

**AB KLAIPĖDOS JŪRŲ  
KROVINIŲ KOMPANIJA AND  
SUBSIDIARIES**

*Independent Auditors' Report and  
Financial Statements for the year  
ended 31 December 2004*

# **AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES**

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## INDEPENDENT AUDITORS' REPORT

To the shareholders of AB Klaipėdos jūrų krovinių kompanija:

1. We have audited the accompanying balance sheet of AB Klaipėdos jūrų krovinių kompanija (hereinafter the Company) and the consolidated balance sheet of the Company and its consolidated subsidiaries (hereinafter the Group) as of 31 December 2004 and the related statements of income, changes in equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. The financial statements for the year ended 31 December 2003 were audited by other auditors, whose report dated 9 April 2004 expressed the following opinion qualifications on those financial statements:
  - a) Investment property and fixed assets acquired before 1 January 1996 is accounted for at historical cost less subsequent depreciation as adjusted for indexation, using the indexation rates set by the Government of the Republic of Lithuania. According to International Accounting Standard 16, fixed assets should be accounted for either at cost less subsequent depreciation or at a revalued amount (as determined by independent professional qualified assessors). In the other auditors' opinion, the Group should have used one of these methods to value its fixed assets. There were no practical audit procedures that the other auditors could apply to establish the amount of adjustment, if any, which would be necessary to account for fixed assets in accordance with International Financial Reporting Standards.

The same applies to the financial statements for the year ended 31 December 2004, as further described in paragraph 5 below.
  - b) Construction in progress and prepayments for fixed assets in the balance sheet as at 31 December 2003 include ongoing construction projects amounting to LTL'000 26 673. The other auditors were not able to satisfy themselves as to the economic benefit, which the Group would derive from those projects in the future, and, therefore, not in a position to assess whether the assets in question had been impaired and whether a provision for impairment should have been made in the financial statements.

A significant part of the projects referred to by the other auditors have been completed during 2004. Therefore, the matter referred to by the other auditors, does not apply to the construction in progress as of 31 December 2004.
  - c) In 2003 and 2002, the Group carried out a large number of transactions with its related parties, i.e. the Company's shareholders and the companies controlled by them. The other auditors were not able to satisfy themselves as to the soundness of the value of the assets and liabilities arising from these transactions and to assess a possible effect of these transactions on the Group's financial position and the results of its operations had the Group carried them out with non-related parties.

The same applies to the financial statements for the year ended 31 December 2004, as further described in paragraph 10 below.
3. Except as discussed in paragraphs 5-11, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We did not audit the financial statements of the subsidiaries for the year ended 31 December 2004, since we were not appointed as their auditors. The unaudited subsidiaries represent 1,3% of consolidated asset as of 31 December 2004, 5% of consolidated revenues and loss of subsidiaries amounted to LTL'000 529 for the year then ended.

5. Fixed assets acquired before 1 January 1996 are accounted for at historical cost less subsequent depreciation as adjusted for indexation, using the indexation rates set by the Government of the Republic of Lithuania. The carrying value of such fixed assets, which have been indexed and which are still in use amounts to approximately LTL 62 million as of 31 December 2004. According to International Accounting Standard 16, fixed assets should be accounted for either at cost less subsequent depreciation or at a revalued amount (as determined by independent professional qualified assessors). In our opinion the Group should have used one of these methods to value its fixed assets. We have not been able to satisfy ourselves whether the fixed assets referred to above with a carrying value of approximately LTL 62 million are fairly stated in accordance with International Financial Reporting Standards.
6. Fixed assets, carried at LTL'000 292 490 as of 31 December 2004, include:
  - a) buildings and constructions, which are not used by the Group, with a carrying value of LTL'000 2 299. Since August 2003 the Group has stopped depreciating the buildings and constructions. The Group has not presented reasonable estimations concerning the recoverable amount of the assets. Therefore, we have not been able to satisfy ourselves whether buildings and constructions not in use, with a carrying value of LTL'000 2 299, are fairly stated in accordance with International Financial Reporting Standards.
  - b) machinery and equipment, which are not used by the Group, with a carrying value of LTL'000 29 418. Since April 2004 the Group has stopped depreciating the machinery and equipment. The Group has not presented reasonable estimations concerning the recoverable amount of the assets. Therefore, we have not been able to satisfy ourselves whether machinery and equipment not in use, with a carrying value of LTL'000 29 418, are fairly stated in accordance with International Financial Reporting Standards.
7. We did not participate in a physical count of fixed assets and inventory as of 31 December 2004. Due to the nature of the Group's records, we were unable to satisfy ourselves as to the fixed assets and inventory quantities by means of other auditing procedures.
8. We were not provided with the audited financial statements of the subsidiaries of the Company. Therefore, we have not been able to satisfy ourselves whether financial investments, carried at a value of LTL'000 10 694 as of 31 December 2004 in the Company's financial statements and the net assets and the results of the subsidiaries in the Group's financial statements as of 31 December 2004 are fairly stated in accordance with International Financial Reporting Standards.
9. We were not provided with audited financial statements of the associated companies. Therefore, we have not been able to satisfy ourselves whether financial investments, carried at a value of LTL'000 41 as of 31 December 2004 and the Group's proportionate share of the result in associates for the year then ended, LTL'000 49, are fairly stated in accordance with International Financial Reporting Standards.
10. In 2004 the Group carried out a large number of transactions with its related parties, i.e. the Company's shareholders and the Companies controlled by them. There were no practical audit procedures that we could apply to enable us to obtain reasonable assurance about the soundness of the value of the assets and liabilities arising from these transactions and to assess a possible effect of these transactions on the Group's financial position and the results of its operations had the Group carried them out with non-related parties.
11. As of 31 December 2004 the Group's recorded accrued vacation pay reserve and related social security expenses amounted to LTL'000 416. In our judgment, the vacation pay reserve recorded by the Group is inadequate. The Group has not presented a reliable calculation of its vacation pay obligations as of 31 December 2004. Therefore, we have not been able to satisfy ourselves whether the Group's vacation pay reserve, recorded at LTL'000 416 as of 31 December 2004, is fairly stated in accordance with International Financial Reporting Standards.
12. Inventory, carried at LTL'000 6 082 as of 31 December 2004, include:
  - a) low-value assets with a carrying value of LTL'000 645, which is not expected to bring benefit in a foreseeable future. International Financial Reporting Standards require that such assets should be written off by decreasing current period result. If these inventory would be written off, the results of the current year, inventory and equity would decrease by LTL'000 645.
  - b) slow moving inventory with a carrying value of LTL'000 2 593. As of 31 December 2004 the Group has recorded a provision for slow moving inventory in the amount of LTL'000 524. In our judgment, the provision made by the Group is inadequate and should be increased by LTL'000 2 069. If the provision would be increased, the Group's inventory, equity and current year result would decrease by LTL'000 2 069.

