

AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

To: The Bank of Lithuania
Žirmūnų str. 151,
LT-09128 Vilnius,
Lithuania

2012-05-18 Nr. (01)-5- 220
Klaipėda
l _____ Nr. _____

CONFIRMATION BY THE RESPONSIBLE PERSONS OF PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

Following the Rules of Preparation and Submission of Periodic and Supplemental of the Securities Commission of the Republic of Lithuania as well as the Law on Securities of the Republic of Lithuania, Item 22, we hereby confirm that, to the best of our knowledge Financial statements for the ended 31 March 2012, drawn in accordance with the International Financial Reporting Standards, corresponds to the reality and properly reflects the assets, liabilities, financial state, profit or loss and cash flows of Public Company "Lithuanian Shipping Company".

Public Company "Lithuanian Shipping Company"
General Director

Arvydas Bogočionkas

Public Company "Lithuanian Shipping Company"
Chief Accountant

Arvydas Stropus

**Public Company Lithuanian Shipping
Company**

Financial statements for the
year ended 31 March 2012

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Company details

Public Company Lithuanian Shipping Company

Telephone: +370 46 393105

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Company code: 110865039

Address: Malūnininkų g. 3, Klaipėda

Supervisory Council

Tomas Karpavičius (Chairman)

Ona Barauskienė

Evaldas Zacharevičius

Kazimieras Gimbutis

Helena Rogoža

Board

Arūnas Štaras (Chairman)

Jelena Antonevič

Juozas Darulis

Rolandas Bražinskas

Arvydas Bogočionkas

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas

AB DNB Bankas

Danske bank A/S Lithuanian branch

STATEMENT OF FINANCIAL POSITION
31 March, 2012

	Notes No.	31-03-2012	31-12-2011
Intangible assets	2	15	15
Tangible assets	1	206.408	207.237
<i>Total non-current assets</i>		<i>206.423</i>	<i>207.252</i>
Inventories	3	3.537	2.437
Prepayments	3	1.566	1.432
Trade receivables	4	2.874	750
Other receivables	4	173	190
Cash and cash equivalents	5	81	1.793
<i>Total current assets</i>		<i>8.231</i>	<i>6.602</i>
<i>Total assets</i>		<i>214.654</i>	<i>213.854</i>
Share capital	6	200.901	200.901
Legal reserve		-	-
Other reserves		-	-
Retained profit (loss)		(66.479)	(65.461)
<i>Total equity</i>	18	<i>134.422</i>	<i>135.440</i>
Payables to credit institutions	7	57.856	30.050
<i>Total non-current liabilities</i>		<i>57.856</i>	<i>30.050</i>
Payables to credit institutions	7	6.117	36.553
Trade payables	10	7.892	5.468
Received prepayments	10	3.247	3.266
Employment related payables	9	3.299	2.130
Profit tax liabilities	8	66	66
Other payables	10	1.755	881
<i>Total current liabilities</i>		<i>22.376</i>	<i>48.364</i>
<i>Total shareholders' equity and liabilities</i>		<i>214.654</i>	<i>213.854</i>

The notes set out on pages 6-26 form an integral part of these financial statements.

Chief Executive Officer



Arvydas Bogočionkas

STATEMENT OF COMPREHENSIVE INCOME
31 March, 2012

	Notes No.	31-03-2012	31-03-2011
Sales	11	18.072	62.172
Cost of sales	12	(19.229)	(80.258)
Gross result		(1.157)	(18.086)
Administrative expenses	13	(1.169)	(4.529)
Distribution expenses		(1)	(14)
Other operating income	14	43	23
Other operating expenses	14	(1)	(8.040)
Operating result		(2.285)	(30.648)
Financial income	15	1.791	-
Financial expenses	15	(525)	(8.421)
Net financial expenses	15	(1.266)	(8.421)
Profit (loss) before tax		(1.019)	(39.069)
Income tax expense		-	(65)
Profit (loss) for the year		(1.019)	(39.134)
Other comprehensive income, net of income tax		-	-
Total comprehensive income		(27.610)	(39.134)
Basic and diluted earnings (loss) per share (in litas)	16	(0,005)	(0,19)

The notes set out on pages 6-26 form an integral part of these financial statements.

Chief Executive Officer

Arvydas Bogočionkas

CASH FLOWS STATEMENT
31 March, 2012

Articles	Notes No.	31-03-2012	31-03-2011
Cash flows from operating activity			
Profit (loss) for the period		(1.019)	1.325
Adjustments for:			
Depreciation and amortization	1,2	3.981	7.185
Effects of exchange rate changes on loans	7	(1.989)	(4.456)
Gain (loss) on disposal of property, plant and equipment		-	-
Interest expenses, net	15	525	545
Income tax expense		-	-
Operating cash flows before changes in working capital		1.498	4.599
Decrease (increase) in receivables	3,4	(2.241)	(404)
Increase (decrease) in payables	9,10	4.449	(827)
Decrease (increase) in inventories	3	(1.100)	(1.477)
Cash flows generated from operating activities		2.606	3.545
Income tax paid			(67)
Interest paid	15	(525)	(545)
Net cash flows from operating activities		2.081	2.933
Cash flows from investing activities			
Acquisitions of non-current assets	1,2	(3.152)	1.048
Disposals of non-current assets		-	-
Received dividends and interests		-	-
Net cash flows from investing activities		(3.152)	1.048
Cash flows from financing activities			
Dividends paid to shareholders		-	-
Repayments of loans	7	(641)	(3.366)
Net cash flow from financing activities		(641)	(3.366)
Change in cash and cash equivalents		(1.712)	615
Cash and cash equivalents at 1 January		1.793	2.067
Cash and cash equivalents at 31 March		81	1.452

The notes set out on pages 6-26 form an integral part of these financial statements.

