

VVPB GAUTA
2005-06-28
Nr. 04-596

**LIETUVOS JŪRŲ LAIVININKYSTĖ
(JOINT STOCK COMPANY)**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

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**Independent Auditor's Report
to the shareholders of AB "Lietuvos jūrų laivininkystė"**

We have audited the enclosed balance sheet of AB "Lietuvos jūrų laivininkystė" for the year ended 31 December 2004 and related profit (loss) account for the year then ended, which are prepared in accordance with International Financial Reporting Standards. The 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.

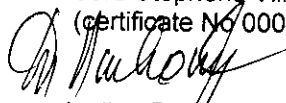
We conducted our audit in accordance with International Standards on Auditing approved by International Federation of Accountants (IFAC), National Standards on Auditing and existing practice. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

The statement of changes of shareholders' equity does not include comparative numbers for the previous year. The presentation of comparative numbers is necessary for proper understanding of changes of equity in 2003.

International Accounting Standard 36 "Impairment of Assets" states that the book value of a company's asset should not be higher than its recoverable amount. The recoverable amount is the higher of its net selling price or its value in use. At the end of the current year the Company had 19 vessels, the book value of which as assessed by management was 225 850,1 thous. Lt (89 110,3 thous. USD). On 10 December 2004 English White Shipping Limited conducted a valuation of vessels belonging to the Company. The total estimated value of vessels was 84 900 thous. USD. In the course of an audit the Company had not presented any evidence suggesting that the book value of its fixed tangible assets was not higher than its recoverable amount, therefore, we did not form an opinion on the relevance of the book value of fixed tangible assets used in the Company's activities as of 31 December 2004.

In our opinion, except for the issues mentioned in the preceding paragraphs, the financial statements present fairly, in all material respects the financial position of AB "Lietuvos jūrų laivininkystė" as of 31 December 2004 and result of its operations in 2004 and are prepared in accordance with International Financial Reporting Standards.

UAB "Moore Stephens Vilnius"
(certificate No 000408)


Auditor D. Franckėnienė
(licence No 000345)

5 April 2005
Vilnius

Partnerių sąrašas
pateikiamas
Interneto svetainėje

Moore Stephens
International Limited
tinklo narė
- partneriai
pagrindiniuose
pasaulio miestuose

AB "Lietuvos jūrų laivininkystė"

Balance sheet

31 December 2004
(thousand Lt)

	Note	2004	2003
A. Fixed assets			
Intangible assets	3	41,9	12,9
Fleet	4	226.526,9	230.430,3
Assets ashore	5	5.993,5	5.569,9
		<u>232.562,3</u>	<u>236.013,1</u>
B. Current assets			
Stocks and prepayments	6	1.582,0	1.406,6
Amounts receivable	7	822,2	1.892,4
Investments	8	21.647,2	18.380,0
Bank and cash balances	9	503,5	1.314,1
		<u>24.554,9</u>	<u>22.993,1</u>
C. Current liabilities			
Current year part of long-term debts	10		2.852,3
Financial debts	10	4.743,6	3.205,6
Debts to suppliers	10	533,2	1.450,1
Prepayments	10	2.184,8	1.752,3
Taxes, remuneration and social security	10	1.091,9	1.050,0
Provisions	14	2.363,0	5.074,9
Other amounts payable	10	411,1	111,9
		<u>11.327,6</u>	<u>15.497,1</u>
<i>Net short – term assets (B – C)</i>		13.227,3	7.496,0
D. Long – term liabilities			
	11, 14	<u>20.761,1</u>	<u>27.804,7</u>
(A + B – C – D)		<u>225.028,5</u>	<u>215.704,4</u>
F. Financed by			
Share capital	12	200.901,3	200.901,3
Reserves	13	29.355,3	22.878,6
Profit (loss) brought forward		-5.228,1	-8.075,5
Shareholder' Equity (F)		<u>225.028,5</u>	<u>215.704,4</u>

Approved on behalf of the Company's management by

Vytautas Vismantas

General director



AB "Lietuvos jūrų laivininkystė"

Profit (loss) account

31 December 2004
(thousand Lt)

	<u>Note</u>	<u>2004</u>	<u>2003</u>
Turnover	16	86 122,0	69 961,4
Cost of goods sold and services rendered	17	75 568,0	72 013,5
Gross profit		10 554,0	(2 052,1)
Operating expenses	17	5 617,1	5 762,3
Results of ordinary activities		4 936,9	(7 814,4)
Results of other operations		3 638,1	255,6
Results of financial and investing activities	16	1 211,3	110,0
Profit (loss) from ordinary activities		9 786,3	(7 448,8)
Extraordinary gain		0,0	0,0
Extraordinary losses			626,7
Current year profit (loss) before taxes		9 786,3	(8 075,5)
Profit tax		462,2	0,0
Current year net profit		9 324,1	(8 075,5)
Profit (loss) per share, Lt	18	0,046	(0,04)

