

**AB PANEVĖŽIO STATYBOS  
TRESTAS**

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

# **AB PANEVĖŽIO STATYBOS TREŠTAS**

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## INDEPENDENT AUDITORS' REPORT

To the shareholders of AB Panevėžio Statybos Trestas:

1. We have audited the accompanying consolidated balance sheet of AB Panevėžio Statybos Trestas and subsidiaries (the Group) as of 31 December 2004 and the separate balance sheets of AB Panevėžio Statybos Trestas (the Company) as of 31 December 2004 and 2003, and the related statements of income, cash flows and changes in equity for the years 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 audits.
2. We conducted our audits in accordance with Lithuanian and 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 audits provide a reasonable basis for our opinion.
3. We have not audited the consolidated financial statements of AB Panevėžio Statybos Trestas and subsidiaries for the year ended 31 December 2003 and accordingly we do not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2003.
4. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2004 and of the Company as of 31 December 2004 and 2003, and the results of their operations and cash flows for the years then ended in accordance with Lithuanian Business accounting standards.
5. As discussed in Note 19 to the financial statements, following the adoption of Lithuanian Business Accounting Standards, which are effective as of 1 January 2004, the Company has changed certain accounting policies, and, where practical, restated comparative financial statements.

6. As discussed in Note 1 to the financial statements, as of 31 December 2004 the Company has changed its' policy in accounting for buildings and evaluated buildings at fair value.
7. As discussed in Note 1 to the financial statements, the Company has corrected a fundamental error retroactively by a charge to the equity as of 1 January 2003, and, as a result, the shareholders' equity and assets as of 1 January 2003 have decreased by LTL'000 4,380.

UAB Deloitte & Touche  
Gen. Director Juozas Kabašinskas

Vilnius, Lithuania  
31 March 2005

Certified auditor Lina Drakšienė  
Auditor's Certificate No. 000062

**AB PANEVĖŽIO STATYBOS TREŠTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

**BALANCE SHEET****AS OF 31 DECEMBER 2004**

<b>Assets</b>	<b>Notes</b>	<b>2004 (LTL) Company</b>	<b>As restated (Note 19) 2003 (LTL) Company</b>	<b>2004 (LTL) Group</b>	<b>Unaudited 2003 (LTL) Group</b>
<b>NON-CURRENT ASSETS</b>					
<b>INTANGIBLE ASSETS</b>	<b>2</b>				
Development works		-	8,833	-	8,833
Goodwill		-	-	105,671	-
Patents, licenses		50,045	30,631	50,045	30,631
Computer software		46,536	29,069	60,807	39,634
Other intangible assets		-	419,805	2,510	420,440
		<b>96,581</b>	<b>488,338</b>	<b>219,033</b>	<b>499,538</b>
<b>TANGIBLE ASSETS</b>	<b>3</b>				
Land		1646,179	1,646,179	1,646,179	1,646,179
Buildings and constructions		10,485,220	5,729,642	11,288,703	5,961,511
Machinery and equipment		1,408,996	1,256,970	1,735,927	1,684,982
Vehicles		1,266,716	1,395,268	1,607,816	1,574,117
Other property, plant and equipment		2,586,287	2,274,052	2,825,621	2,448,660
Construction in progress		29,492	794,039	70,944	794,039
Other tangible assets		32,656	23,288	87,197	67,949
		<b>17,455,546</b>	<b>13,119,438</b>	<b>19,262,387</b>	<b>14,177,437</b>
<b>FINANCIAL ASSETS</b>	<b>4</b>				
Investments into subsidiaries and associates		3,697,790	5,824,263	-	-
Loans to subsidiaries and associates		751,781	-	-	-
Amounts receivable after one year		92,175	134,233	92,175	160,979
Deferred tax asset		339,620	-	421,081	-
Other financial assets		55,500	328,3396	55,500	3,228,396
		<b>4,936,866</b>	<b>6,286,892</b>	<b>568,756</b>	<b>3,389,375</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>22,488,993</b>	<b>19,894,668</b>	<b>20,050,176</b>	<b>18,066,350</b>

(Continued)