Chief Executive Officer

Arvydas Bogočionkas

STATEMENT OF CHANGES IN EQUITY
31 March, 2012

	Share capital	Legal reserve	Other reserves	Retained profit (loss)	Total
<i>Balance as at 31.12.2009</i>	200.901	20.090	10.068	(28.875)	202.184
Comprehensive income for the period				(39.134)	(39.134)
Used reserves		(18.807)	(10.068)	28.875	
<i>Balance as at 31.12.2010</i>	200.901	1.283		(39.134)	163.050
Comprehensive income for the period				1.325	1.325
Used reserves					
<i>Balance as at 31.03.2011</i>	200.901	1.283		(37.809)	164.375
Comprehensive income for the period				(27.610)	(27.610)
Used reserves		(1.283)		1.283	
Balance as at 31.12.2011	200.901			(65.461)	135.440
Comprehensive income for the period				(1.019)	(1.019)
<i>Balance as at 31.03.2012</i>	200.901			(66.480)	134.421

The notes set out on pages 6-26 form an integral part of these financial statements.

Chief Executive Officer

Arvydas Bogočionkas

Notes to the financial statements

I. Reporting entity

Public Company Lithuanian Shipping Company (LJL) is a joint-stock company established after reorganizing Public Company Lithuanian Shipping Company (LISCO). LJL was registered in the Registry of Legal Entities, certificate No. 027245. LJL registration date is 27 June, 2001, company code is 110865039. The address of LJL is Malūnininkų g. 3, Klaipėda. Main activities of the Company are cargo carrying by sea transport and lease of ships.

Management bodies of the Company are general meeting of shareholders, supervisory board, board and Chief Executive Officer.

At the ended of the 31 March 2012 337 employees were employed in the Company, 35 of them worked in management divisions and 302 as seafarers.

The shareholders of the Company were on 31 March, 2012:

	31-03- 2012		31-03- 2011	
	Number of shares	Ownership percent	Number of shares	Ownership percent
State Property Fund	-	-	5.619.061	2.80
Ministry of Transport and Communication of the Republic of Lithuania	113.833.000	56,66	113.833.000	56,66
Swedbank AS (Estonia)	11.437.444	5,69	11.369.607	5,58
DFDS TOR LINE A/S	11.108.420	5,53	11.108.420	5,53
Concern Achema Group	-	-	3.278.086	1.63
Other small shareholders	64.522.432	32,12	55.693.122	27,72
Total:	200.901.296		200.901.296	

II. Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

(b) Basis of measurement

The figures in financial statements are presented in litas which is the official currency of the Republic of Lithuania and the functional currency of the Company. The major part of income of the Company is received in USD, however a significant proportion of costs are in litas and euro which is related to litas at a fixed rate. All reports to shareholders, board, management, state institutions (State Tax Inspectorate, Sodra and Department of Statistics) must be provided in national currency. In addition, in order to protect against currency exchange risk the Company is considering going to work on euro in near future. Therefore, litas is the functional currency of the Company currently.

II. Significant accounting policies (continued)

(c) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

- Impairment losses on vessels

The carrying amounts of the Company's vessels are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Fair value is determined basing on valuation reports prepared by independent evaluators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value.

- Useful lives of vessels

Asset useful lives are assessed annually and changed when there is reason to believe that the remaining live does not reflect the technical condition, economic exploitation and physical condition of the assets concerned.

- Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

II. Significant accounting policies (continued)

(c) Use of estimates and judgements (continued)

- Impairment of financial assets (continued)

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

- Impairment of non-financial asset

The carrying amounts of the Company non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

II. Significant accounting policies (continued)

(d) Determination of fair values

A number of the Company's accounting policies and disclosures require determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined as the estimated amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(e) Transactions in foreign currencies

Transactions in foreign currencies are evaluated in litas on the basis of the official foreign currency exchange rates established by the Bank of Lithuania at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are evaluated in litas regarding exchange rates at the end of year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are converted into litas at the exchange rate at the date that the fair value was determined. At the end of current year all operations denominated in Euros were converted applying the fixed exchange rate announced by the Bank of Lithuania (1 EUR = 3,4528 LTL) and the amounts in US dollars were converted applying the exchange rate where 1 USD = 2,5896 LTL.