Approved on behalf on the Company's management by

Vytautas Vismantas

General director



AB "Lietuvos jūrų laivininkystė"

Statement of changes in shareholders' equity

31 December 2004

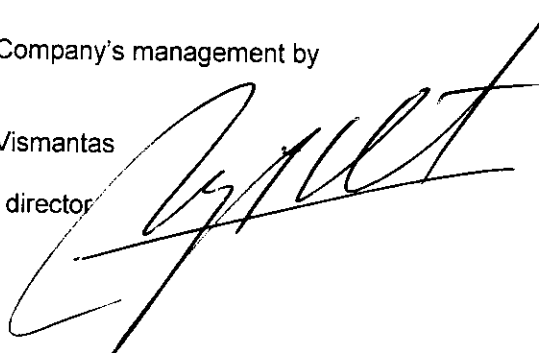
(thousand Lt)

	Share capital	Reserves	Retained profit (loss)
Balance on 1 January 2004	200 901,3	22 878,6	(8 075,5)
Formation of reserves		6 476,7	(6 476,7)
Net profit for the current year			9 324,1
Balance on 31 December 2004	200 901,3	29 355,3	(5 228,1)

Approved on behalf on the Company's management by

Vytautas Vismantas

General director



AB "Lietuvos jūrų laivininkystė"

Cash flow statement


31 December 2004
(thousand Lt)

	2004	2003
Grynas pelnas (nuostolis)	9.324	(8.076)
Nusidėvėjimas	23.609	22.895
Atsargų sumažėjimas (padidėjimas)	(175)	(19)
Debitorių sumažėjimas (padidėjimas)	1.070	3.465
Įsisk. tiek. padid. (sumaž.)	(571)	1
Gautų avansų padidėj. (sumaž.)	433	713
Įs. biudžetui, sodrai darb. padid.(sumaž.)	42	(985)
Įvairių skolų padidėjimas (sumažėjimas)	(46)	(263)
<i>Pinigų srautai iš veiklos</i>	33.685	17.732
Ilg. turto perleid. (įsigij.)	(20.158)	(890)
Investicijų perleid. (įsigij.)	(3.267)	(1.477)
<i>Pinigų srautai iš investicinės veiklos</i>	(23.425)	(2.368)
Ilgalaikių paskolų padidėj. (sumaž.)	(9.628)	(17.140)
Trumpalaikių paskolų padidėj. (sumaž.)	1.538	1.219
Kiti finansinės veiklos srautų padidėjimai (sumaž.)	(2.980)	(280)
<i>Pinigų srautai iš finansinės veiklos</i>	(11.070)	(16.201)
Grynasis pinigų srautų padidėjimas (sumažėjimas)	(811)	(837)
Pinigai laikotarpio pradžioje	1.314	2.151
Pinigai laikotarpio pabaigoje	503	1.314

Approved on behalf on the Company's management by

Vytautas Vismantas

General director



AB "Lietuvos jūrų laivininkystė"**Financial statements for the year ended 31 December 2004****Notes****1. Accounting Policy****(a) Basis of accounting**

The financial statements are prepared following accrual and going - concern principles of accounting. According to the accrual principle effect of transactions and other events is recognized when it appears, is registered in accounting entries and presented in the financial statements of the related periods.

The financial statements are prepared assuming that the Company does not have any intentions or requirements to liquidate or to reduce significantly the scope of its operations.

(b) Fixed assets and depreciation

In the financial statements all economic resources that are at the disposal of the Company are recognized as assets if the Company expects to get a benefit from using the resources in future and if they have value which can be fairly evaluated.

Fixes assets in the financial statements are stated at the actual acquisition cost or the cost of production less accumulated depreciation. In accordance with rules for accounting fixed assets approved by the Board of the Company on 18 June 2001, the Company includes assets into fixed tangible assets list if their acquisition value is not lower than 1 000 Lt and they serve for a period longer than one year. Liquidation value of fixed assets is 1 litas, except for vessels "Akvilė", "Asta", "Audrė" and "Daina" (liquidation value 9-9,5 %).

Depreciation is calculated starting from the first day of the next month after the beginning of assets exploitation and finishing the month when the assets are written off or sold and when the whole value of the used long-term assets (less liquidation value) is transferred into the cost of production (work, services). Assets are depreciated on a straight-line basis.

