

**APB APRANGA
AND SUBSIDIARIES**

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

APB APRANGA AND SUBSIDIARIES

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS:	
INCOME STATEMENT	4
BALANCE SHEET	5 - 6
STATEMENT OF CHANGES IN EQUITY	7 - 8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 26

INDEPENDENT AUDITORS' REPORT

To the shareholders of APB Apranga:

1. We have audited the accompanying balance sheet of APB Apranga as of 31 December 2004 (hereinafter the Company) and the consolidated balance sheet of APB Apranga and subsidiaries (hereinafter the Group) as of 31 December 2004 and the related statements of income, cash flows and changes in equity 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. 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.
3. We did not audit the balance sheet as of 31 December 2003, since that date was prior to our appointment as auditors, adjustments to which could materially affect the determination of profit and loss, cash flows and changes in equity for the year ended 31 December 2004. Accordingly, we are unable to express, and do not express, an opinion on the statements of income, cash flows and changes in equity for the year ended 31 December 2004.
4. In our opinion, the balance sheets referred to above presents fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2004, in accordance with International Financial Reporting Standards.
5. The financial statements of the Company and the Group for the year ended 31 December 2003 were not audited by us, and, accordingly, we do not express opinion on them.

Deloitte & Touche
Vilnius, Lithuania
18 April 2004

APB APRANGA AND SUBSIDIARIES

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Group		Company	
		2004	Unaudited	2004	Unaudited
		LTL'000	2003	LTL'000	2003
Revenue	3	115,466	80,797	97,689	80,994
Cost of sales	3	(66,256)	(48,040)	(61,669)	(50,412)
GROSS PROFIT		49,210	32,757	36,020	30,582
Operating expenses	4	(41,313)	(26,951)	(30,240)	(24,732)
PROFIT FROM OPERATIONS		7,897	5,806	5,780	5,850
Net other income	5	1,531	1,202	1,803	1,269
Finance costs	6	(2,111)	(550)	(1,245)	(374)
PROFIT BEFORE TAXES		7,317	6,458	6,338	6,745
Income tax expense	7	(1,235)	(995)	(974)	(995)
NET PROFIT FOR THE YEAR		6,082	5,463	5,364	5,750
EARNINGS PER SHARE, LTL	10	0.69	0.62	0.61	0.65

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 18 April 2005 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

APB APRANGA AND SUBSIDIARIES

BALANCE SHEET AS OF 31 DECEMBER 2004

	Notes	Group		Company	
		2004	Unaudited	2004	Unaudited
		LTL'000	2003 LTL'000	LTL'000	2003 LTL'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	58,244	36,245	34,209	31,533
Intangible assets	12	613	593	554	593
Investments in subsidiaries	13	-	-	4,108	286
Available-for-sale financial assets	14	7,960	9,078	7,960	9,078
Non-current receivables		459	286	309	2,265
Total non-current assets		67,276	46,202	47,140	43,755
Current assets					
Inventories	15	31,200	21,596	23,603	18,956
Trade and other receivables	16	2,898	2,324	18,626	2,423
Available-for-sale financial assets	14	1,118	-	1,118	-
Bank balances and cash	17	1,229	846	820	735
Total current assets		36,445	24,766	44,167	22,114
TOTAL ASSETS		103,721	70,968	91,307	65,869

(Continued)

APB APRANGA AND SUBSIDIARIES

BALANCE SHEET AS OF 31 DECEMBER 2004

	Notes	Group		Company	
		2004	Unaudited	2004	Unaudited
		LTL'000	2003 LTL'000	LTL'000	2003 LTL'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	8,823	8,823	8,823	8,823
Legal reserve	19	748	461	748	461
Other reserves		-	25,001	-	25,001
Share premium		441	441	441	441
Translation reserve		(212)	(36)	-	-
Accumulated profits		34,482	5,450	34,064	5,750
Total capital and reserves		44,282	40,140	44,076	40,476
Non-current liabilities					
Borrowings – due after one year	20	28,509	5,110	28,509	-
Deferred tax liabilities	8	301	-	103	-
Obligations under finance leases – due after one year	21	928	1,513	928	1,513
Other non-current liabilities		84	687	85	672
Total non-current liabilities		29,822	7,310	29,625	2,185
Current liabilities					
Trade and other payables	22	14,894	8,148	7,851	7,850
Bonds issued	23	7,156	-	7,156	-
Obligations under finance leases – due within one year	21	599	512	599	512
Borrowings – due within one year	20	6,968	14,858	2,000	14,846
Total current liabilities		29,617	23,518	17,606	23,208
TOTAL EQUITY AND LIABILITIES		103,721	70,968	91,307	65,869