**AB PANEVĖŽIO STATYBOS TREŠTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

**BALANCE SHEET****AS OF 31 DECEMBER 2004**

Assets	Notes	As restated (Note 19)		2004 (LTL) Group	Unaudited 2003 (LTL) Group
		2004 (LTL)	2003 (LTL)		
		Company	Company		
<b>CURRENT ASSETS</b>					
<b>INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS</b>					
Inventories	5	4,728,423	2,922,139	6,384,200	4,193,544
Raw materials and consumables		381,528	2,526,412	1,369,255	3,457,472
Finished goods		2,222,683	-	2,883,053	340,345
Goods for resale		2,124,212	395,727	2,124,212	395,727
Inventories purchased from subsidiaries and parent company		-	-	7,680	-
Prepayments		861,546	3,452,048	1,128,125	3,543,125
Contracts in progress		6,026,014	7,117,550	21,920,945	11,753,918
		<b>11,615,983</b>	<b>13,491,737</b>	<b>29,433,270</b>	<b>19,490,587</b>
<b>AMOUNTS RECEIVABLE WITHIN ONE YEAR</b>					
	6				
Trade amounts receivable		26,637,274	24,342,723	27,776,066	25,810,392
Receivables from subsidiaries and associates		2,997,133	951,470	22,203	1,872
Other amounts receivable		1,855,601	2,542,151	4,195,149	2,497,178
		<b>31,490,008</b>	<b>27,836,344</b>	<b>31,993,418</b>	<b>28,309,442</b>
<b>OTHER CURRENTS ASSETS</b>					
Other current assets	4	2,900,000	-	2,900,000	-
		<b>2,900,000</b>	<b>-</b>	<b>2,900,000</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS</b>					
		<b>1,433,214</b>	<b>4,506,269</b>	<b>3,131,179</b>	<b>1,65,958</b>
<b>TOTAL CURRENT ASSETS</b>					
		<b>47,439,205</b>	<b>42,834,350</b>	<b>67,457,867</b>	<b>49,452,297</b>
<b>TOTAL ASSETS</b>					
		<b>69,928,198</b>	<b>62,729,018</b>	<b>87,508,043</b>	<b>67,519,337</b>

(Continued)

**AB PANEVĖŽIO STATYBOS TRESTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

**BALANCE SHEET****AS OF 31 DECEMBER 2004**

Equity and liabilities	Notes	As restated (Note 19)		Unaudited	
		2004 (LTL) Company	2003 (LTL) Company	2004 (LTL) Group	2003 (LTL) Group
<b>EQUITY</b>					
<b>CAPITAL</b>	<b>7</b>				
Authorized (subscribed)		16,350,000	16,350,000	16,350,000	16,350,000
		<b>16,350,000</b>	<b>16,350,000</b>	<b>16,350,000</b>	<b>16,350,000</b>
<b>REVALUATION RESERVE (RESULTS)</b>		<b>5,833,164</b>	-	<b>5,833,164</b>	-
<b>RESERVES</b>					
Legal reserve		1,287,090	1,248,107	1,287,090	1,248,107
		<b>1,287,090</b>	<b>1,248,107</b>	<b>1,287,090</b>	<b>1,248,107</b>
<b>RETAINED EARNINGS (LOSSES)</b>	<b>9</b>				
Profit (loss) of the reporting year		2,958,784	197,279	2,958,784	197,279
Profit (loss) of the previous year		792,490	1,437,920	450,464	1,437,920
		<b>3,751,274</b>	<b>1,635,199</b>	<b>3,409,248</b>	<b>1,635,199</b>
<b>TOTAL EQUITY</b>		<b>27,221,528</b>	<b>19,233,306</b>	<b>26,879,502</b>	<b>19,233,306</b>
<b>MINORITY INTEREST</b>		-	-	<b>823,078</b>	<b>506,658</b>
<b>GRANTS AND SUBSIDIES</b>		-	-	-	-

(Continued)

**AB PANEVĖŽIO STATYBOS TRESTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

**BALANCE SHEET****AS OF 31 DECEMBER 2004**

Equity and liabilities	Notes	2004 (LTL) Company	As restated (Note 19) 2003 (LTL) Company	2004 (LTL) Group	Unaudited 2003 (LTL) Group
<b>AMOUNTS PAYABLE AND LIABILITIES</b>	<b>10</b>				
<b>NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES</b>					
Financial debts		7,502,167	1,092,772	18,120,137	3,544,021
Leases and similar obligations		1,250,228	1,092,772	1,305,744	1,238,169
To credit institutions		6,251,939	-	16,814,393	2,200,000
Other financial debts		-	-	-	105,852
Deferred taxes		856,507	-	947,883	-
		<b>8,358,674</b>	<b>1,092,772</b>	<b>19,068,020</b>	<b>3,544,021</b>
<b>CURRENT AMOUNTS PAYABLE AND LIABILITIES</b>					
Current portion of non-current debts		592,780	461,082	696,931	575,604
Financial debts		-	3,341,206	2,302,000	3,371,206
To credit institutions		-	3,341,206	2,302,000	3,371,206
Trade amounts payable		17,470,260	24,059,129	19,009,298	25,279,157
Amounts received in advance		7,342,235	9,210,375	9,029,044	9,364,238
Profit tax liabilities		1,084,349	249,408	1,141,208	293,947
Liabilities related with labor relations		5,832,091	3,941,860	6,360,778	4,241,150
Provisions		1,425,030	204,634	1,425,030	204,634
Other amounts payable and current liabilities		601,251	935,246	773,154	905,416
		<b>34,347,996</b>	<b>42,402,940</b>	<b>40,737,443</b>	<b>44,235,352</b>
<b>TOTAL AMOUNTS PAYABLE AND LIABILITIES</b>		<b>42,706,670</b>	<b>43,495,712</b>	<b>59,805,463</b>	<b>47,779,373</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>69,928,198</b>	<b>62,729,018</b>	<b>87,508,043</b>	<b>67,519,337</b>