13. In our opinion, except for the impact, if any, of the matters referred to in paragraphs 5-11, and except for not providing for low value and slow moving inventory as discussed in paragraph 12 above, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2004 and the results of their operations, their changes in equity and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte & Touche*

Deloitte & Touche  
Vilnius, Lithuania  
15 April 2005

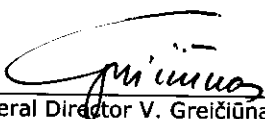
# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## BALANCE SHEET AT 31 DECEMBER 2004

	Notes	GROUP		COMPANY	
		2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	3	7 223	1 653	557	1 305
Tangible assets	4	292 490	234 044	254 228	228 334
Investment property	5	1 372	1 456	1 372	1 456
Investments in subsidiaries and associates	6	41	-	10 694	2 526
Available-for-sale investments		53	50	53	50
Non-current receivables	7	2 002	1 325	36 280	1 265
<b>Total non-current assets</b>		<b>303 181</b>	<b>238 528</b>	<b>303 184</b>	<b>234 936</b>
<b>Current assets</b>					
Inventories	8	6 082	6 808	6 019	6 750
Receivables, prepayments and deferred charges	9	15 043	17 662	12 712	14 152
Cash and cash equivalents	10	6 106	9 421	4 072	8 606
<b>Total current assets</b>		<b>27 231</b>	<b>33 891</b>	<b>22 803</b>	<b>29 508</b>
<b>TOTAL ASSETS</b>		<b>330 412</b>	<b>272 419</b>	<b>325 987</b>	<b>264 444</b>
<b>EQUITY, MINORITY INTEREST AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	11	126 704	126 704	126 704	126 704
Reserves	12	157 683	157 730	157 650	157 650
Retained loss		(42 230)	(42 624)	(38 863)	(39 734)
<b>Total equity</b>		<b>242 157</b>	<b>241 810</b>	<b>245 491</b>	<b>244 620</b>
Minority interest		1 099	1 287	-	-
<b>TOTAL EQUITY AND MINORITY INTEREST</b>		<b>243 256</b>	<b>243 097</b>	<b>245 491</b>	<b>244 620</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities, net	22	3 798	3 123	3 798	3 123
Borrowings	13	62 109	1 999	62 109	-
Other non-current liabilities		2 431	-	2 639	-
<b>Total non-current liabilities</b>		<b>68 338</b>	<b>5 122</b>	<b>68 546</b>	<b>3 123</b>
<b>Current liabilities</b>					
Trade and other payables	14	18 818	21 547	11 950	14 889
Borrowings	13	-	2 653	-	1 812
<b>Total current liabilities</b>		<b>18 818</b>	<b>24 200</b>	<b>11 950</b>	<b>16 701</b>
<b>TOTAL EQUITY, MINORITY INTEREST AND LIABILITIES</b>		<b>330 412</b>	<b>272 419</b>	<b>325 987</b>	<b>264 444</b>

The accompanying notes are an integral part of these financial statements

The financial statements were approved and signed on 15 April 2005 by:

  
General Director V. Greičiūnas

  
Chief Accountant A. Kačinskienė

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	GROUP		COMPANY	
		2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Sales	15	102 174	175 647	96 647	110 700
Cost of sales	16	(74 987)	(128 098)	(71 530)	(66 630)
<b>GROSS PROFIT</b>		<b>27 187</b>	<b>47 549</b>	<b>25 117</b>	<b>44 070</b>
Other operating income	17	7 273	9 446	7 506	9 446
Operating expenses	18	(32 741)	(51 798)	(28 950)	(45 742)
Other operating expenses	19	(1 908)	(197)	(1 622)	(167)
<b>(LOSS)/ PROFIT FROM OPERATIONS</b>		<b>(189)</b>	<b>5 000</b>	<b>2 051</b>	<b>7 607</b>
Finance income/(costs), net	20	597	370	(505)	112
<b>PROFIT BEFORE TAX</b>		<b>408</b>	<b>5 370</b>	<b>1 546</b>	<b>7 719</b>
Income tax	21	(713)	(1 951)	(675)	(1 898)
<b>(LOSS)/ PROFIT BEFORE MINORITY INTEREST</b>		<b>(305)</b>	<b>3 419</b>	<b>871</b>	<b>5 821</b>
Minority interest		647	559	-	-
<b>NET PROFIT</b>		<b>342</b>	<b>3 978</b>	<b>871</b>	<b>5 821</b>
<b>Earnings per share (expressed in LTL per share)</b>		<b>0.03</b>	<b>0.31</b>	<b>0.07</b>	<b>0.46</b>

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

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General Director V. Greičiūnas

  
Chief Accountant A. Kačinskienė

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

GROUP	Share capital LTL'000	Reserves LTL'000	Retained loss LTL'000	Total LTL'000	Minority interest LTL'000	Total LTL'000
<b>31 December 2002</b>	<b>126 704</b>	<b>157 650</b>	<b>(46 517)</b>	<b>237 837</b>	<b>1 390</b>	<b>239 227</b>
Change in minority interest, net	-	-	-	-	(103)	(103)
Currency translation effect	-	(5)	-	(5)	-	(5)
Transfer to reserves	-	85	(85)	-	-	-
Net profit	-	-	3 978	3 978	-	3 978
<b>31 December 2003</b>	<b>126 704</b>	<b>157 730</b>	<b>(42 624)</b>	<b>241 810</b>	<b>1 287</b>	<b>243 097</b>
Change in minority interest, net	-	-	-	-	(188)	(188)
Currency translation effect	-	5	-	5	-	5
Transfer to retained earnings	-	(52)	52	-	-	-
Net loss	-	-	342	342	-	342
<b>31 December 2004</b>	<b>126 704</b>	<b>157 683</b>	<b>(42 230)</b>	<b>242 157</b>	<b>1 099</b>	<b>243 256</b>
<b>COMPANY</b>	<b>Share capital LTL'000</b>	<b>Reserves LTL'000</b>	<b>Retained loss LTL'000</b>	<b>Total LTL'000</b>		
<b>31 December 2002</b>	<b>126 704</b>	<b>157 650</b>	<b>(45 555)</b>	<b>238 799</b>		
Net profit	-	-	5 821	5 821		
<b>31 December 2003</b>	<b>126 704</b>	<b>157 650</b>	<b>(39 734)</b>	<b>244 620</b>		
Net profit	-	-	871	871		
<b>31 December 2004</b>	<b>126 704</b>	<b>157 650</b>	<b>(38 863)</b>	<b>245 491</b>		

The accompanying notes are an integral part of these financial statements

The financial statements were approved and signed on 15 April 2005 by:

  
General Director V. Greičiūnas

  
Chief Accountant A. Kačinskienė



# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## CASH FLOWS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

Notes	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
<b>Cash flows from (to) operating activities</b>				
Cash generated from operations	23 558	37 479	20 183	37 730
Interest paid	(1 938)	(384)	(1 400)	(216)
Tax paid	(146)	(156)	-	-
<b>Net cash from operating activities</b>	<b>21 474</b>	<b>36 939</b>	<b>18 783</b>	<b>37 514</b>
<b>Cash flows from (to) investing activities</b>				
Purchase of fixed assets	(79 234)	(35 894)	(45 955)	(34 865)
Purchase of intangible assets	(11 392)	(388)	(13)	(380)
Proceeds from sale of fixed assets	7 609	8 486	3 539	8 539
Establishment of subsidiary	-	-	-	(162)
Acquisition of available-for-sale investments	(3)	-	(3)	-
Acquisition of subsidiary, net of cash acquired	-	-	(13 693)	-
Proceeds from sale of subsidiary shares	(24)	-	5 501	-
Acquisition of shares from minority shareholders	-	(30)	-	(30)
Loans granted	-	(203)	(33 785)	(203)
Dividends received	-	-	150	175
Interest received	656	33	645	26
<b>Net cash used in investing activities</b>	<b>(82 388)</b>	<b>(27 996)</b>	<b>(83 614)</b>	<b>(26 900)</b>
<b>Cash flows from (to) financing activities</b>				
Repayments of borrowings	(13 057)	(17 581)	(10 359)	(14 160)
Proceeds from borrowings	70 656	13 704	70 656	10 671
Increase of share capital of subsidiary	-	-	-	(500)
Minority contributions to share capital of subsidiary	-	500	-	-
Dividends paid to minority shareholders	-	(175)	-	-
Establishment of a new subsidiary (minority contribution)	-	154	-	-
<b>Net cash from/(used in) financing activities</b>	<b>57 599</b>	<b>(3 398)</b>	<b>60 297</b>	<b>(3 989)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3 315)</b>	<b>5 545</b>	<b>(4 534)</b>	<b>6 625</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>9 421</b>	<b>3 876</b>	<b>8 606</b>	<b>1 981</b>
<b>Cash and cash equivalents at end of year</b>	<b>6 106</b>	<b>9 421</b>	<b>4 072</b>	<b>8 606</b>

The accompanying notes are an integral part of these financial statements

The financial statements were approved and signed on 15 April 2005 by:

  
General Director V. Greičiūnas

  
Chief Accountant A. Kačinskienė

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 1. GENERAL INFORMATION

AB Klaipėdos Jūrų Krovinių Kompanija (hereinafter "the Company") started its activities in September 1991. Until 31 May 1994, the Company's name was SPĮ Klaipėdos Valstybinis Jūrų Prekybos Uostas. On 3 May 1995, the Company was registered as a public company, registration No. AB95-119. The Company's main office is situated in Zauerveino str. 18, Klaipėda, Lithuania.

The Company's ordinary registered shares are quoted on the Current List of the Lithuanian National Stock Exchange.

The Company's principal activity is provision of stevedoring and related ferry port services in the seaport of Klaipėda.

The shareholders of the Company as at 31 December were as follows:

Shareholder	31 December 2004		31 December 2003	
	Number of shares	(%)	Number of shares	(%)
UAB Koncernas Achemos grupė	11 715 617	92.46	11 258 520	88.86
AB Achema	5 899	0.04	-	-
VĮ Valstybės turto fondas	-	-	457 097	3.61
Other shareholders	948 913	7.50	954 812	7.53
<b>Total</b>	<b>12 670 429</b>	<b>100.00</b>	<b>12 670 429</b>	<b>100.00</b>

The Parent of the Company UAB Koncernas Achemos grupė is located at Jonalaukio km., Ruklos sen., Jonavos raj., Lithuania.

The consolidated Group (hereinafter "the Group") consists of the Company - AB Klaipėdos Jūrų Krovinių Kompanija - and its controlled subsidiary undertakings. The subsidiaries included in the Group's consolidated financial statements as of 31 December 2004 are indicated below:

Subsidiary	Country of incorporation	Year of establishment/ acquisition	Group's share (%) 2004	Profile
UAB Klasco ekspedicija	Lithuania	1999	50	Forwarding services
UAB Krovinių terminalas	Lithuania	1999	51	Cargo services
UAB Krantas forwarding	Lithuania	2000	50	Forwarding services
UAB Transfosa	Lithuania	2004	60	Port polluters utilization

The subsidiaries included in the Group's consolidated financial statements as of 31 December 2003 are indicated below:

Subsidiary	Country of incorporation	Year of establishment/ acquisition	Group's share (%) 2003	Profile
UAB Klasco ekspedicija	Lithuania	1999	51	Forwarding services
UAB Krovinių terminalas	Lithuania	1999	51	Cargo services
UAB Krantas forwarding	Lithuania	2000	50	Forwarding services
UAB Euroga	Lithuania	1999	50	Forwarding services
UAB Ship-Service	Lithuania	2002	50	Trading
ZAO Baltiskaja transportnaja-ekspeditorskaja kompanija	Russia	2003	50	Services

In 2005 the Group decided to sell the shares of an associated company UAB Ship Service for 1 LTL. As of 31 December 2004 the investment was carried at fair value and accounted for as current available-for-sale investments.

In 2004 the Company management has lost control in a subsidiary ZAO Baltiskaja transportnaja-ekspeditorskaja kompanija, and it was not included in the consolidated Group financial statements as of 31 December 2004.

In 2004 the Group has sold all UAB Euroga shares.

The Group employed 1 051 people as of 31 December 2004 (2003 - 942).

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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### 2. ACCOUNTING POLICIES

#### ***Basis of preparation***

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis, as modified by the indexation of certain fixed assets and investment property.

The following summarizes the more significant of these policies.

#### ***Principles of consolidation***

The consolidated financial statements as of 31 December 2004 include financial statements of the Company and its controlled Subsidiaries (the Group). Control is achieved when the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Any excess, as at the date of transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is recognised as negative goodwill.

The interest of minority shareholders' is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The losses applicable to the minority in a consolidated subsidiary may not exceed the minority interest in the equity of the subsidiary.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All significant intercompany balances, transactions, unrealized surpluses and deficits on transactions between Group enterprises have been eliminated. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

#### ***Interest in subsidiaries***

Investment in subsidiaries in Parent stand alone financial statements is carried at acquisition cost. Investments in subsidiaries are measured at cost less any impairment in the value of individual investments.

#### ***Available for sale investments***

Other financial investments in equity securities, acquired with the intention to hold for an indefinite period of time for the purpose of generating capital gain, are stated at cost, unless there is a permanent decrease in value in which case the investment is written down to fair value. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Available-for-sale investments are accounted for as current assets when the management has expressed intention of holding the investments for less than 12 months from the balance sheet date.