Foreign exchange differences generated due to change of currency rate between litas and foreign currency determined by the Bank of Lithuania and appeared when executing currency operations or by revaluation of previously registered currency items are recognized as incomes or expenses of financial activity in the accounting period in which they appeared.

(f) Financial instruments

- Non-derivative financial instruments

Loans and receivables as well as deposits are accounted in the Company on the date that they are originated. Such financial asset is recognized at its fair value added the costs directly related to the transaction. After the initial recognition, loans and receivables are presented on the basis of their amortised cost value applying effective interest calculation method and less impairment losses.

Accounting of financial asset is terminated upon ending of contractual powers on cash flow generated by therein asset or upon transferring the right to receive the contractual cash flow related to financial asset including all risks and benefits related to therein financial asset. Any benefit created or maintained by the Company related to the transferred financial asset is accounted as separate asset or liability.

All other financial assets and obligations are acknowledged on the day of transaction when the Company becomes the party of the contract under the provision of financial instrument transaction. Such financial obligations are recognized at a fair value by adding any costs directly related to the transaction. After initial recognition, financial obligations are presented at amortized cost using effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

II. Significant accounting policies (continued)

(f) Financial instruments (continued)

- Non-derivative financial instruments (continued)

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

- Derivative financial instruments

Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized in profit (loss), when incurred. After initial recognition, derivatives are valued at fair value and resulting changes accounted in profit (loss).

The Company did not use any financial instruments of this category during the reporting period.

Statement of financial position

(a) Non-current tangible assets

In financial statements all the economic resources of the Company are recognised as assets if the Company expects to obtain benefits from these resources and the later ones have their value that can be determined reliably.

Tangible non-current assets in the financial statements are evaluated by the cost price of the actual acquisition or production of the assets less the accumulated depreciation and impairment losses. The cost price of Company's self-constructed asset includes the cost price of materials, direct labor and appropriate proportion of indirect labor.

Lease when the Company assumes all the risk and benefit related to the asset is accounted as finance lease. Owner's asset acquired through financial leasing is presented at present value at the beginning of lease of minimum lease payments less accumulated depreciation and impairment losses.

Costs incurred during regular dock surveys of ships are accounted as separate component of non-current tangible asset. The value of repair works of non-current tangible asset that do not improve qualities of the asset for a few years (and the repair costs will not produce economic benefits in the future) are recognised as costs at the time in which they are performed.

II. Significant accounting policies (continued)

Statement of financial position (continued)

(a) Non-current tangible assets (continued)

Depreciation is calculated since the first day of the next month after transfer of the asset for the usage and is not calculated from the first day of the next month after its writing-off or selling, and when the whole value of the used asset (without the liquidation value) is transferred to the cost of the production

(works, services). Tangible non-current assets are depreciated applying the straight line method of the depreciation calculation.

Property groups	Useful lives (in years)
Vessels	20 after acquisition
Machines and equipment	7 – 16
Capitalised expenses of vessels inspections and overhous	2-3
Buildings and constructions	68
Other vehicles	6-10
Other tangible assets	4

The management establishes useful lives of the long-term assets at the time of its acquisition, and later it is being reviewed each year. The time of useful service is being established following the experience of past of similar assets as well as the planned events in the future that can have influence upon the time of useful service. It can be changed if there is enough ground to think that the remaining service time does not reflect physical status of the asset and its economic usage. The Company reviews the residual value of the asset each year.

(b) Non-current intangible assets

Computer software and other intangible assets with the limited period of use are stated at cost less the accumulated amortization and losses due to impairment. Amortization is calculated applying the straight line method during the period of useful life. Non-current intangible assets are amortised within the period of 3 years.

(c) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

II. Significant accounting policies (continued)

Statement of financial position (continued)

(d) Inventories

Inventories are recognized at the lower of the acquisition cost or net realizable value. FIFO method is being applied in order to determine the cost of inventories. Net realizable value is estimated as expected selling price less the expenses related to sale.

When inventories are purchased from other parties, their acquisition cost is their purchase price combined with all purchase-related taxes (customs duties, etc.), transportation, preparation for use and other costs directly attributable to the purchase of the inventories, less the received discounts and rebates. When the amounts of inventory transportation and preparation for use are insignificant or

constant for several reporting periods, they are written off to operating expenses rather than included into the cost of purchase.

(e) Receivables

Receivables of the Company are not traded in an active market. Receivables are included in current assets except for maturities greater than 12 months. Trade receivables are initially recognized at fair value. Loans and other receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method, excluding impairment losses, if any. Short-term receivables are not discounted.

(f) Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. The Company has no cash equivalents currently.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash and call deposits held at banks. Income and loss, which is not realized and has occurred due to changes in foreign currency exchange rate, is not recognized as cash flow. However, influence of changes on cash and cash equivalents maintained or paid in foreign currency is presented in the statement of cash flow in order to compare the cash and cash equivalents at the beginning of the period with the cash and cash equivalents at the end of the period. The amount of influence is presented separately from the operating, investing and financing cash flow and includes the differences of currency exchange if such are present which were determined in the cash flow at the end of the period.