(Concluded)

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 18 April 2004 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačasuskas
Chief Financial Officer

APB APRANGA AND SUBSIDIARIES

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

GROUP	Share capital LTL'000	Legal reserve LTL'000	Share premiums LTL'000	Other reserves LTL'000	Translation reserve LTL'000	Accumulated profits LTL'000	Total LTL'000
Balance at 31 December 2002 (Unaudited)	8,823	461	441	19,927	(4)	5,061	34,709
Transfer to reserves (Decrease) in	-	-	-	5,074	-	(5,074)	-
translation reserve	-	-	-	-	(32)	-	(32)
Net profit for the year	-	-	-	-	-	5,463	5,463
Balance at 31 December 2003 (Unaudited)	8,823	461	441	25,001	(36)	5,450	40,140
Transfer to legal reserve	-	287	-	-	-	(287)	-
Transfer to accumulated profits	-	-	-	(25,001)	-	25,001	-
(Decrease) in translation reserve	-	-	-	-	(176)	-	(176)
Dividends paid (note 9)	-	-	-	-	-	(1,764)	(1,764)
Net profit for the year	-	-	-	-	-	6,082	6,082
Balance at 31 December 2004	8,823	748	441	-	(212)	34,482	44,282

APB APRANGA AND SUBSIDIARIES

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

COMPANY	Share capital LTL'000	Legal reserve LTL'000	Share premiums LTL'000	Other reserves LTL'000	Accumulated profits LTL'000	Total LTL'000
Balance at 31 December 2002 (Unaudited)	8,823	461	441	19,927	5,074	34,726
Transfer to reserves	-	-	-	5,074	(5,074)	-
Net profit for the year	-	-	-	-	5,750	5,750
Balance at 31 December 2003 (Unaudited)	8,823	461	441	25,001	5,750	40,476
Transfer to legal reserve	-	287	-	-	(287)	-
Transfer to accumulated profits	-	-	-	(25,001)	25,001	-
Dividends paid (note 9)	-	-	-	-	(1,764)	(1,764)
Net profit for the year	-	-	-	-	5,364	5,364
Balance at 31 December 2004	8,823	748	441	-	34,064	44,076

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 18 April 2004 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačasuskas
Chief Financial Officer

APB APRANGA AND SUBSIDIARIES

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2004

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
OPERATING ACTIVITIES				
Profit before income taxes	7,317	6,458	6,338	6,745
Adjustments for:				
Depreciation and amortization	5,443	3,809	3,809	3,352
Loss on disposal of property, plant and equipment	25	-	25	-
Interest expenses, net	1,477	667	896	632
Operating cash flows before movements in working capital	14,262	10,934	11,068	10,729
Increase in inventories	(9,604)	(4,859)	(4,647)	(2,219)
Increase in receivables	(302)	(806)	(14,247)	(3,289)
Unrealised foreign exchange gain (loss)	167	(36)	-	-
Increase in payables	6,600	1,772	(177)	1,634
Cash generated by (used in) operations	11,123	7,005	(8,003)	6,855
Income taxes paid	(1,680)	(1,124)	(1,091)	(1,124)
Interest paid	(1,482)	(674)	(1,124)	(674)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,633	5,207	(10,218)	5,057
INVESTING ACTIVITIES				
Interest received	5	7	195	42
Purchases of property, plant and equipment	(27,440)	(9,686)	(6,409)	(4,532)
Acquisition of subsidiaries	-	-	(3,822)	-
Purchases of available for sale investments	-	(4,002)	-	(4,002)
NET CASH USED IN INVESTING ACTIVITIES	(27,435)	(13,681)	(10,036)	(8,492)
FINANCING ACTIVITIES				
Dividends paid	(1,764)	-	(1,764)	-
Proceeds from (repayments of) borrowings, net	15,509	9,758	15,663	4,620
Repayments of obligations under finance leases	(560)	(1,039)	(560)	(1,039)
Proceeds on issue on bonds	7,000	-	7,000	-
NET CASH FROM FINANCING ACTIVITIES	20,185	8,719	20,339	3,581
NET INCREASE IN CASH	383	245	85	146
CASH AT BEGINNING OF YEAR	846	601	735	589
CASH AT END OF YEAR	1,229	846	820	735