Available for sale investments are recognized on a trade-date basis and are initially measured at cost, afterwards they are carried at fair value. Equity instruments that do not have the quoted market prices are measured at cost less impairment losses recognized. Gain and loss on equity instruments available for sale are included in the income statement for the period.

#### ***Revenue and related expense recognition***

Revenues are recognized on an accrual basis when earned. Expenses are charged to operations as incurred.

#### ***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **The Group as lessor**

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

#### **The Group as lessee**

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the statement of income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to expenses on a straight-line basis over the term of the relevant lease.

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### **Foreign currencies**

Transactions in currencies other than the national currency of Lithuania are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in income statement for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are accounted for directly in equity as a translation reserve.

The applicable rates used for the principal currencies as of 31 December 2004 and 2003 were as follows:

<b>2004</b>	<b>2003</b>
1 USD = 2.5345 Lt	1 USD = 2.7621 Lt
1 EUR = 3.4528 Lt	1 EUR = 3.4528 Lt

### **Taxation**

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### **Non-current intangible and tangible assets**

Non-current intangible assets are stated at historical cost, less accumulated amortization.

Amortization is provided in equal monthly installments except for the months placed in service over the expected useful lives as follows:

Licenses and patents	3 years
Software	3 years
Development works	3 years
Other intangible assets	4 years

Non-current tangible assets are stated at historical cost, less accumulated depreciation and impairment losses, except that tangible fixed assets acquired before 1996 has been adjusted for indexation, using the rates set by the Lithuanian Government for the different asset categories:

<b>Date of indexation</b>	<b>Indices</b>
1 July 1991	2.2
1 January 1992	2.0 - 5.0
15 April 1994	1.4 - 14.0
31 December 1995	1.6 - 1.7

Depreciation is provided in equal monthly installments except for the months placed in service over the expected useful lives as follows:

Buildings and constructions	20-90 years
Machinery and equipment	10-70 years
Vehicles	10-20 years
Other property, plant and equipment	10 years
Other tangible assets	3-40 years

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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Assets with the useful life of more than one year and in excess of the following value are capitalized:

Buildings, constructions, equipment	1 000 LTL
Furniture	200 LTL
Computer and communication equipment	500 LTL
Machinery and equipment	800 LTL
Vehicles	4 000 LTL
Intangible assets	500 LTL
Other assets	300 LTL

Gains and losses on disposal of fixed assets are recognized in the year of disposal.

Construction in progress is transferred to appropriate group of fixed assets when it is completed and ready for its intended use.

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is amortized using the straight-line method over a period of 5-10 years. On disposal of a subsidiary the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

### **Investment property**

Investment property, comprising buildings, is held for long-term rental yields and is not occupied by the Group. Investment property acquired on or after 1 January 1996 is stated at historical cost less accumulated depreciation. Investment property acquired before 1 January 1996 is stated at historical cost less accumulated depreciation as adjusted for indexation, using the indexation rates set by the Government of the Republic of Lithuania.

### **Impairment of assets**

At each balance sheet date, the Company and the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of the revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### **Cash and cash equivalents**

Bank balances and cash include cash on hand and in bank accounts. Cash equivalents - means short-term (up to three months) liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments in equities are not attributed to cash equivalents.

### **Financial instruments**

Financial assets and financial liabilities are recognized on the Group's and on the Company's balance sheet when the Group and the Company becomes a party to the contractual provisions of the instrument.

Trade receivables and loans granted are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Trade payables are stated at their nominal value.

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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### ***Fair value of financial instruments***

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of the management, the fair value of financial assets and liabilities differs materially from their book value, such fair values are separately disclosed in the notes to the financial statements.

### ***Credit risk***

The Company's credit risk is attributable to its trade and other accounts receivable. The amounts presented in the balance sheet are net of allowances for doubtful receivables estimated on prior experience.

The credit risk of liquid funds (cash) is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

### ***Share capital***

Ordinary shares are stated at their par value.

### ***Reserves***

#### ***Legal reserve***

A legal reserve is a compulsory reserve under the Companies' Law of the Republic of Lithuania. Annual transfers of 5 per cent of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, are required until the reserve reaches 10 per cent of the share capital. The legal reserve cannot be distributed as dividends but exists to cover any future losses.

#### ***Non-distributable reserves***

Non-distributable reserves are formed based on decisions of Annual General Shareholders' Meetings on appropriation of distributable profit, calculated in accordance with Lithuanian regulatory legislation on accounting.

#### ***Distributable reserves***

Distributable reserves are formed based on decisions of Annual General Shareholders' Meetings on appropriation of distributable profit, calculated in accordance with Lithuanian regulatory legislation on accounting. These reserves can be used only for the purposes approved by the Annual General Shareholders' Meeting.

### ***Dividends***

Dividends are recorded in the financial statements in the period in which they are approved by the Annual General Shareholders' Meeting.

### ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### ***Business segment***

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

### ***Earnings per share***

For the purpose of calculating earnings per share the weighted average number of common shares outstanding for the year ended 31 December 2004 was 12 670 429. The Company had no dilutive share options outstanding in 2004 and as of 31 December 2004.

### ***Related parties***

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the supervisory council and management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting party.

### ***Use of Estimates***

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts and notes to the financial. Actual results could differ from those estimates.

### ***Reclassifications***

Certain 2003 amounts have been reclassified to conform to the 2004 basis of presentation.

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 3. INTANGIBLE ASSETS

At 31 December intangible assets consisted of the following:

GROUP	Other intangible assets		Total LTL'000
	Goodwill LTL'000	LTL'000	
<b>Acquisition cost</b>			
<b>31 December 2003</b>	<b>879</b>	<b>2 340</b>	<b>3 219</b>
Additions	11 363	29	11 392
Assets of the subsidiary at the acquisition date	-	124	124
Disposals and write offs	(4 695)	(12)	(4 707)
Impairment loss	(729)	-	(729)
Transfers to construction in progress	-	(412)	(412)
<b>31 December 2004</b>	<b>6 818</b>	<b>2 069</b>	<b>8 887</b>
<b>Accumulated amortization</b>			
<b>31 December 2003</b>	<b>541</b>	<b>1 025</b>	<b>1 566</b>
Charge for the period	460	353	813
Accumulated amortization of assets of the subsidiary at the acquisition date	-	124	124
Disposals and write offs	(252)	(8)	(260)
Impairment loss	(579)	-	(579)
<b>31 December 2004</b>	<b>170</b>	<b>1 494</b>	<b>1 664</b>
<b>Net book value</b>			
<b>31 December 2003</b>	<b>338</b>	<b>1 315</b>	<b>1 653</b>
<b>31 December 2004</b>	<b>6 648</b>	<b>575</b>	<b>7 223</b>