(g) Borrowings

Borrowing expenses are recognised as costs as they are incurred or capitalized depending on the aim of borrowing. The Company capitalizes borrowing expenses which are directly attributable to the acquisition of the assets of long preparation, the construction or production as the part of cost price of the asset.

In the Company the borrowings are initially recognised at the fair value of the funds received adding the costs of the transaction. Later on they are stated at amortised cost and the difference between funds received and the amount that will have to be paid during the borrowing term is included into profit or loss of the period. The borrowings are presented as long-term if the financing agreement concluded till the date of the financial statements proves that the commitment at the date of the financial statements in its nature was long-term.

II. Significant accounting policies (continued)

Statement of financial position (continued)

(h) Dividends

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

(j) Provisions

Provisions on obligations are accounted only when the Company has legal obligation or irrevocable commitment as a result of the past events; and it is probable that an outflow of resources embodying economic benefits will be required to settle it; and the amount of obligation can be measured reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the most accurate current estimates. When the time effect on the value of money is significant the amount or provision is equal to the current value of outflows which are expected to be required for the settlement of obligation. When the discounting is used, an increase in provision reflecting the past period is recognised as interest expenses.

(k) Employment related payments

Short-term payments to the employees are recognized as a current expenses in the period during which the employees render services. The Company considers wages, social security contributions, paid vacations, compensations for two first days of sickness, premiums, bonuses, grants, leave allowances, vacation reserves to be the payments to the employees and they are recognized as expenses when an employee has fulfilled his duties in exchange to the received allowance.

(l) Transactions with related parties

Members of the board, general director, director for chartering, technical director, director for finance, chief accountant and their family members are considered as Company's related parties. The Company is not related to any legal persons.

Statement of comprehensive income

(a) Segments

Operating segments – are operating segments which meet the stated criteria: the Company receives individual financial information on these segments and the management regularly reviews this information and makes decisions on evaluation of operating results on the basis of such information. Operating segments have separate segment liabilities, segment assets, particular income and expense item evaluations, gross profit (loss) and they are all corresponding to the financial statement of the Company. The Company operates on one market sector and therefore the operating segments are not distinguished.

(b) Sales

The income earning moment is the moment of supplying services when it is probable that the Company will receive the economic benefit related to the agreement, and the amount of income can be evaluated reliably. Incomes received by selling goods and services are recognized at fair value less returns and allowances, trade discounts and volume rebates. Services are considered as granted if the buyer pays for them immediately or without substantial additional conditions undertakes to pay later (when both parties sign the contract document: invoice, bill of lading, etc.). Money received from advance payments for services are recorded in accounting as increase of Company's obligations to customers. In this case incomes are recognized only after supplying services.

II. Significant accounting policies (continued)

Statement of comprehensive income (continued)

(b) Sales (continued)

Sales from vessel charter contracts are recognized according to the percentage of completion method: the percentage of completion is calculated by the proportion of actual time to the total estimated duration of a ship voyage.

(c) Cost of sales

The cost of sales is always connected with the services rendered during the reporting period. It comprises a portion of expenses incurred during the reporting period in order to render the services. When it is impossible to directly relate the expenses of the reporting period with the earning of the particular income and they are also not going to generate income in the future periods they are recognized as costs of the period when they are incurred.

Cost of sales includes costs related to the cash-generating unit depreciation, salaries and other expenses incurred in earning income.

(d) Distribution and administrative expenses

Expenses in accounting are recognized basing on an accrual basis in the accounting period when the related incomes are being earned regardless of the time when money was spent. In cases when during the reporting period costs incurred can not be directly attributed to the specific income and they will not produce income in future periods these expenses are recognized as costs in the period when it was incurred.

Distribution and administrative expenses consist of costs related to administrative staff, management, office expenses, depreciation, etc.

(e) Other operating income and expenses

Other operating income and expenses consist of the gains and losses from sale of vessels and other non-current assets, rental and other income and expenses which are not directly related to Company's primary activities.

(f) Financial activity's income and expenses

Financial income and expenses comprise receivable and payable interest, gain and loss of realized and unrealized currency exchange regarding debtors and creditors denominated in foreign currencies.

Interest income is recognized in profit or loss using the effective interest rate method. The interest expense component of finance lease payments is recognized in the profit or loss using the effective interest rate method.

II. Significant accounting policies (continued)

Statement of comprehensive income (continued)

(g) Income tax

Calculation of profit tax is based on the annual profit and is made in accordance with the requirements of the tax laws of the Republic of Lithuania. Deferred income tax is calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases. An amount of deferred income tax depends on expected manner of realisation of assets and future settlements of liabilities and expected tax rates of the corresponding periods.

Following the amendments and supplements to the Income Tax Law of the Republic of Lithuania on May 3, 2007, the Company chosen to calculate a fixed rate profit tax for the tax period beginning on 2007 and subsequent tax periods. The base of the fixed rate profit tax is calculated for each 100 payload capacity units (CU) of a sea-going vessel by applying a fixed daily amount and multiplying the resulting amount by the number of days in a tax period of shipping entity. The fixed profit tax is payable in respect of activities relating to shipping. The profit tax for other activities not related to Company's vessels is payable in accordance with normal profit tax rate.