The value of repairing fixed assets, when repairs do not improve the valuable characteristics of assets for several years (and these repairs will not bring income in future), is included into expenses of the period when the repairs are being made.

Maintenance and repairs of the vessels conducted periodically in accordance with the requirements of qualification companies: every 5 years (SS) after maintenance the class of the vessel is confirmed, every 3 years after SS maintenance the dock maintenance and repairs are conducted. Maintenance and repairs expenses related to confirmation of the class of vessels are written off to expenses within 3 years, dock maintenance and repairs within 2 years.

(c) Inventories

In the financial statements current assets are stated at the actual acquisition or production cost.

When buying stocks from other persons their purchase cost is determined by adding all taxes related to purchase (customs duties, etc.), transportation, preparation and other direct expenses related to stocks purchase to acquisition price and subtracting discounts and other price reductions. Insignificant stocks transportation and preparation expenses (or if they are constant during several accounting periods) are not included in acquisition cost of stocks but are written off as operating expenses.

AB "Lietuvos jūrų laivininkystė"**Financial statements for the year ended 31 December 2004****Notes (continued)****(d) Currency translation**

In the accounting records transactions in foreign currencies are stated in national currency, litas, in accordance with official exchange rate of litas and foreign currency in force at the transaction date announced by the Bank of Lithuania, except for accrued income and expenses, which are stated on the basis of official exchange rate of litas and foreign currency in force announced by the Bank of Lithuania on the last day of the accounting period.

Currency entries in the balance sheet are stated in accordance with the official exchange rate of litas and foreign currency in force announced by the Bank of Lithuania at the date of the financial statements. The Company's owned currency as well as all amounts receivable and payable in foreign currency are considered to be currency entries.

Changes in currency entries, which occurred due to changes in exchange rate of litas and foreign currency announced by the Bank of Lithuania and arose when performing currency transactions or revaluating currency entries registered earlier, are recognized as income or expenses from financial activities of the current period.

(e) Recognition of income

The moment of providing services is recognized as the moment of earning income. Services are considered to be rendered if a buyer pays for them at once or without significant additional conditions promises to pay later (when both parties of a transaction sign corresponding document: invoice, waybill, etc.). Money received as advance payment in accounting records are shown as an increase in the Company's liabilities to the buyers. In such case income is recognized only after rendering services.

(f) Recognition of expenses

An indicator of cost of goods sold and services provided is always related to goods sold or services rendered in the accounting period. This indicator includes only those charges, which were made for providing services in the accounting period.

2. Organisation and Trading Activities

AB "Lietuvos jūrų laivininkystė" is a joint – stock company launched after reorganizing AB "Lietuvos jūrų laivininkystė" (LISCO) by way of division. The Company was registered on 27 June 2001. Its registration No is BĮ 01-128, company code is 1086503. The Company's address is Malūnininkų g.3, Klaipėda.

The Company's management bodies are general meeting of shareholders, board of observers, board of directors and head of management.

Principal activities of the Company are freight carrying by sea transport and vessel lease.

At the end of the current year the Company employed 557 people, including 68 on shore and 489 on board.

AB "Lietuvos jūrų laivininkystė"

Financial statements for the year ended 31 December 2004

Notes (continued)

The subsidiary undertakings comprise:

	Country of Incorporation	% Holding	Activity
Lithuan Shipping Corporation	Liberia	100%	Holding Company

These shares do not have any value, the daughter company does not engage in any activities.

3. Fixed intangible assets, thous. Lt

	Acquisition cost	Depreciation	Net book value
1 January 2004	234,0	221,1	12,9
Additions	54,2		54,2
Depreciation		25,3	(25,3)
Restoring records			
Disposals and write offs			
31 December 2004	288,2	246,3	41,9

4. Fleet, thous. Lt

	Acquisition cost	Depreciation	Net book value
1 January 2004	284.120,8	53.690,5	230 430,3
Reclassifications			5,8
Additions	18.127,2		18.127,2
Depreciation		22.707,3	-22.707,3
Restatement			
Disposals and write offs			
31 December 2004	302.248,0	76.397,9	225.850,1
Maintenance of vessels			676,8

Motor-vessels "Asta", "Akvilė", "Audrė", "Daina", "Staris" and "Svilas" are pledged to banks for loans.

At the end of the year the Company owned 19 vessels, book value of which at the end of the current year was 225 850,1 thous. Lt (89 110,3 thous. USD). On 10 December 2004 English White Shipping Limited conducted valuation of vessels belonging to the Company. The total assessed value of vessels was 84 900 thous. USD.