COMPANY	Other intangible assets LTL'000
<b>Acquisition cost</b>	
<b>31 December 2003</b>	<b>2 296</b>
Additions	13
Transfers to construction in progress	(412)
<b>31 December 2004</b>	<b>1 897</b>
<b>Accumulated amortization</b>	
<b>31 December 2003</b>	<b>991</b>
Charge for the period	349
<b>31 December 2004</b>	<b>1 340</b>
<b>Net book value</b>	
<b>31 December 2003</b>	<b>1 305</b>
<b>31 December 2004</b>	<b>557</b>

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 4. TANGIBLE ASSETS

At 31 December tangible assets consisted of the following:

GROUP	Land LTL'000	Buildings and construc- tions LTL'000	Machinery and equipment LTL'000	Other assets LTL'000	Construction in progress and prepayments LTL'000	Total LTL'000
<b>Modified acquisition cost</b>						
<b>31 December 2003</b>	<b>6 189</b>	<b>162 916</b>	<b>262 630</b>	<b>48 744</b>	<b>26 673</b>	<b>507 152</b>
Additions	880	583	4 494	1 162	69 542	76 661
Assets of the subsidiary at the acquisition date	-	2 746	2 484	184	61	5 475
Disposals and write offs	-	(705)	(2 325)	(2 749)	-	(5 779)
Transfers between items	-	58 074	2 205	(2 263)	(58 016)	-
Transfers from intangible assets	-	-	-	-	412	412
Impairment loss	-	-	-	-	(487)	(487)
<b>31 December 2004</b>	<b>7 069</b>	<b>223 614</b>	<b>269 488</b>	<b>45 078</b>	<b>38 185</b>	<b>583 434</b>
<b>Accumulated depreciation</b>						
<b>31 December 2003</b>	-	<b>55 431</b>	<b>177 718</b>	<b>39 959</b>	-	<b>273 108</b>
Charge for the period	-	9 161	9 722	1 300	-	20 183
Accumulated amortization of assets of the subsidiary at the acquisition date	-	945	1 850	180	-	2 975
Disposals and write offs	-	(471)	(2 314)	(2 537)	-	(5 322)
Transfers between items	-	18	-	(18)	-	-
<b>31 December 2004</b>	-	<b>65 084</b>	<b>186 976</b>	<b>38 884</b>	-	<b>290 944</b>
<b>Net book value</b>						
<b>31 December 2003</b>	<b>6 189</b>	<b>107 485</b>	<b>84 912</b>	<b>8 785</b>	<b>26 673</b>	<b>234 044</b>
<b>31 December 2004</b>	<b>7 069</b>	<b>158 530</b>	<b>82 512</b>	<b>6 194</b>	<b>38 185</b>	<b>292 490</b>

COMPANY	Land LTL'000	Buildings and construc- tions LTL'000	Machinery and equipment LTL'000	Other assets LTL'000	Construction in progress and prepayments LTL'000	Total LTL'000
<b>Modified acquisition cost</b>						
<b>31 December 2003</b>	<b>6 189</b>	<b>160 931</b>	<b>262 383</b>	<b>45 247</b>	<b>25 867</b>	<b>500 617</b>
Additions	880	525	4 480	973	39 024	45 882
Disposals and write offs	-	(686)	(2 325)	(2 579)	-	(5 590)
Transfers between items	-	55 276	2 205	535	(58 016)	-
Transfers from intangible assets	-	-	-	-	412	412
Impairment loss	-	-	-	-	(487)	(487)
<b>31 December 2004</b>	<b>7 069</b>	<b>216 046</b>	<b>266 743</b>	<b>44 176</b>	<b>6 800</b>	<b>540 834</b>
<b>Accumulated depreciation</b>						
<b>31 December 2003</b>	-	<b>55 183</b>	<b>177 644</b>	<b>39 456</b>	-	<b>272 283</b>
Charge for the period	-	8 755	9 573	1 249	-	19 577
Disposals and write offs	-	(467)	(2 314)	(2 473)	-	(5 254)
<b>31 December 2004</b>	-	<b>63 471</b>	<b>184 903</b>	<b>38 232</b>	-	<b>286 606</b>
<b>Net book value</b>						
<b>31 December 2003</b>	<b>6 189</b>	<b>105 748</b>	<b>84 739</b>	<b>5 791</b>	<b>25 867</b>	<b>228 334</b>
<b>31 December 2004</b>	<b>7 069</b>	<b>152 575</b>	<b>81 840</b>	<b>5 944</b>	<b>6 800</b>	<b>254 228</b>



# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

At 31 December 2004 the Company's vehicles with a net book value value of LTL'000 812 and the Company's and the Group's ships with a net book value of LTL'000 138 were acquired under finance lease.

At 31 December 2004 the Group's and the Company's buildings and constructions with a carrying value of LTL'000 53 106, machinery and equipment with a carrying value of LTL'000 65 678, vehicles with a carrying value of LTL'000 3 092 were pledged to secure the loan payable (Note 13). At 31 December 2003 the pledged fixed assets carrying value amounted to LTL'000 131 061.

### 5. GROUP AND COMPANY INVESTMENT PROPERTY

	<b>Buildings LTL'000</b>
<b>Modified acquisition cost</b>	
<b>31 December 2003</b>	<b>2 942</b>
Additions	73
<b>31 December 2004</b>	<b>3 015</b>
<b>Accumulated depreciation</b>	
<b>31 December 2003</b>	<b>1 486</b>
Charge for the period	157
<b>31 December 2004</b>	<b>1 643</b>
<b>Net book value</b>	
<b>31 December 2003</b>	<b>1 456</b>
<b>31 December 2004</b>	<b>1 372</b>

### 6. INVESTMENTS IN SUBSIDIARIES

	<b>COMPANY</b>	
	<b>2004 LTL'000</b>	<b>2003 LTL'000</b>
At beginning of the year	2 526	1 834
Acquisition of subsidiary	13 693	-
Increase in share capital of subsidiary	-	500
Establishment of a new subsidiary (2004 – associate)	-	162
Acquisition of shares from minority shareholders	-	30
Disposals of shares to minority shareholders	(5 501)	-
Transfer to available for sale investments	(24)	-
<b>At end of the year</b>	<b>10 694</b>	<b>2 526</b>

#### *Acquisition of a subsidiary*

In 2004 the Company has acquired 100% of UAB Transfosa shares. In the same year the Company has sold 40% of UAB Transfosa shares.

#### *Disposal of subsidiaries*

In 2004 the Group has sold all UAB Euroga shares. As of 31 December 2003 the Company owned 51 % of the shares and investment acquisition cost equaled 5 100 LTL.