(h) Basic and diluted earnings (loss) per share

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

Other general notes on the financial statements

(a) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed except for the cases when probability, that the recourses providing economic benefit will be transferred, is remote. Contingent assets are not recognized in the financial statements. They are disclosed in the financial statements when it is probable that income or economic benefit will be received.

(b) Subsequent events

Events that provide additional information on the status of the Company on the day of the conclusion of the financial statement (the correcting events) are reflected in the final statements. Other subsequent events are not correcting events and are described in the notes if it is important.

(c) Financial risk factors

Credit risk

Credit risk is the risk of Company's financial loss if customer or partner fails to comply with contractual obligations. Credit risk is controlled by applying credit limits and monitoring procedures. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

II. Significant accounting policies (continued)

(c) Financial risk factors (continued)

Credit risk (continued)

In thousand LTL	31-03-2012	31-12-2011
Prepayments	1.566	1.432
Trade receivables	2.874	750
Other receivables	173	190
Cash and cash equivalents	81	1.793
Total:	4.694	4.165

The major part of receivables consists of amounts due from Euro zone countries. Ageing of receivables is presented in note 4.

Liquidity risk

The Company in order to avoid the liquidity risk maintains sufficient flow of cash and cash equivalents or has financing through respective credit planning in advance as well as controlling cash flow. The Company has not approved a liquidity rate to aspire to; however the management shall aim at keeping the balance between unattractiveness and flexibility of financing. Liquidity rates of the Company are provided in Note 22.

Currency rate risk

Currency risk relates to sales and receivables, purchases and payables, borrowings and borrowing costs denominated in currencies other than Litass and euro.

II. Significant accounting policies (continued)

(c) Financial risk factors (continued)

Currency rate risk (continue)

The Company's currency exchange risk was concentrated in the following items of the statement of financial position:

In thousand USD	31-03-2012	31-03-2011
Prepayments	345	698
Trade receivables	879	632
Other receivables	16	19
Cash and cash equivalents	14	510
Trade payables	(1.540)	(574)
Financial liabilities	(24.742)	(27.770)
Net currency exposure	(25.028)	(26.486)

There are no other material monetary items denominated in currencies other than USD.

The following table demonstrates the sensitivity of profit and loss where USD/LTL exchange rate changes by the specified percentage:

In thousand LTL	31-03-2012	31-03-2011
Increase of currency exchange rate	10%	10%
Profit (loss)	6.482	6.502
Decrease of currency exchange rate	(10%)	(10%)
Profit (loss)	(6.482)	(6.502)

This analysis is based on the fluctuations of foreign currencies exchange rate (USD) which are reasonably possible at the end of each period. This analysis assumes that all other variables, in particular the interest rate, remain constant.

The functional currency of the Company is Litas which is pegged to the euro at a fixed rate so exchange rate risks faced by the Company is related to purchases and sales expressed in other currencies than euro.

Interest Rate Risk

The company's loans are subject to variable interest rates related to LIBOR which is determined in every 3 months. The average effective interest rate in I quarter 2012 varied from 3.33 to 3.47 percent.

If average effective interest rate applicable to the Company's liabilities with variable interest rate in 2012 and in subsequent years would decrease or increase then until the final repayment date the interest expense would change as indicated in table:

II. Significant accounting policies (continued)

(c) Financial risk factors (continued)

Interest rate risk (continued)

Interest rate changes	Payable interests, thousand USD	Profit decrease / increase, thousand USD
At current interest rate	214.5	0
If the interest rate decreases 0,5 percent	183.8	30.7
If the interest rate increases 0,5 percent	245.5	(31.0)
If the interest rate increases 1 percent	276.5	(62.0)
If the interest rate increases 2 percent	338.3	(123.8)

The evaluation was carried out by the current credit repayment schedules. The most likely changes in interest rate options were tested.

(d) Capital Management

The Company's policy is to keep the shareholders equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the

future development of activities and correspond to the external capital requirements the policy of the Company requires maintaining a significant amount of equity capital when compared to the borrowed funds. The capital comprises equity capital belonging to the owners.

The Company also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security offered by a sound capital position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(e) Yet Not Effective New IFRS Standards and Interpretations

The applicable accounting policies are consistent with the accounting principles of previous year. The new / modified IFRS and their interpretations which have come into effect in 2011 are not applicable to the activity of the Company except for disclosures of related party transactions with public authorities. The Company has decided not to disclose transactions with public authorities as allowed under the provisions of the revised IAS 24.

It was published several new and revised International Financial Reporting Standards and interpretations that will be necessary in preparing Company's financial statements for reporting periods beginning on 1 January, 2012 and later. The Company has decided not to apply the new standards and interpretations earlier. Below there are presented evaluations made by Company's management regarding possible impact of new and revised standards applying for the first time.

