Machinery and equipment | Motor Vehicles | Furniture and fittings | Construc-tion in progress | Total |
|---|---|---|---|---|---|---|
| Cost at 1 January | 24,377 | 38,248 | 2,286 | 24,478 | 1,602 | 90,991 |
| Additions | 131 | 1,016 | 100 | 638 | 4,206 | 6,091 |
| Disposals | -818 | -77 | 0 | -5 | 0 | -900 |
| Write-off | 0 | -624 | -1 | -402 | -489 | -1,516 |
| Reclassifications | 379 | 2,458 | 31 | 719 | -3,587 | 0 |
| Cost at 31 December | 24,069 | 41,021 | 2,416 | 25,428 | 1,732 | 94,666 |
| Depreciation at 1 January | 7,597 | 18,960 | 902 | 11,307 | 0 | 38,766 |
| Depreciation for the year | 420 | 4,381 | 430 | 3,187 | 0 | 8,418 |
| Disposals | -503 | -76 | 0 | -5 | 0 | -584 |
| Write-offs | 0 | -621 | -1 | -402 | 0 | -1,024 |
| Reclassifications | 0 | -53 | 0 | 53 | 0 | 0 |
| Depreciation at 31 December | 7,514 | 22,591 | 1,331 | 14,140 | 0 | 45,576 |
| **Net book value at 31 December** | 16,555 | 18,430 | 1,085 | 11,288 | 1,732 | 49,090 |
| Net book value at 1 January | 16,780 | 19,288 | 1,384 | 13,171 | 1,602 | 52,225 |
| Depreciated over | 8-60 years | 2-15 years | 5-6 years | 2-8 years | | |

Depreciation has been allocated as follows:

| | 2003 | 2002 |
|---|---|---|
| | Litas'000 | Litas'000 |
| Production and production development costs | 7,362 | 6,831 |
| Selling, administrative and other costs | 1,056 | 1,185 |
| Total | 8,418 | 8,016 |

# Notes to the annual accounts

## Security

At 31 December 2003, property, plant and equipment with a carrying amount of 15,014 tLitas (2002: 10,870 tLitas) are pledged to secure bank loans (refer Note 19).

## Revaluations

Four revaluations of property, plant and equipment were performed during the period between 1 January 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 March 1992 | 2 - 5 times |
| Effective from 1 April 1994 | 1.4 - 14 times |
| Effective from 31 December 1995 | 1.6 - 1.7 times |

Buildings, which were indexed in the period of 1991 to 1995 have been subject to appraisal by an independent valuator in the end of 2001. The market value of fast sale as evaluated approximated the book value at the time of the appraisal. No independent valuation has been made afterwards and the assets are carried at indexed cost less accumulated depreciation.

The machinery and other assets, which were subject to indexation during 1991 to 1995 do not comprise a material amount compared to total property, plant and equipment.

There are no indications that the carrying amount of the indexed assets differs materially from that which would be determined using fair value at the balance sheet date.

# Notes to the annual accounts

## 10 Intangible fixed assets

| | Develop-ment costs | Software, etc. | Total |
|---|---|---|---|
| Cost at 1 January | 2,530 | 1,245 | 3,775 |
| Additions during the period | 884 | 284 | 1,168 |
| Disposals, write offs | 0 | -78 | -78 |
| Cost at 31 December | 3,414 | 1,451 | 4,865 |
| Amortisation at 1 January | 1,708 | 972 | 2,680 |
| Amortisation for the period | 1,706 | 175 | 1,881 |
| Depreciation on disposals, write offs | 0 | -78 | -78 |
| Amortisation at 31 December | 3,414 | 1,069 | 4,483 |
| **Net book value at 31 December** | 0 | 382 | 382 |
| Net book value at 1 January | 822 | 273 | 1,095 |
| Amortised over | 1-2 years | 1-3 years | |

Amortisation is included under production costs and operating expenses.

## 11 Other investments

Non-current investments:

| Litas'000 | 2003 | 2002 |
|---|---|---|
| Equity securities available for sale at 1 January | 251 | 511 |
| Sale of equity securities available for sale | -251 | -260 |
| **Net book value at 31 December** | 0 | 251 |

The investments outstanding as at 31 December 2002 comprised 100% shares of UAB Sertika. The shares were sold during 2003 for tLTL 251 realising 0 profit.