In 2005 the Group decided to sell the shares of an associated company UAB Ship Service for 1 LTL. As of 31 December 2004 the investment was carried at fair value and accounted for as current investments.

#### *Establishment of a subsidiary*

In April 2003, the Company and Kaliningrad Commercial Seaport established ZAO Baltiskaja transportnaja-ekspeditorskaja kompanija. The newly incorporated company is engaged in market research related to the administration of the 2K Project (a common project for Klaipėda and Kaliningrad Seaport).

In 2004 the Company management has lost control in a subsidiary ZAO Baltiskaja transportnaja-ekspeditorskaja kompanija, and it was not included in the consolidated Group financial statements as of 31 December 2004.

#### *Acquisition of shares from minority*

In 2003, the subsidiary UAB Krovinių Terminalas increased its share capital by a new issue of 10 000 ordinary shares with par value of LTL 100 each. The Company acquired 5 000 shares for the total consideration of LTL'000 500. In addition, in 2003, the Company acquired an additional 300 shares of UAB Krovinių Terminalas from UAB Vakarų Medienos Grupė for the total consideration of LTL'000 30.

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 7. NON-CURRENT RECEIVABLES

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Trade receivables	1 603	1 100	1 603	1 040
Long-term loans granted to Company employees	399	225	399	225
Long-term loan to subsidiary UAB Krovinių terminalas	-	-	33 786	-
Other receivables	-	-	492	-
<b>Total</b>	<b>2 002</b>	<b>1 325</b>	<b>36 280</b>	<b>1 265</b>

Trade receivables represent a receivable from AB Lifosa, which should be paid by the end of 2005.

Long-term loans granted represent interest free loans granted to the employees of the Company and long term loan to subsidiary UAB Krovinių terminalas. The maturity of long-term loans to employees and to Company subsidiary, net of current portion, are as follows:

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Later than 1 year and not later than 5 years	178	193	33 964	193
Later than 5 years	221	32	221	32
<b>Total</b>	<b>399</b>	<b>225</b>	<b>34 185</b>	<b>225</b>

### 8. INVENTORIES

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Spare parts (at net realisable value)	3 691	2 816	3 691	2 816
Other inventory (at net realisable value)	2 391	3 992	2 328	3 934
<b>Total</b>	<b>6 082</b>	<b>6 808</b>	<b>6 019</b>	<b>6 750</b>

### 9. RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Trade receivables	11 184	6 666	10 603	5 074
Receivables from subsidiaries	-	-	487	77
Other receivables	952	5 449	153	5 393
Loans granted	107	97	103	946
<b>Total receivables and loans granted</b>	<b>12 243</b>	<b>12 212</b>	<b>11 346</b>	<b>11 490</b>
Less: provision for doubtful amounts receivable	(60)	(64)	(60)	(64)
<b>Receivables - net</b>	<b>12 183</b>	<b>12 148</b>	<b>11 286</b>	<b>11 426</b>
Deferred charges and prepayments	2 860	5 514	1 426	2 726
<b>Total</b>	<b>15 043</b>	<b>17 662</b>	<b>12 712</b>	<b>14 152</b>

As at 31 December 2004 included within loans granted by the Company is a loan of LTL'000 849 granted to its subsidiary.

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPA NIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Cash at banks	3 430	6 668	1 497	5 896
Cash on hand	141	92	40	49
Short-term deposits	2 535	2 661	2 535	2 661
<b>Total</b>	<b>6 106</b>	<b>9 421</b>	<b>4 072</b>	<b>8 606</b>

Cash held in current account at AB Bank Vilniaus Bankas and future cash inflows into this account up to LTL'000 20 000 have been pledged by the Company and the Group as security for bank borrowings.

As at 31 December 2004 the Company's and the Group's term deposits with AB Bank Vilniaus Bankas comprised of a USD deposit with a maturity at 6 January 2005 and annual interest rate set at 1.83 percent. As at 31 December 2003, the Company's overnight deposits with AB Bank Vilniaus Bankas amounted to LTL'000 2 228 and LTL'000 432 (EUR'000 125). Annual interest rates on these two deposits are 0.4 percent and 1.2 percent, respectively.

The Company and the Group has a commitment to ensure cash turnover of not less than LTL'000 58 698 (EUR'000 17 000) in its bank accounts with AS Parekss-Banka and/or AB Parex Bankas.

As at 31 December 2003, the Company and the Group had restricted cash relating to a letter of credit issued by AB Bank Vilniaus Bankas for the amount of LTL'000 4 025 (EUR'000 1 166). This letter of credit is subject to an annual interest rate of 1.98 percent.

### 11. SHARE CAPITAL

Authorised share capital comprises 12 670 429 (2003: 12 670 429) ordinary shares of LTL 10 par value each. All shares are fully paid.

6 461 919 of the Company's shares owned by UAB Koncernas Achemos Grupė as at 31 December 2004 are pledged to secure the repayment of its financial liabilities to AS Parekss-Banka. The pledge will be cancelled when the Company pledges the shares owned by it in the subsidiary UAB Krovinių Terminalas.

### 12. RESERVES

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Non-distributable reserve	130 338	130 338	130 338	130 338
Distributable reserve	14 439	14 491	14 413	14 413
Legal reserve	12 906	12 906	12 899	12 899
Foreign exchange reserve	-	(5)	-	-
<b>Total</b>	<b>157 683</b>	<b>157 730</b>	<b>157 650</b>	<b>157 650</b>

### 13. BORROWINGS

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Short-term bank borrowings	-	2 653	-	1 812
Long-term bank borrowings	62 109	1 999	62 109	-
<b>Total</b>	<b>62 109</b>	<b>4 652</b>	<b>62 109</b>	<b>1 812</b>

At 31 December 2004 buildings and constructions with a carrying value of LTL'000 53 106, machinery and equipment with a carrying value of LTL'000 65 678, vehicles with a carrying value of LTL'000 3 092 were pledged to secure the loan payable to AS Parekss-banka.

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

6 461 919 of the Company's shares owned by UAB Konzernas Achemos Grupė as at 31 December 2004 are pledged to secure the repayment of its financial liabilities to AS Parekss-Banka. The pledge will be cancelled when the Company pledges the shares owned by it in the subsidiary UAB Krovinių Terminalas.

The Company has a commitment to ensure cash turnover of not less than LTL'000 58 698 (EUR'000 17 000) in its bank accounts with AS Parekss-Banka and/or AB Parex Bankas.

As at 31 December 2004 the interest rate applied to Group and Company loans is 4 per cent (31 December 2003: 4.59 per cent and 4.14 per cent).