Amendments of IFRS 7 "Financial Instruments: Disclosures" are related to transfer of financial asset. The amendments are effective for annual reporting periods beginning on 1 July, 2011 or after and apply prospectively. Previous application is possible. The amendments require disclosure of information which enables users of financial statements to: understand the relationship between the transferred financial asset the accounting of which is not completely stopped and the related liabilities; and to evaluate the nature and risks of Company's ongoing relationship with financial asset the accounting of which is stopped.

The amendments define "ongoing relationship" for the purposes of the disclosure requirements. The Company does not expect that the amendment of IFRS 7 will have a significant impact on the financial statements due to Company's activity nature and type of financial assets.

III. Explanatory notes to accounts

I. Non-current tangible asset

Rodikliai tūkst. LTL	Buildings and constructions	Machines and equipment	Vessels	Others vehicles	Capitalised expenses in vessels inspections and overhauls	Other tangible assets	Not finished capitalise d expenses in inspections and overhauls	Total
Acquisition costs								
Balance at 31 December 2010	3.672	791	455.995	250	16.386	518		477.612
Acquisitions		34	284	165	1.857	21	751	3.112
Disposals(-)				(118)		(2)		(120)
Reclassifications		(18)	18					
Balance at 31 December 2011	3.672	807	456.297	297	18.243	537	751	480.604
Acquisitions		55	35		3.058	1		3.149
Disposals (-)			(4)					(4)
Reclassifications		(25)	25		751		(751)	
Balance at 31 March 2012	3.672	837	456.351	297	22.053	539		483.749
Impairment losses								
Balance at 31 December 2010			(61.407)					(61.407)
Impairment losses (-)			(9.072)					(9.072)
Balance at 31 December 2011			(70.479)					(70.479)
Balance at 31 March 2012			(70.479)					(70.479)
Accumulated depreciation								
Balance at 31 December 2010	457	706	163.416	156	11.801	390		176.926
Charged for the period	51	70	22.662	28	3.167	53		26.031
Disposals (-)				(68)		(1)		(69)
Reclassifications		(20)	20					
Balance at 31 December 2011	508	756	186.098	116	14.968	442		202.888
Charged for the period	13	10	3.122	10	812	12		3.979
Disposals (-)			(4)					(4)
Reclassifications		(25)	25					
Balance at 31 March 2012	520	742	189.240	127	15.780	454		206.862
Carrying amounts								
Balance at 31 December 2010	3.215	85	231.171	94	4.585	129		239.279
Balance at 31 December 2011	3.164	51	199.720	180	3.275	96	751	207.237
Balance at 31 March 2012	3.152	95	196.632	170	6.273	85		206.407

I. Non-current tangible asset (continued)

The Company's non-current tangible assets at the end of financial year comprised 11 vessels, administration building, vehicles, machinery and equipment. The depreciation of vessels, equipment and machinery and other tangible assets in vessels was recognized in cost of sales. The depreciation of

buildings, vehicles, equipment and machinery and other tangible assets on office was recognized in administrative expenses.

In thousands LTL	31-03-2012	31-03-2011
Depreciation (with capitalised expenses of vessels inspections and overhous) recognized under cost of sales	3.945	7.133
Depreciation recognized under administrative expenses	34	45
Amortization of intangible asset recognized in administrative expenses	2	7
Total:	3.981	7.185

The vessels are pledged for loans received from SEB Bank (see note 7).

2. Non-current intangible asset

Indicators In thousand LTL	Software
Acquisition value	
At 31 December, 2010	387
At 31 December, 2011	387
Acquisitins	3
Disposals	-
At 31 March 2012	390
Amortization	
At 31 December, 2010	348
Amortization for the period	24
At 31 December, 2011	372
Amortization for the period	2
At 31 March 2012	374
Carrying amounts	
At 31 December, 2010	39
At 31 December, 2011	15
At 31 March 2012	16

Intangible asset is amortized over 3 years.

Amortization of intangible asset is recorded in the administrative expenses of comprehensive income.

3. Inventories and prepayments

In thousand LTL	31-03-2012	31-12-2011
Fuel	3.266	1.899
Spare parts, materials	216	374
Food stocks in vessels	55	164
<i>Total of inventories:</i>	<i>3.537</i>	<i>2.437</i>
Prepayments	1.566	1.432
Total:	5.103	3.869

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The 3.266 thousand LTL amount of fuel at 31-03-2012 is due to MV Alka, MV Voruta, MV Romuva, which were chartered under short-term contracts. There were no inventories for write-down to net realization value on 31-03-2012 and 31-03-2011. Prepayment amount of 456 thousand LTL at 31-03-2012 consist of advance payments (for spare parts, supply, repairs), 146 thousand LTL – other advances (for insurance, subscriptions, etc.), 964 thousand LTL – advances to vessel agents.

4. Trade receivables and other receivables

In thousand LTL	31-03-2012	31-12-2011
Trade Receivables	2.874	1.889
Impairment loss of trade receivables (-)	-	(1.139)
Net trade receivables	2.874	750
Receivables from State Budget	36	31
Prepayments to fleet	131	143
Other receivables	6	16
<i>Total receivables</i>	173	190
Total:	3.047	940

Trade receivables of debt – 2.874 thousand LTL current trade receivables of the ships services have been received in April 2012.