The accompanying notes are an integral part of these financial statements

These financial statements were approved on 18 April 2004 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačasuskas
Chief Financial Officer

APB APRANGA AND SUBSIDIARIES

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

1. GENERAL

APB Apranga (the Company) was incorporated and commenced its operations in March 1993. The Company's main office is situated in Kirtimų str. 51, Vilnius, Lithuania. The principal activity of the Company and its subsidiaries (the Group) is retail trade of men and women apparel.

The Group consists of APB Apranga, the parent company, and its wholly owned subsidiaries SIA Apranga, SIA Apranga LV, OU Apranga Estonia and UAB Apranga LT.

These financial statements are presented in Lithuanian litas (LTL).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting, except for the revaluation of certain tangible fixed assets and financial instruments, in accordance with International Financial Reporting Standards (IFRS). The following summarizes the more significant of these policies.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is recognised as negative goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Company's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised as income in the income statement when the future losses and expenses are recognised. If these identifiable future losses and expenses are not recognised in the expected period, the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets; and the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal as appropriate. All inter-Group transactions, balances of accounts and unrealized profit and loss from related operations among the Group companies are eliminated. For the purpose of these financial statements the accounting policy of subsidiaries has been adjusted to be in line with the Group's accounting policy.

Investments in subsidiaries

In the parent's financial statements investments in subsidiaries are carried at cost. The carrying value of investments is reduced to recognise an impairment loss of the value of the investments, such reduction being determined and made for each investment individually.

APB APRANGA AND SUBSIDIARIES

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

Available for sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or because of contractual commitments, are classified as available for sale and are included in non-current assets unless management has the express 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 recognition and related expenses

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

Leases

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. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement over the term of the relevant lease.

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

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 the 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:

	2004		2003
1 USD	= 2.5345 LTL	1 USD	= 2.7621 LTL
1 EUR	= 3.4528 LTL	1 EUR	= 3.4528 LTL
1 LVL	= 4.9527 LTL	1 LVL	= 5.1629 LTL
10 EEK	= 2.2067 LTL	10 EEK	= 2.2070 LTL

APB APRANGA AND SUBSIDIARIES

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

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.

Tangible and intangible fixed assets

Tangible fixed assets acquired before 1 January 1995 are stated at historical cost, less accumulated depreciation as adjusted for indexation, using indexation rates set by the Lithuanian Government. Tangible assets acquired after 1 January 1996 are stated at historical cost, less accumulated depreciation and impairment losses.

Intangible fixed assets are stated at historical cost, less any subsequent accumulated amortization and accumulated impairment losses.

Depreciation/amortization is charged so as to write-off the cost of fixed assets over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	50 years
Plant and equipment	5-20 years
Leasehold improvements	4-6 years
Other fixed assets	3-6 years
Intangible assets	5-6 years

All assets in excess of LTL 1,000 are capitalized.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Impairment of assets

At each balance sheet date, the Company and the Group reviews the carrying amounts of its tangible and intangible fixed 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

APB APRANGA AND SUBSIDIARIES

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

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.

Bank balances and cash

Bank balances and cash include cash on hand, in bank accounts and in transit.

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.

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

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.

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.

APB APRANGA AND SUBSIDIARIES

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

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 statements. Actual results could differ from those estimates.

Earnings per share

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 2004 and 2003 was 8,822,990. The Company had no dilutive options outstanding during 2004 and 2003 or at 31 December 2004 and 2003.

Geographical segment

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in another economic environment.

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.