### *Maturity of non-current borrowings:*

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Between 1 and 2 years	-	800	-	-
Between 2 and 5 years	62 109	1 199	62 109	-
<b>Total</b>	<b>62 109</b>	<b>1 999</b>	<b>62 109</b>	<b>-</b>

Borrowing facilities as at balance sheet date not withdrawn were as follows:

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
<b>Fixed rate</b>				
Expiring within one year	-	859	-	-
Expiring beyond one year	-	-	-	-
<b>Floating rate</b>				
Expiring within one year	41 475	8 546	41 475	8 546
Expiring beyond one year	-	-	-	-
<b>Total</b>	<b>41 475</b>	<b>9 405</b>	<b>41 475</b>	<b>8 546</b>

The carrying amounts of borrowings approximate their fair value.

### 14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Trade payables	13 298	14 589	8 022	11 234
Taxes, salaries and social security payable	2 817	2 367	2 718	2 197
Amounts received in advance	1 351	2 745	47	83
Interest and commitment fees accrued	400	-	400	-
Payables to subsidiaries	-	-	40	63
Other payables and accrued expenses	810	1 846	723	1 312
<b>Total</b>	<b>18 676</b>	<b>21 547</b>	<b>11 950</b>	<b>14 889</b>

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 15. BUSINESS SEGMENT INFORMATION

The Group's business segments are cargo services, forwarding services and towage services. Business segment information is shown below:

#### 31 December 2004

	Cargo LTL'000	Forwarding LTL'000	Towage LTL'000	Other LTL'000	Group LTL'000
Sales	79 288	4 308	3 843	14 735	102 174
Segment result	19 417	1 529	(1 150)	7 391	27 187
Unallocated costs – net	-	-	-	-	(27 376)
Loss from operations	-	-	-	-	(189)
Finance income – net	-	-	-	-	597
Loss before tax	-	-	-	-	408
Income tax	-	-	-	-	(713)
Group loss before minority interest	-	-	-	-	(305)
Minority interest	-	-	-	-	647
<b>Net loss</b>	-	-	-	-	<b>342</b>

#### 31 December 2003

	Cargo LTL'000	Forwarding LTL'000	Towage LTL'000	Other LTL'000	Group LTL'000
Sales	110 172	51 771	13 305	399	175 647
Segment result	23 850	22 414	1 428	(143)	47 549
Unallocated costs – net	-	-	-	-	(42 549)
Profit from operations	-	-	-	-	5 000
Finance cost – net	-	-	-	-	370
Profit before tax	-	-	-	-	5 370
Income tax	-	-	-	-	(1 951)
Group income before minority interest	-	-	-	-	3 419
Minority interest	-	-	-	-	559
<b>Net profit</b>	-	-	-	-	<b>3 978</b>

### 16. COST OF SALES

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Employee compensation costs	22 616	26 684	21 769	25 228
Depreciation	19 842	19 853	19 697	19 644
Rental expenses	8 604	4 686	8 604	4 686
Maintenance and repairs	7 197	6 663	7 174	6 663
Railway fees	3 857	17 539	2 438	3 857
Forwarding services	3 553	34 279	809	-
Cost of heavy oil	-	11 877	-	-
Other	9 318	6 517	11 039	6 552
	<b>74 987</b>	<b>128 098</b>	<b>71 530</b>	<b>66 630</b>

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 17. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Gain on disposal of property, plant and equipment	2 705	5 970	3 203	5 970
Rent income	1 394	2 285	1 387	2 285
Profit from current asset sale	451	358	451	358
Other	2 723	833	2 465	833
<b>Total</b>	<b>7 273</b>	<b>9 446</b>	<b>7 506</b>	<b>9 446</b>

### 18. OPERATING EXPENSES

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Employee compensation costs	11 049	11 308	9 157	8 987
Management fee	8 786	19 695	8 786	19 695
Security services	2 353	3 326	2 261	3 254
Taxes (other than income tax)	1 717	2 514	1 593	1 632
Depreciation and amortization	1 311	2 162	386	1 835
Advertising	1 117	514	1 104	491
Charity and donations	1 108	2 072	1 108	2 072
Change in provision for inventories and inventory write offs	299	(2 341)	275	(2 341)
Employees training, seminars	495	470	486	461
Utilities	413	1 049	303	826
Write off and impairment of fixed assets	344	770	177	320
Business trips	305	734	244	547
Consultation and similar services	247	869	167	826
Insurance	215	307	192	307
Rental expenses	184	3 069	110	2 324
Maintenance and repair	78	2 665	55	2 152
Bank services	57	350	49	319
Other	2 664	2 265	2 497	2 035
<b>Total</b>	<b>32 741</b>	<b>51 798</b>	<b>28 950</b>	<b>45 742</b>

### 19. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Expenses from sale of inventories	376	-	370	-
Other	1 532	197	1 252	167
<b>Total</b>	<b>1 908</b>	<b>197</b>	<b>1 622</b>	<b>167</b>

### 20. FINANCE INCOME/(COSTS), NET

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Profit/(loss) on disposal of available-for-sale investments and impairment loss	2 174	-	-	-
Interest expenses	(1 938)	(384)	(1 400)	(216)
Net foreign exchange transactions (loss)/ gains	(287)	764	(217)	126
Interest income	656	33	645	26
Dividend income	-	-	150	175
Other financial income/ (expenses)	(8)	(43)	317	1
<b>Total</b>	<b>597</b>	<b>370</b>	<b>(505)</b>	<b>112</b>

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 21. INCOME TAX

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Current tax	38	53	-	-
Deferred tax (Note 22)	675	1 898	675	1 898
<b>Total</b>	<b>713</b>	<b>1 951</b>	<b>675</b>	<b>1 898</b>

The tax charge on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP				COMPANY			
	2004 LTL'000	%	2003 LTL'000	%	2004 LTL'000	%	2003 LTL'000	%
Profit before tax	408		5 370		1 546		7 719	
Tax calculated at a tax rate of 15%	62	0.15	806	0.15	231	0.15	1 158	0.15
Tax effect of items that are not deductible or taxable in determining taxable profit	725	1.78	(1 435)	(0.27)	797	0.51	(1 608)	(0.21)
Utilisation of tax losses	(1 028)	(2.52)	(24)	-	(1 028)	(0.66)	-	-
Change in deferred tax	675	1.65	-	-	675	0.44	-	-
Allowance for tax losses carry forward	279	0.68	2 604	0.48	-	-	2 348	0.30
<b>Tax charge</b>	<b>713</b>	<b>(1.74)</b>	<b>1 951</b>	<b>0.36</b>	<b>675</b>	<b>0.44</b>	<b>1 898</b>	<b>0.24</b>

### 22. DEFERRED INCOME TAX LIABILITIES, NET

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 15 per cent.