In thousand LTL	Total	Trade and other receivables not past due an impairment allowance on which is not recognized	Trade receivables past due an impairment allowance on which is not recognized			
			Less than 30 days	31 - 60 days	61 - 90 days	More than 91 days
31-03-2012	2,874	2,837	30	6	-	1
31-12-2011	750	675	-	75	-	-

5. Cash and cash equivalents

In thousand LTL	31-03-2012	31-12-2011
Cash in bank in LTL	15	32
Cash in bank in foreign currencies	44	1.732
Cash in hand in LTL	4	4
Cash in hand in foreign currencies	18	25
Total:	81	1.793

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Under the conditions of credit agreement with SEB Bank 100 percent of banking turnover must be carried out through accounts opened in this credit office. In addition, all existing and future funds in all currencies in these accounts are pledged to the bank by signing the contract of bank account pledging.

6. Share capital

In thousand LTL	Share capital	Share premiums	Total
31-12-2011	200.901	-	200.901
The new issue of shares	-	-	-
Purchased own shares	-	-	-
31-03-2011	200.901	-	200.901

The authorized capital of the Company at 31-03-2012 comprised 200,901,296 ordinary shares. Nominal value of one share is equal to 1 LTL. All shares are fully paid. Holders of ordinary shares have one vote per share at the general meeting of shareholders of the Company and are entitled to receive dividends when they are declared and the right to return the capital in case of capital reduction. The shares of the Company are quoted by PC NASDAQ OMX Vilnius.

7. Payables to credit institutions

In thousand LTL	31-03-2012	31-12-2011
Non-current payables	57.856	30.050
Current payables	6.117	36.553
Total:	63.973	66.603
Balance of loans at the beginning of the year	66.603	76.002
Received loans	-	-
Repaid loans	(641)	(10.337)
Influence of currency exchange rate	(1.989)	938
Total:	63.973	66.603

All loans of the Company to bank are secured by assets. 11 vessels are pledged with the carrying amount of 196.631 thousand LTL. At 31-03-2012 the total loans amount was 63.973 thousand LTL. Loan repayment term 2015-02-27.

The interest rate of loans is variable because is related to 3-months LIBOR (USD). The effective interest rate ranged from 2.9% to 3.33% in I quarter 2012. Due to fallen shipping market cash flows have reduced and repayment schedule has been restructured in I quarters 2012, all repayment were carried out according to approved schedules.

8. Profit tax liabilities

The Company pays fixed profit, i.e., tonnage tax. Fixed payable profit tax for the year 2011 amounted to 66 thousand LTL.

9. Employment related payables

In thousand LTL	31-03-2012	31-12-2011
Wages payable	1.009	415
Vacation reserve (wages)	1.507	1.046
Vacation reserve (social security part)	467	324
Payable social security contributions	314	344
Payable amount to Guarantee fund	2	1
Total:	3.299	2.130

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10. Other payables

In thousand LTL	31-03-2012	31-12-2011
Trade payables	7.892	5.468
Received prepayments	3.247	3.266
Payable dividends	96	96
Accrued expenses	33	115
Other payables	1.626	670
Total:	12.894	9.615

The amount of trade payables consists of current debt for repairs and technical supply 2.616 thousand LTL from them –533 for fuel and lubricants. In other payables -1.483 thousand LTL consist of voyage debts of vessels employed on short-term charters and which voyages in the I quarter ended.

11. Sales

In thousand LTL	31-03-2012	31-03-2011
Time-charter sales	12.258	14.526
Other Time-charter sales	-	-
Voyage-charter sales	5.793	2.766
Other sales	21	592
Total:	18.072	17.884

In I quarter 2012 income from short-term freight charters has increased as the Company has exploited MV Alka, MV Romuva, MV Voruta and Venta by itself, while in 2011 it was only MV Alka and MV Venta.

12. Cost of Sales

In thousand LTL	31-03-2012	31-03-2011
Depreciation	3.941	7.133
Crew costs	5.130	4.288
Fuel	3.288	1.571
Port dues	333	586
Spare parts	571	1.408
Insurance	1.025	952
Repair of vessels	1.713	429
Commissions	627	528
Vessel's functional expenses	699	531
Lubricants	755	530
Other vessel costs	1.147	910
Total:	19.229	18.867

In January – March of 2012 fuel costs had increased due to increased number of vessels working on short-term charters. Cost of sales also increased due to higher crew costs, increased wages, victualling and daily allowances. Depreciation expenses decreased due to changed terms of vessels' useful lives and smaller number of repairs.

Other expenses: 229 thousand LTL – services of classification societies, 170 thousand LTL – inspection and maintenance of salvage and fire equipment, 74 thousand LTL - charts and navigational material, 116 thousand LTL – paints, chemicals and other.

13. Administrative expenses

In thousand LTL	31-03-2012	31-03-2011
Employee expenses	835	882
Amortization and depreciation	35	52
Consultation and legal services	18	24
Business maintenance expenses	42	30
Bank services	33	37
Communication services	31	20
Transport expenses	30	19
Maintenance of premises	40	33
Other expenses	106	62
Total:	1.170	1.159

Employee expenses decreased due to lower number of employees at the end of the quarter.