# Notes to the annual accounts

## 12 Deferred tax asset

| Litas'000 | 2003 Temporary diff. | 2003 Deferred tax (15%) | 2002 Temporary diff. | 2002 Deferred tax (15%) |
|---|---|---|---|---|
| Part of vacation reserve | 538 | 81 | 1,330 | 199 |
| Provision for inventories | 742 | 111 | 659 | 99 |
| Receivables provision | 165 | 25 | 171 | 26 |
| Accrued audit fee | 52 | 8 | 0 | 0 |
| Research costs not deducted | 489 | 73 | 0 | 0 |
| Other | 0 | 0 | -65 | -10 |
| **Net book value at 31 December** | 1,986 | 298 | 2,095 | 314 |

## 13 Inventories

| | 2003 Litas '000 | 2002 Litas '000 |
|---|---|---|
| Raw materials | 9,080 | 8,430 |
| Work in progress | 783 | 1,068 |
| Finished goods | 3,188 | 2,745 |
| Other | 1,766 | 1,483 |
| **Net book value at 31 December** | 14,817 | 13,726 |

Raw materials consist of plastics, wires, metals and other materials used in production.

At 31 December 2003 inventories up to carrying amount of 13,000 tLitas (2002: 17,264 tLitas) are pledged to secure bank loans (refer Note 19).

# Notes to the annual accounts

| | | 2003 | 2002 |
|---|---|---|---|
| | | Litas '000 | Litas '000 |
| **14** | **Other receivables** | | |
| | Receivables from the State | 885 | 2,412 |
| | Prepayments and deferred charges | 661 | 399 |
| | Other receivables | 848 | 1,071 |
| | Net book value at 31 December | 2,394 | 3,882 |
| **15** | **Cash and cash equivalents** | | |
| | Cash at bank | 2,068 | 198 |
| | Cash in hand | 47 | 33 |
| | **Cash and cash equivalents at the end of the year** | 2,115 | 231 |

At 31 December 2003 cash in bank and inflows into bank accounts up to 18,000 tLitas (2002: 18,127 tLitas) are pledged to secure bank loans (refer Note 19).

**16 Capital and reserves**

### Share capital

The share capital comprises 9,123 thousand ordinary shares with a nominal value of Litas 4 each (5 Litas in 2000) and total share capital of 36,493 tLitas.

### Reacquired own shares

The Company's shareholders' meeting held on 22 March 2003 has passed a decision to reacquire up to 912,300 own shares, for which the reserve has been allocated in retained earnings. The Company reacquired its shares in the National Stock Exchange of Lithuania as follows:

| | Number of shares, thousand | Treasury shares, 000'Litas |
|---|---|---|
| At 1 January | 38 | 177 |
| Treasury shares acquired in the market | 88 | 795 |
| At 31 December | 126 | 972 |

# Notes to the annual accounts

## Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

## Legal and other reserves

Legal reserve in amount of 1,438 tLitas is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the net profit, if available for distribution, are required until the legal reserve reachs 10% of the authorised capital. Proposed allocation to the legal reserve amounts to 467 tLitas, which was calculated based on the net result as per statutory annual accounts for 2003.

The other reserves in amount of 7,676 tLitas relate to the investment tax relief used by the company in 1998 and 1999. When calculating profit tax, the company applied a relief regarding the net investment into tangible non-current assets. If the reserve is distributed, a profit tax shall not be paid on the reserve before the distribution, according to the amended tax legislation.