The movement in the Group's and the Company's deferred tax assets and liabilities during the year is as follows:

	GROUP		
	2004	Income statement credit/(charge)	2003
<b>Deferred tax assets</b>			
Tax losses carry forward	2 234	(2 651)	4 885
Accruals and provisions	297	(240)	537
Allowance for tax losses carry forward	(1 755)	1 570	(3 325)
	776	(1 321)	2 097
<b>Deferred tax liability</b>			
Investment relief	(4 574)	646	(5 220)
<b>Deferred income tax liabilities, net</b>	<b>(3 798)</b>	<b>(675)</b>	<b>(3 123)</b>

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	COMPANY Income statement credit/(charge)	2003
<b>Deferred tax assets</b>			
Tax losses carry forward	1 272	(2 636)	3 908
Accruals and provisions	297	(240)	537
Allowance for tax losses carry forward	(793)	1 555	(2 348)
	<u>776</u>	<u>(1 321)</u>	<u>2 097</u>
<b>Deferred tax liability</b>			
Investment relief	(4 574)	646	(5 220)
<b>Deferred income tax liabilities, net</b>	<u>(3 798)</u>	<u>(675)</u>	<u>(3 123)</u>

### 23. CASH GENERATED FROM OPERATIONS

Reconciliation of net profit to cash generated from operations:

	GROUP		COMPANY	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
Net profit	342	3 978	871	5 821
<i>Adjustments for:</i>				
Minority interest	(188)	(559)	-	-
Effect of equity method	(41)	-	-	-
Interest expense (Note 20)	1 938	384	1 400	216
Interest income (Note 20)	(656)	(33)	(645)	(26)
Dividend income (Note 20)	-	-	(150)	(175)
Tax (Note 21)	1 125	1 951	1 196	1 898
Foreign exchange reserve	5	(5)	-	-
Depreciation (Notes 16 and Note 18)	20 340	21 566	19 734	21 209
Amortisation (Note 18)	813	449	349	270
Impairment charge	24	137	511	137
Provision for and write-offs of doubtful receivables	(4)	(144)	(4)	(144)
Provision for and write-offs of inventory	943	(2 341)	919	(2 341)
Loss on sale of fixed assets	(2 705)	(5 970)	(3 203)	(5 970)
Write-off of tangible and other assets	637	770	-	320
	<u>22 231</u>	<u>16 205</u>	<u>20 107</u>	<u>15 394</u>
Changes in working capital:				
- receivables and prepayments	1 946	10 462	214	9 958
- inventories	(217)	117	(188)	121
- payables	(744)	6 717	(821)	6 436
Cash generated from operations	<u>23 558</u>	<u>37 479</u>	<u>20 183</u>	<u>37 730</u>

### 24. CONTINGENT LIABILITIES

**Guarantees issued** – The Group has issued a guarantee of LTL'000 33 to AB Bank Hansabankas to secure for employee's housing loan taken from the Bank in 2003 and in 2004.

**Litigation and claims** – At 31 December 2004 the Group was not involved in any legal proceedings which in the opinion of management would have a material impact on the financial statements.

In May 2001, Klaipėda Territorial Customs Authorities made an administrative decision to recover from the Company LTL'000 7 269 of customs duties, excise and VAT outstanding from the previous periods. That decision of Customs Authorities was made in relation to events which took place in 1998. In 2003, the Company appealed against this decision and brought an action to Klaipėda District Court. In 2004, the Court gave a ruling on peaceful settlement of the action between the parties. Peace treaty was signed at 11 May 2004.



# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of the estimated fair value of financial instruments are made in accordance with the requirements of International Accounting Standard 32, "Financial Instruments: Disclosure and Presentation." The estimated fair value amounts have been determined by the Group and Company using market information and valuation methodologies considered appropriate. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group and the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value estimates presented herein are based on pertinent information available to the Group and the Company as of 31 December 2004 and 2003. Although the Group and the Company is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's and Company's balance sheet at their fair value for the years ended 31 December.

2004	GROUP		COMPANY	
	Carrying Amount LTL'000	Estimated Fair Value LTL'000	Carrying Amount LTL'000	Estimated Fair Value LTL'000
<b>Financial Assets:</b>				
Long term loans issued to employees	483	406	483	406
Short term loans issued to employees	23	22	19	18
Long term loans issued to enterprises	-	-	33 786	33 688
<b>Financial Liabilities:</b>				
Loans	62 109	60 156	62 109	60 156

The methods and assumptions used in estimating the fair value of financial instruments are as follows:

#### Loans

The fair value of loans is estimated by discounting expected future cash flows using the current market rates of loans with similar characteristics and remaining maturities.

#### Loans issued

The estimated fair value of loans issued represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates for similar loans with similar maturities.

### 26. OTHER OFF-BALANCE SHEET COMMITMENTS

Following the agreement with Klaipėda Municipality dated 30 March 2000, the Company acquired a land plot and is committed to finance various municipality projects with total preliminary costs of LTL 5,078 thousand. These projects are to be carried out by 30 January 2005. In 2004, the Company financed projects worth LTL'000 783 (2003: LTL'000 966). As at 31 December 2004, the outstanding commitment to Klaipėda Municipality amounted to LTL'000 130 (2003: LTL'000 937).

# AB KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 27. RELATED PARTY TRANSACTIONS

Related parties of the Group are its shareholders and other companies that are controlled by the shareholders. Group's related party transactions and outstanding balances are as follows:

Related parties	Payables LTL'000	Receivables LTL'000	Income LTL'000	Sales LTL'000
AB Achema	33 323	804	28 064 927	616 227
AB Spaustuvė Titnagas	-	-	-	1 965
BĮ Achempak	-	-	-	562
UAB Achema Shipping	-	-	4 444	-
UAB Achemarida	110 477	-	-	954 709
UAB Achemos Mokymo Centras	21 605	-	4 739	509 637
UAB Agrochema	-	-	215 037	-
UAB Budrus Sakalas	291 888	-	173 792	3 216 635
UAB Iremas	961 415	-	721 754	8 656 535
UAB Lietuvos Žinios	-	-	-	662 120
UAB Maitinimas	12 190	-	-	12 190
UAB Naujoji Rūta	-	-	-	50 523
UAB Palangos Vėtra	-	-	5 971	10 485
UAB Ship-service Klaipėda	-	295	-	-
UAB Sienojus	646 021	244 277	130 887	7 921 775
UAB Transachema	-	-	14 691	-
UAB Vialogas	-	-	-	386 305
UAB FMĮ Kapitalo Srautai	7 113	-	-	52 066
UAB koncernas Achemos Grupė	-	-	4 998	11 000 000
UADB Industrijos Garantas	1 789 416	-	2 279	260 849

### 28. POST BALANCE SHEET EVENTS

In 2005 the share capital of a subsidiary UAB Transfosa was increased by issuing 3 240 ordinary shares at par value of 280 Lt.

In 2005 the Group has sold all of UAB Ship-Service Klaipėda shares.

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