Reclassifications

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

APB APRANGA AND SUBSIDIARIES

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

3. REVENUE AND COST OF SALES

For the year ended 31 December sales and cost of sales by the geographical area consisted of the following:

Group	2004 LTL'000				Unaudited 2003 LTL'000			
	Lithuania	Latvia	Estonia	Total	Lithuania	Latvia	Estonia	Total
Sales	86,367	22,176	6,923	115,466	73,986	6,811	-	80,797
Cost of sales	(49,356)	(13,186)	(3,714)	(66,256)	(43,903)	(4,137)	-	(48,040)
Gross profit	37,011	8,990	3,209	49,210	30,083	2,674	-	32,757

Company	2004 LTL'000				Unaudited 2003 LTL'000			
	Lithuania	Latvia	Estonia	Total	Lithuania	Latvia	Estonia	Total
Sales	84,044	13,645	-	97,689	73,762	7,232	-	80,994
Cost of sales	(49,849)	(11,820)	-	(61,669)	(44,288)	(6,124)	-	(50,412)
Gross profit	34,195	1,825	-	36,020	29,474	1,108	-	30,582

4. OPERATING EXPENSES

For the year ended 31 December operating expenses consisted of the following:

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Rent and utilities	12,732	7,422	9,500	6,736
Remuneration and related taxes	11,924	7,588	9,246	7,100
Depreciation and amortization	5,443	3,567	3,809	3,352
Advertising	2,433	2,023	1,674	1,740
Bank commissions	1,039	709	768	657
Franchise expenses	841	-	-	-
Business trips	677	519	545	494
Communication expenses	557	404	471	384
Taxes	554	569	540	569
Selling services	541	647	541	647
Repair expenses	297	439	275	301
Other expenses	4,275	3,064	2,871	2,752
Total	41,313	26,951	30,240	24,732

APB APRANGA AND SUBSIDIARIES

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

5. NET OTHER INCOME

For the year ended 31 December net other income consisted of the following:

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Rent income	1,107	1,112	1,107	1,112
Consulting services	-	-	239	50
Other income	559	134	571	133
Total other income	1,666	1,246	1,917	1,295
Other expenses	(135)	(44)	(114)	(26)
Total other income, net	1,531	1,202	1,803	1,269

6. FINANCE COSTS

For the year ended 31 December finance costs consisted of the following:

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Interest expense	(1,326)	(674)	(934)	(674)
Interest expense on bonds	(156)	-	(156)	-
Total borrowing costs	(1,482)	(674)	(1,090)	(674)
Foreign currency exchange (loss) gain, net	(614)	85	(336)	226
Interest income on loans granted	6	7	195	42
Other, net	(21)	32	(14)	32
Total	(2,111)	(550)	(1,245)	(374)

APB APRANGA AND SUBSIDIARIES

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

7. INCOME TAX EXPENSE

A reconciliation of income tax expense at the statutory tax rate to income tax expense at the Group's and the Company's effective tax rate is as follows:

	<u>Group</u>		<u>Company</u>	
	2004	%	2004	%
	LTL'000		LTL'000	
Profit before tax	<u>7,317</u>		<u>6,338</u>	
Tax calculated at domestic tax rates applicable to profits in the respective countries	801	11	951	15
Tax effect of expenses that are not deductible in determining taxable profit and of income not subject to tax	133	2	(80)	(1)
Tax effect on timing differences	279	4	81	1
Increase in valuation allowance	22	-	22	-
Tax expense and effective tax rate for the year	<u>1,235</u>	17	<u>974</u>	15
The components of income tax expense are as follows:				
Current income tax expense	934		871	
Deferred tax (note 8)	301		103	
Income tax expense	<u>1,235</u>		<u>974</u>	

8. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method.

Deferred tax liabilities and assets recognized by the Group and the Company are as follows:

	<u>Group</u>	<u>Company</u>
	2004	2004
	LTL'000	LTL'000
Deferred tax assets:		
Provisions	(5)	(5)
Accruals	(17)	(17)
Total deferred tax assets	<u>(22)</u>	<u>(22)</u>
Deferred tax liabilities related to depreciation of fixed assets	301	103
Less: valuation allowance	22	22
Net position at 31 December	<u>301</u>	<u>103</u>

Deferred income tax assets are recognized only to the extent that realization of the related tax benefit is probable.