## Proposed dividend

Proposed dividend amounts to 10,797 tLitas for 2003.

| | | 2003 | 2002 |
|---|---|---|---|
| | | Litas '000 | Litas '000 |
| **17** | **Interest bearing loans and borrowings** | | |
| | **Non-current liabilities** | | |
| | Leasing obligations | 307 | 0 |
| | Secured bank loans | 0 | 58 |
| | Net book value at 31 December | 307 | 58 |
| | **Current liabilities** | | |
| | Leasing obligations | 99 | 0 |
| | Current portion of secured loans | 58 | 230 |
| | Short term, secured financing facility | 8,042 | 11,606 |
| | **Net book value at 31 December** | 8,199 | 11,836 |

# Notes to the annual accounts

## Terms and repayment schedule

Loans are payable as follows:

| | Total | 1 year or less | 1 - 5 years |
|---|---|---|---|
| Loan of 17 tEuro | 58 | 58 | 0 |
| Credit facility of 2,329 tEuro | 8,042 | 8,042 | 0 |
| **Total** | 8,100 | 8,100 | 0 |

Financial lease liabilities are payable as follows:

| Litas | Total payments | Interest | Principal |
|---|---|---|---|
| Less than 1 year | 112 | 13 | 99 |
| Between 1 and 5 years | 328 | 21 | 307 |
| | 440 | 34 | 406 |

Loan and leasing interest rates are in accordance with the market conditions.

| | | 2003 | 2002 |
|---|---|---|---|
| | | Litas '000 | Litas '000 |
| 18 | **Other creditors** | | |
| | Taxes, salaries and social insurance payable | 3,030 | 4,352 |
| | Vacation reserve | 1,137 | 1,330 |
| | Payable for reduction of share capital | 260 | 264 |
| | Dividend payable for previous year | 660 | 257 |
| | Advances | 317 | 220 |
| | Other payables and accrued charges | 88 | 44 |
| | **Net book value at 31 December** | 5,492 | 6,467 |

# Notes to the annual accounts

**19 Contingencies**

The company has pledged its fixed assets of 15,014 tLitas book value as at 31 December 2003 (2002: 10,870 tLitas) to secure bank loans.

At 31 December 2003 inventories up to carrying amount up to 13,000 tLitas (2002: 17,264 tLitas) are pledged to secure bank loans.

At 31 December 2003 cash in bank and inflows into bank accounts up to 18,000 tLitas (2002: 18,127 tLitas) are pledged to secure bank loans.

# Notes without reference

| | | 2003 | 2002 |
|---|---|---|---|
| | | Litas '000 | Litas '000 |
| **20** | **Staff costs** | | |
| | Production and product development costs | 26,538 | 29,514 |
| | Selling, administrative and other expenses | 5,074 | 5,052 |
| | | 31,612 | 34,566 |

Staff costs include wages and salaries and emoluments for the management of 1,657 tLitas (2002: 1,797 tLitas).

The company had 2,200 employees at the end of 2003 (2002: 2,276 employees).

**21 Related party transactions**

During the year 2003, the Company sold its products for LTL 37.4 million to AB Ekranas, a member of the Supervisory Board of which was until 22 April 2003 the managing director of AB Ekranas E. Žvybas.

In 2003, the company rented premises in the center of Vilnius for representation purposes from UAB Hermis Fondu Valdymas. The rent fees paid for 2003 amount to 61 tLitas.

In 2003, the company sold 8,300 shares of UAB Sertika to Jonas Čaplikas (Procurement director) for 150 tLitas and 2,770 shares of UAB Sertika to Antanas Savickas (Quality director) for 50 tLitas, realising neither profit nor loss on the disposals.

In January 2004, by a decision of the Board, the company issued a loan of Litas 6,850 thousand to UAB Snavesta (total amount of the loan according to the agreement signed amounts to 8,000 tLitas), the repayment of the loan was secured by a pledge of 40,000 ordinary shares of AB Snaigė. The maturity of the loan is on 20 December 2004, the interest rate is higher than interest rate paid by the company on the loans.

# Notes without reference

**22 Foreign currency**

As at 31 December 2003, the company held the following positions in foreign currencies, translated into tLTL at the exchange rates ruling at the balance sheet date:

| LTL'000 | Euro | USD | Other |
|---|---|---|---|
| Trade debtors | 10,573 | 82 | 0 |
| Prepayments and other receivables | 124 | 366 | 0 |
| Cash | 1,339 | 55 | 0 |
| Borrowings | -8,199 | 0 | 0 |
| Trade creditors | -5,090 | -7 | 0 |
| Advances received | -206 | 0 | 0 |
| | -1,459 | 496 | 0 |