AB "Lietuvos jūrų laivininkystė"

Financial statements for the year ended 31 December 2004

Notes (continued)

Name	Date of construction	Book value 2004 12 31, thous. USD	Evaluation 2004 02 26, thous. USD	Deadweight tonnage
Bulk carriers (K.Panfilov type)				
K.Andžejauskas	1978	1.309,9	2.200,0	14 632
K.Domeika	1979	1.143,2	2.300,0	14 632
K.Kaminskas	1978	832,5	2.200,0	14 632
K.A.Lučka	1980	1.066,0	2.500,0	14 632
K.Marcinkus	1977	830,0	2.200,0	14 632
K.Serafinas	1980	1.130,3	2.500,0	14 545
K.Šimkus	1976	714,8	1.900,0	14 632
K.Stulpinas	1981	1.222,1	2.500,0	14 545
		8.248,8	18.300,0	116 882
Sea/river vessels				
Mūša	1993	2.718,7	3.200,0	4 480
Vokė	1990	2.700,0	3.400,0	5 985
		5.418,7	6.600,0	10 465
General cargo carriers (Uglegorsk type)				
Algirdas	1991	1.761,3	4.000,0	4 160
Mindaugas	1992	2.070,4	4.000,0	4 160
		3.831,7	8.000,0	8 320
General cargo carriers (Asta type)				
Akvilė	1997	13.725,3	8.000,0	5 820
Asta	1996	12.546,4	8.000,0	5 600
Audré	1997	14.091,6	8.000,0	5 820
Daina	1998	14.925,9	8.000,0	5 620
		55.289,2	32.000,0	22 860
General cargo carriers				
Skalva	1985	6.794,6	7.000,0	9 498
Staris	1985	4.681,1	6.500,0	9 650
Svilas	1985	4.846,7	6.500,0	9 650
		16.322,4	20.000,0	19 300
TOTAL		89.110,8	84.900,0	187 325

AB "Lietuvos jūrų laivininkystė"

Financial statements for the year ended 31 December 2004

Notes (continued)

5. Other fixed assets, thous. Lt

Other fixed assets of the Company include buildings, transport, constructions, machines and equipment.

	Acquisition cost	Depreciation	Net book value
1 January 2004	7.996,7	2.426,8	5.569,9
Additions	1.077,8		1.077,8
Depreciation		876,1	-876,1
Restatement	241,5	0,4	241,1
Disposals and write offs	-149,4	-130,2	-19,2
31 December 2004	9.166,6	3.173,1	5.993,5

6. Stocks and prepayments, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Fuel aboard		108,1
Spares	141,2	203,3
Victualling stocks	212,3	256,4
Prepayments	196,0	235,6
	549,5	803,3

7. Amounts receivable, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Lithuanian trade debtors	20,2	27,5
Foreign trade debtors	563,5	843,6
Amounts receivable from State budget	48,1	886,6
Prepayments to vessels	169,6	115,4
Other amounts receivable	20,8	19,3
	822,2	1892,4

8. Investments and deposits, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Deposits	21.646,1	18.378,6
Other short-term investments	1,1	1,4
	21.647,2	18.380,0

AB "Lietuvos jūrų laivininkystė"

Financial statements for the year ended 31 December 2004

Notes (continued)

9. Cash at bank and in hand, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Amount in bank in local currency	46,9	132
Amount in bank in foreign currency	424,1	1.157,6
Petty cash in local currency	8,7	9,8
Petty cash in foreign currency	23,8	14,7
	503,5	1.314,1

10. Current liabilities, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Current year part of long-term debts	4.743,6	2.852,3
Other financial debts		3.205,6
Debts to suppliers	533,2	1.104,5
Prepayments received from buyers	2.184,8	1.752,3
Taxes payable	714,6	574,6
Remuneration and social security	370,8	475,4
Other amounts payable	417,6	111,9
	8.964,6	10.076,6

11. Long – term liabilities, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Financial debts		11.783,4
Debts to financial institutions	17.888,4	12.880,9
	17.888,4	24.664,3

On 1 February 2003 the Company signed loan agreement No 19402090100 45/04 with AB "Vilniaus bankas", following which it received 3 000,0 thous. USD loan for buying motor-vessel "Svilas". Loan repayment term is 1 February 2007. On 12 February 2003 motor-vessel "Staris", then on 25 March 2003 acquired motor-vessel "Svilas" was pledged for this loan. Pledge is registered at the Mortgage department of Klaipėda city court.

On 13 November 2004 the Company signed loan agreement No 04203090109 75/06 with AB "Vilniaus bankas", following which it received 3 924,0 thous. Lt loan for full repurchase of motor-vessels "Audre" and "Asta" from HSH Nordbank AG. Loan repayment term is 30 October 2010. In order to receive the loan on 3 January 2004 both vessels were pledged. Pledge is registered at the Mortgage department of Klaipėda city court.