APB APRANGA AND SUBSIDIARIES

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

9. DIVIDENDS

On 30 April 2004, a dividend of 0.2 LTL per share was paid to shareholders.

In respect of the current year, the directors propose that a dividend of 0.23 LTL per share will be paid to shareholders in 2005. This dividend is subject to approval by shareholders at the Annual Shareholder's Meeting and has not been included as a liability in these financial statements.

10. EARNINGS PER SHARE

	Group	
	2004	Unaudited
	LTL	2003
		LTL
Net profit for the year	6,082,002	5,463,109
Weighted average number of ordinary shares	8,822,990	8,822,990
Earnings per share	0.69	0.62

11. PROPERTY, PLANT AND EQUIPMENT

At 31 December property, plant and equipment consisted of the following:

GROUP

	Buildings	Plant and	Other fixed	Construction	Total
	LTL'000	equipment	assets	in progress	LTL'000
		LTL'000	LTL'000	LTL'000	LTL'000
Historical/indexed cost					
31 December 2003 (Unaudited)	25,308	1,607	22,069	71	49,055
Additions	472	13	23,417	3,658	27,560
Disposals	-	-	(507)	(25)	(532)
Exchange differences	-	-	(179)	-	(179)
Transfers	-	-	3,285	(3,285)	-
31 December 2004	25,780	1,620	48,085	419	75,904
Accumulated depreciation					
31 December 2003 (Unaudited)	2,066	758	9,986	-	12,810
Charge for period	507	212	4,474	-	5,193
Exchange differences	-	-	164	-	164
Disposals	-	-	(507)	-	(507)
31 December 2004	2,573	970	14,117	-	17,660
Net book value					
31 December 2003 (Unaudited)	23,242	849	12,083	71	36,245
31 December 2004	23,207	650	33,968	419	58,244

APB APRANGA AND SUBSIDIARIES

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

COMPANY

	Buildings LTL'000	Plant and equipment LTL'000	Other fixed assets LTL'000	Construction in progress LTL'000	Total LTL'000
Historical/indexed cost					
31 December 2003 (Unaudited)	25,308	1,607	17,025	71	44,011
Additions	472	13	2,120	3,658	6,263
Disposals	-	-	(507)	(25)	(532)
Transfers	-	-	3,285	(3,285)	-
31 December 2004	25,780	1,620	21,923	419	49,742
Accumulated depreciation					
31 December 2003 (Unaudited)	2,066	758	9,654	-	12,478
Charge for period	507	212	2,843	-	3,562
Disposals	-	-	(507)	-	(507)
31 December 2004	2,573	970	11,990	-	15,533
Net book value					
31 December 2003 (Unaudited)	23,242	849	7,371	71	31,533
31 December 2004	23,207	650	9,933	419	34,209

At 31 December 2004 the Group's and the Company's buildings with the net book value of LTL'000 22,735 have been pledged as security for outstanding loans from financial institutions (note 20).

At 31 December 2004 the Group's equipment and inventories have been pledged as security for outstanding loan from financial institutions (note 20). The net book value of pledged assets as of 31 December 2004 was LTL'000 6,439.

The carrying amount of other fixed assets acquired by the Group and the Company under finance lease agreements as of 31 December 2004 was LTL'000 5,160 (31 December 2003: LTL'000 5,218).

The carrying amount of leasehold improvements of the Group as of 31 December 2004 was LTL'000 13,444 (31 December 2003: LTL'000 3,560) and of the Company - LTL'000 2,990 (31 December 2003: LTL'000 1,416). Leasehold improvements are accounted for in other fixed assets balance.

Property, plant and equipment include fixed assets with a net book value of LTL'000 240 as of 31 December 2004 which is accounted for using historical cost less subsequent depreciation as adjusted for indexation, using indexation rates set by the Lithuanian Government.