*(Concluded)**The accompanying notes are an integral part of these financial statements.*

These financial statements were approved on 31 March 2005 and signed by:

\_\_\_\_\_  
General director\_\_\_\_\_  
Dalius Gesevičius



**AB PANEVĖŽIO STATYBOS TREŠTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

**STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 (LTL) Company	As restated (Note 19) 2003 (LTL) Company	2004 (LTL) Group	Unaudited 2003 (LTL) Group
SALES INCOME	<b>13, 16</b>	160,159,622	136,358,888	157,628,440	144,683,101
COST OF SALES	<b>14, 16</b>	141,096,144	124,918,811	136,723,654	131,244,302
<b>GROSS PROFIT (LOSS)</b>		<b>19,063,478</b>	<b>11,440,077</b>	<b>20,904,786</b>	<b>13,438,799</b>
<b>OPERATING COSTS</b>					
Sales and distribution		190,014	439,690	190,014	439,690
General and administrative	<b>15</b>	14,416,627	9,616,066	16,207,795	10,890,600
<b>OPERATING PROFIT (LOSS)</b>		<b>4,456,837</b>	<b>1,384,321</b>	<b>4,506,977</b>	<b>2,108,509</b>
<b>OTHER ACTIVITIES</b>					
Income		1,376,135	2,043,04	932,727	1,484,118
Expenses		1,193,871	1,606,410	1,152,381	1,551,929
<b>FINANCING AND INVESTING ACTIVITIES</b>	<b>17</b>				
Income		203,134	13,041	176,312	9,555
Expenses		430,888	1,555,763	652,306	1,592,613
Result (loss) of subsidiaries		(227,967)	168,785	-	-
<b>PROFIT (LOSS) FROM NORMAL ACTIVITIES</b>		<b>4,183,380</b>	<b>447,038</b>	<b>3,811,329</b>	<b>457,640</b>
EXTRAORDINARY GAIN		-	-	-	-
EXTRAORDINARY LOSSES		-	-	-	-
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>4,183,380</b>	<b>447,038</b>	<b>3,811,329</b>	<b>457,640</b>
PROFIT TAX	<b>18</b>	1,224,596	249,759	1,248,388	286,523
<b>PROFIT (LOSS) BEFORE MINORITY INTEREST</b>		<b>2,958,874</b>	<b>197,279</b>	<b>2,562,941</b>	<b>171,117</b>
MINORITY INTEREST		-	-	53,817	26,162
<b>NET PROFIT (LOSS)</b>		<b>2,958,874</b>	<b>197,279</b>	<b>2,616,758</b>	<b>197,279</b>

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

These financial statements were approved on 31 March 2005 and signed by:

\_\_\_\_\_  
General director

\_\_\_\_\_  
Dalius Gesevičius

**AB PANEVĖŽIO STATYBOS TREŠTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

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

		Revaluation reserve (results)					
	Paid up authorized capital	of non- current tangible assets	of financial assets	Legal reserves	Other reserves	Retained earnings	Total
<b>Balance as of 31 December 2002</b>	<b>16,350,000</b>	-	-	<b>1,244,586</b>	<b>5,559,412</b>	<b>70,413</b>	<b>23,224,411</b>
Result of change in accounting policies	-	-	-	-	-	191,997	191,997
Result of correcting essential errors	-	-	-	-	-	(4,380,381)	(4,380,381)
<b>Restated balance as of 31 December 2002</b>	<b>16,350,000</b>	-	-	<b>1,244,586</b>	<b>5,559,412</b>	<b>(4,117,971)</b>	<b>19,036,027</b>
Net profit / loss of the reporting period	-	-	-	-	-	197,279	197,279
Formed reserves	-	-	-	3,521	-	(3,521)	-
Used reserves	-	-	-	-	(5,559,412)	5,559,412	-
<b>Balance as of 31 December 2003</b>	<b>16,350,000</b>	-	-	<b>1,248,107</b>	-	<b>1,635,199</b>	<b>19,233,306</b>
<b>As restated (Note 19)</b>	<b>16,350,000</b>	-	-	<b>1,248,107</b>	-	<b>1,635,199</b>	<b>19,233,306</b>
Revaluation of tangible fixed assets	-	5,358,170	-	-	-	-	5,358,170
Deferred tax liability, related to revaluation of tangible fixed assets	-	-	-	-	-	(803,726)	(803,726)
Revaluation of financial assets	-	-	474,994	-	-	-	474,994
Net profit / loss of the reporting period	-	-	-	-	-	2,958,784	2,958,784
Transferred to reserves	-	-	-	38,983	-	(38,983)	-
<b>Balance as of 31 December 2004</b>	<b>16,350,000</b>	<b>5,358,170</b>	<b>474,994</b>	<b>1,287,090</b>	-	<b>3,751,274</b>	<b>27,221,528</b>