14. Other operating income/expenses

In thousand LTL	31-03-2012	31-03-2011
Gain on disposal of non-current assets	-	-
Other income	43	40
<i>Total other operating income:</i>	<i>43</i>	<i>40</i>
Loss on disposal of non-currents assets	-	-
Other expenses	1	1
<i>Total other activity expenses:</i>	<i>1</i>	<i>1</i>
Total:	42	39

15. Financial income/expenses

In thousand LTL	31-03-2012	31-03-2011
Interest income	-	-
Gain of currency exchange rate	1.791	3.973
<i>Total financial activity income:</i>	<i>1.791</i>	<i>3.973</i>
Interest expenses	(525)	(545)
Loss of currency exchange rate	-	-
<i>Total financial activity expenses:</i>	<i>(525)</i>	<i>(545)</i>
Total:	1.266	3.428

16. Basic and diluted earnings (loss) per share

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

Loss / reduced loss per share was- 0.005 LTL in I quarter 2012 and in 2011 – 0.007 LTL.

17. Cash flows statement

Cash at the end of the reporting period amounted to 81 thousand LTL and has decreased to 1.712 thousand LTL from the beginning of the year. Cash flow decreased due to the former ship repair yards in the first quarter.

18. Statement of changes in equity

Equity in at the end of 2011 amounted to 135,440 thousand LTL and compared with the beginning of the period decreased 1.019 thousand LTL due to loss suffered in the reporting period.

19. Related parties

Members of the board, general director, director for chartering, technical director, director for finance, chief accountant and their family members are considered as Company's related parties. The wages totaling 116.4 thousand LTL were calculated for these persons in I quarter 2012. There were no other transactions with related natural or legal persons in 2012 .

21. Segments

The Company operates in one business segment.

The Company has three customers, income from which in 2012 amounted to more than 10% of total Company's income.

The Company had three customers, income from which in 2010 amounted to more than 10% of total Company's income. Income received from these customers accounted for 77% of total income in 2010.

Company's main activity markets are:

- Trans-Atlantic market, where the steel and nonferrous metals, alloys, fertilizer cargo are being carried from Europe, to USA, Latin and South America. Cargo for return trips consists of grain, coal, alumina and fluorspar.
- Northern European-North African market, where the rough sawn timber, paper cargo are being carried from Northern Europe and Scandinavia to the Mediterranean coast. Cargo for return trips consists of fertilizes, ore, steel coils and minerals.
- Caribbean market, where various cargo are being carried between USA and the Caribbean and Central American countries.

21. Capital management policy

The Company uses variety of ways to manage and maintain the capital structure - adjusts amount of dividends and other payments to shareholders, may sell the assets to reduce debts.

Debts – equity ratio

In thousand LTL	31-12-2011	31-12-2011
<i>Total liabilities:</i>	80.232	78.414
minus cash and equivalents	81	1.793
<i>Net amount of liabilities:</i>	80.151	76.621
<i>Total equity capital:</i>	134.422	135.440
Plus subordinated debt instruments	-	-
		-
minus change in fair value of the recognized hedging instrument in equity	-	-
<i>Corrected equity capital</i>	134.422	135.440
debts – equity ratio	0.60	0,57

22. Financial ratios

	Calculation	31.03.2012	31.12.2011
Gross debt ratio	$\frac{\text{Total liabilities}}{\text{total asset}}$	0,37	0,37
Gross solvency ratio	$\frac{\text{Total equity}}{\text{Total liabilities}}$	1,67	1,73
Gross profitability	$\frac{\text{Gross profit}}{\text{Sales and services}}$	-0,06	-0,052
Current ratio	$\frac{\text{Current asset}}{\text{Current liabilities}}$	0,37	0,14
Receivables turnover	$\frac{\text{Sales and services}}{\text{Accounts receivable}}$	6,31	8,09

The maximum income risk is made from the risk of the receivable amounts. The income policy was established that customers pay in advance for ship services by making contracts.

23. Contingent assets and liabilities

The judicial proceedings are being carried out currently for pecuniary and non-pecuniary damage, the amount of claim for the Company is 411 thousand LTL. The claim was raised for the death of Company's captain J. Smirnov in 2005.

The Company has not granted any guarantees and warranties for other persons.

The management of the Company is not aware of any circumstances in which the Company may be charged significant additional tax liabilities.

24. Subsequent events

27.04.2012 was held PC "Lithuanian shipping company" general meeting of shareholders, which approved audited financial statements of 2011.

26. The fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings. The management of the Company is of the opinion that the carrying amounts of trade and other receivables, trade and other payables approximate their fair value due to their short-term nature, as well as borrowings approximate their fair value due to re-pricing based on the Libor interest rate in regular intervals and other financial assets and liabilities are short-term therefore the volatility of their fair value is not significant.

Chief Executive Officer

Arvydas Bogočionkas