APB APRANGA AND SUBSIDIARIES

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

12. INTANGIBLE FIXED ASSETS

At 31 December intangible fixed assets consisted of the following:

GROUP

	Licenses and software LTL'000
Historical cost	
31 December 2003 (Unaudited)	1,702
Additions	270
Disposals	(199)
31 December 2004	1,773
Accumulated amortization	
31 December 2003 (Unaudited)	1,109
Charge for period	250
Disposals	(199)
31 December 2004	1,160
Net book value	
31 December 2003 (Unaudited)	593
31 December 2004	613

COMPANY

	Licenses and software LTL'000
Historical cost	
31 December 2003 (Unaudited)	1,702
Additions	208
Disposals	(199)
31 December 2004	1,711
Accumulated amortization	
31 December 2003 (Unaudited)	1,109
Charge for period	247
Disposals	(199)
31 December 2004	1,157
Net book value	
31 December 2003 (Unaudited)	593
31 December 2004	554

APB APRANGA AND SUBSIDIARIES

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

13. INVESTMENTS IN SUBSIDIARIES

Details of the Company's investments in subsidiaries at 31 December 2004 are as follows:

Name	Country of incorporation	Ownership %	Cost	
			2004 LTL'000	2003 LTL'000
SIA Apranga	Latvia	100	2,638	286
SIA Apranga LV	Latvia	100	529	-
OU Apranga Estonia	Estonia	100	441	-
UAB Apranga LT	Lithuania	100	500	-
Total investments			4,108	286

14. AVAILABLE FOR SALE FINANCIAL ASSETS

At 31 December available for sale financial assets consisted of the following:

	2004 LTL'000	Owner- ship %	2003 LTL'000	Owner- ship %
UAB Tokata	760	100	760	100
UAB Šešupės Ontario	7,200	100	7,200	100
UAB Palangos Varūna	-		1,118	91
Total	7,960		9,078	

The Company has decided to sell the shares of UAB Palangos Varūna in 2005 and accounted the investments as current assets. As of 31 December the investments accounted for as current available-for-sale financial assets amounted to LTL'000 1,118.

The financial data of available for sale financial assets, all of which are unlisted, as of 31 December 2004 and for the year then ended is as follows:

Name	Net equity As of 31 December 2004 LTL'000	Net profit (loss) 2004 LTL'000
UAB Šešupės Ontario	1,087	-
UAB Tokata	293	1
UAB Palangos Varūna	355	(34)
Total	1,735	(33)

There were no impairment provisions on available for sale financial assets in 2004 and 2003, as the cost of investments did not exceed the fair value of net assets of available for sale financial assets as of 31 December 2004 and 2003.

APB APRANGA AND SUBSIDIARIES

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

15. INVENTORIES

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Goods for resale	30,863	21,657	23,384	19,017
Raw materials	304	145	186	145
Work-in-progress	33	1	33	1
Provisions for obsolete goods for resale	-	(207)	-	(207)
Total	31,200	21,596	23,603	18,956

At 31 December 2004 the Group's inventories have been pledged as security for outstanding loan from financial institutions. The total amount of pledged equipment (see note 11) and inventories as of 31 December 2004 was LTL'000 6,439.

16. TRADE AND OTHER RECEIVABLES

At 31 December trade and other receivables consisted of the following:

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Loans granted to related parties	-	-	14,078	-
Prepayments	1,028	1,126	542	1,150
Trade accounts receivable	343	388	3,232	1,203
Other accounts receivable	1,555	838	802	98
Less: provision for doubtful accounts receivable	(28)	(28)	(28)	(28)
Total	2,898	2,324	18,626	2,423

The carrying amount of trade and other receivables approximates their fair value.

17. BANK BALANCES AND CASH

At 31 December bank balances and cash consisted of the following:

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Cash at bank	151	265	6	262
Cash on hand	248	109	161	93
Cash in transit	830	472	653	380
Total	1,229	846	820	735

APB APRANGA AND SUBSIDIARIES

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

18. SHARE CAPITAL

As of 31 December 2004 and 2003 issued share capital of the Company consisted of 8,822,990 common shares at par value of LTL 1 each.

All shares are outstanding and fully paid.

19. LEGAL RESERVE

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of at least 5 per cent of the net distributable profit are required until the legal reserve reaches 10 per cent of the statutory capital. The appropriation is restricted to reduction of the accumulated deficit.