Financial statements for the year ended 31 December 2004

Notes (continued)

12. Share capital and share premium, thous. Lt

	Share capital	Share premium	Total
1 January 2004	200 901,3		200 901,3
New emission of shares			
Purchase of own shares			
31 December 2004	200 901,3		200 901,3

On 31 December 2004 the Company's share capital consisted of 200 901 296 ordinary shares with the face value of each equal to 1 Lt.

13. Reserves, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Required reserves	29 355,3	7 819,3
Reserves not available for distribution	0	2 254,6
Reserves available for distribution	0	12 804,7
	29 355,3	22 878,6

14. Provisions, thous. Lt

	2004 / 12 / 31	2003 / 12 / 31
Non-current		
Profit tax provision	2.872,8	3.140,4
Current		
Profit tax provision	267,6	267,6
Provision for unused annual leaves	1.988,5	1.307,7
Provision for claims taken over after reorganisation	63,4	3.457,2
Provision for auditing services	43,5	42,4
	5.235,8	8.215,3

15. Shareholders and control

On 31 December 2004 66,67 % of the Company's shares belonged to the state, whose interests are represented by the State property fund, 6,36 % of shares belonged to "DFDS Tor Line A/S", 26,97 % were owned by other private shareholders.

AB "Lietuvos jūrų laivininkystė"

Financial statements for the year ended 31 December 2004

Notes (continued)

16. Income, thous. Lt

Sales

	2004 thous.Lt	2003 thous.Lt	% rise
✓ time charter income	80.506,5	69.069,5	116,6%
✓ other time charter income	248,5	640,2	38,8%
✓ short-term affreightment income	5.367,0	251,8	2131,5%
	86.122,0	69.961,5	123,1%

Profit from financial and investment activities in 2004 as well as in 2003 is due to positive influence of changes in exchange rates because the Company received loans in USA dollars.

Income from other activities includes 3 484,6 thous. Lt of reversed provisions, which have been formed in the previous years but are no longer needed.

17. Expenses, thous. Lt

(a) Cost of services

	2004 thous. Lt	2003 thous. Lt	% rise
✓ depreciation	23.244,9	22.370,1	103,9%
✓ remuneration and social security	14.530,5	14.028,6	103,6%
✓ various repair and maintenance expenses	9.242,3	10.359,6	89,2%
✓ crew victualling and daily allowances	10.130,6	9.343,9	108,4%
✓ spares and materials	4.949,4	5.682,8	87,1%
✓ insurance	3.065,2	3.825,9	80,1%
✓ brokers and address commissions	2.701,6	2.153,6	125,4%
✓ off-hire expenses	1.170,3	1.155,8	101,3%
✓ ship valuers' services and certification of vessels	763,9	855,2	89,3%
✓ diesel fuel and oil	1.079,0	254,9	423,3%
✓ various port fees and taxes	845,4	82,0	1031,0%
✓ pilot services and towage expenses		9,8	0,0%
✓ other expenses	3.844,8	1.891,3	203,3%
	75.567,9	72.013,5	104,9%

AB "Lietuvos jūrų laivininkystė"

Financial statements for the year ended 31 December 2004

Notes (continued)

(b) Operating expenses

	2004 thous. Lt	2003 thous. Lt	Comparison %
✓ remuneration and social security	3359,9	3377,4	99,5%
✓ depreciation	363,9	524,5	69,4%
✓ tax expenses	452,3	487	92,9%
✓ business trips	391,5	364,9	107,3%
✓ telecommunications and post services	190,3	204,3	93,1%
✓ bank services	125,5	188,2	66,7%
✓ audit, lawyers', other consultations	74,3	141,3	52,6%
✓ repairs and maintenance	140,9	119,1	118,3%
✓ transport services	79,7	68	117,2%
✓ public services and office maintenance	60	56,9	105,4%
✓ sales expenses	378,8	230,7	164,2%
	5617,1	5762,3	97,5%

18. Profit (loss) per share

Profit per share is calculated by dividing a net loss of the accounting period belonging to shareholders 9 324,1 thous. Lt by the number of ordinary shares at the end of the period – 200 901 296.

19. Claims and guarantees

At the end of 2004 guarantees provided by the Company amounted to 63,4 thous. Lt:

	thous. Lt	currency
✓ Letter of indemnity in favour of "North of England P& J Association Limited" concerning m/v "Algirdas" freight damage on 1999 08 12 at Djendjen port	63,4	25,0 thous. USD