20. BORROWINGS

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Bank loans	33,477	19,968	28,509	14,846
Other borrowings	2,000	-	2,000	-
	35,477	19,968	30,509	14,846

The borrowings are repayable as follows:

	Group		Company	
	2004 LTL'000	2003 LTL'000	2004 LTL'000	2003 LTL'000
On demand or within one year	6,968	14,858	2,000	14,846
In the second year	28,509	5,110	28,509	-
	35,477	19,968	30,509	14,846

Analysis of borrowings by currency:

	Group		Company	
	LTL LTL'000	LVL LTL'000	LTL LTL'000	LVL LTL'000
31 December 2004				
Bank loans	28,509	4,968	30,509	-
Other borrowings	2,000	-	-	-
Total	30,509	4,968	30,509	-
31 December 2003 (Unaudited)				
Bank loans	19,968	5,110	14,846	-
Other borrowings	-	-	-	-
Total	19,968	5,110	14,846	-

APB APRANGA AND SUBSIDIARIES

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

The average interest rates were as follows:

	Group	
	2004	Unaudited 2003
Bank loans	4%	4%
Other borrowings	4%	4%

The directors estimate the fair value of the Group's and the Company's borrowings as follow:

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Borrowings	34,374	19,421	29,506	14,577

The Group has pledged fixed assets and inventories as a collateral for loans granted (see note 11 and 15).

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Amounts payable under finance leases:				
Within one year	653	641	599	512
In the second to sixth years inclusive	962	1,547	928	1,513
	1,615	2,188	1,527	2,025
Less: future finance charges	(88)	(163)	N/A	N/A
Present value of lease obligations	1,527	2,025	1,527	2,025

All lease obligations are denominated in LTL.

The fair value of the Company's obligations under finance lease approximates their carrying amount.

The Company's obligations under finance leases are secured by the lessors' charges over the leased assets.

APB APRANGA AND SUBSIDIARIES

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

22. TRADE AND OTHER PAYABLES

At 31 December trade and other payables consisted of the following:

	Group		Company	
	2004 LTL'000	Unaudited 2003 LTL'000	2004 LTL'000	Unaudited 2003 LTL'000
Trade payables	8,769	5,197	3,893	4,933
Remuneration and related payables	1,613	718	1,102	681
Prepayments received	227	98	220	119
Taxes and other payables	4,285	2,135	2,636	2,117
Total	14,894	8,148	7,851	7,850

23. BONDS ISSUED

At 31 December 2004 issued bonds consisted of the following:

	LTL'000
Nominal value at date of issue	7,000
Accrued interest	156
Liability at 31 December 2004	7,156

The bonds were issued on 11 June 2004 and will be redeemed on 16 June 2005.

APB APRANGA AND SUBSIDIARIES

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

24. RELATED PARTY TRANSACTIONS

For the year ended 31 December 2004 and as of 31 December 2004 the Group's related party transactions were as follows:

Related parties	Accounts payable LTL'000	Accounts receivable LTL'000	Income received LTL'000	Purchases LTL'000
UAB Minvista	2,006	-	-	80
UAB Mineraliniai vandenys	22	-	-	232
UAB Troja	142	-	-	1,404
UAB Tetraneta	4	-	-	35
UAB Prekybos marketingo paslaugos	6	-	-	5
UAB MG Baltic Investment	293	-	6	665
UAB MG Valda	22	1	10	139
UAB Tromina	-	8	78	-
UAB Mineraliniai vandenys ir alus	-	-	-	2
UAB Šešupė Ontario	107	-	-	579
UAB Tokada	122	-	-	40
UAB Palangos Varūna	-	264	-	-
UAB Viršupis	-	-	-	1
UAB Laisvas Nepriklausomas Kanalas	-	42	56	263
UAB Teniso pasaulis	-	-	3	3
Total	2,724	315	153	3,448

25. CONTINGENCIES AND OFF-BALANCE SHEET COMMITMENTS

Litigation and claims – At 31 December 2004 and 2003 the Group was not involved in any legal proceedings, which in the opinion of management, would have a material impact on the financial statements, apart from those related to the recovery of accounts receivable.

At 31 December 2004 the Company's guarantees for subsidiary's obligations to credit institutions totaled LTL'000 10,876. The letters of credit and guarantees provided to suppliers as of 31 December 2004 amounted to LTL'000 2,210.

The Group and the Company have entered into 33 rental agreements of stores. The agreements' termination period differs from 1 to 6 months.

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