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

These financial statements were approved on 31 March 2005 and signed by:

\_\_\_\_\_  
General director

\_\_\_\_\_  
Dalius Gesevičius

# AB PANEVĖŽIO STATYBOS TREŠTAS

Company's code 147732969, P. Puzino str. 1, Panevėžys

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

	Paid up authorized capital	Revaluation reserve (results)		Legal reserves	Other reserves	Retained earnings	Total
		of non- current tangible assets	of financial assets				
<b>Balance as of 31 December 2002 (unaudited)</b>	<b>16,350,000</b>	-	-	<b>1,244,586</b>	<b>5,559,412</b>	<b>70,413</b>	<b>23,224,411</b>
Result of change in accounting policies	-	-	-	-	-	191,997	191,997
Result of correcting essential errors	-	-	-	-	-	(4,380,381)	(4,380,381)
<b>Restated balance as of 31 December 2002 (unaudited)</b>	<b>16,350,000</b>	-	-	<b>1,244,586</b>	<b>5,559,412</b>	<b>(4,117,971)</b>	<b>19,036,027</b>
Net profit / loss of the reporting period	-	-	-	-	-	197,279	197,279
Formed reserves	-	-	-	3,521	-	(3,521)	-
Used reserves	-	-	-	-	(5,559,412)	5,559,412	-
<b>Balance as of 31 December 2003 (unaudited)</b>	<b>16,350,000</b>	-	-	<b>1,248,107</b>	-	<b>1,635,199</b>	<b>19,233,306</b>
Revaluation of tangible fixed assets	-	5,358,170	-	-	-	-	5,358,170
Deferred tax liability, related to revaluation of tangible fixed assets	-	-	-	-	-	(803,726)	(803,726)
Revaluation of financial assets	-	-	474,994	-	-	-	474,994
Net profit / loss of the reporting period	-	-	-	-	-	2,616,758	2,616,758
Transferred to reserves	-	-	-	38,983	-	(38,983)	-
<b>Balance as of 31 December 2004</b>	<b>16,350,000</b>	<b>5,358,170</b>	<b>474,994</b>	<b>1,287,090</b>	-	<b>3,409,248</b>	<b>26,879,502</b>

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

These financial statements were approved on 31 March 2005 and signed by:

\_\_\_\_\_  
General director

\_\_\_\_\_  
Dalius Gesevičius

**AB PANEVĖŽIO STATYBOS TREŠTAS**  
Company's code 147732969, P. Puzino str. 1, Panevėžys

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

		As restated (Note 19)		
	Notes	2004 (LTL) Company	2003 (LTL) Company	2004 (LTL) Group
<b>Cash flows from operating activities</b>				
Net profit (loss)		2,958,784	197,279	2,616,758
Minority interest				(53,817)
Depreciation and amortization costs		2,410,468	2,368,035	2,669,991
Elimination of other non-cash items		1,228,651	-	1,228,651
Decrease (increase) in amounts receivable after one year		42,059	(227,947)	(316,880)
Decrease (increase) in inventory		(1,806,284)	(1,038,533)	(2,190,656)
Decrease (increase) in advances received		2,590,502	(2,494,960)	(2,415,000)
Decrease (increase) in contracts in progress		1,091,536	(5,878,660)	(10,167,027)
Decrease (increase) in trade receivables		(2,294,551)	(8,095,422)	(1,986,005)
Decrease (increase) in amounts receivable from subsidiaries and associates		(2,045,663)	114,690	-
Decrease (increase) in other amounts receivable		662,599	(1,790,713)	(1,728,147)
Increase (decrease) in current payables to suppliers and advances received		(8,457,009)	18,982,543	(6,605,053)
Increase (decrease) in profit tax liability		834,941	249,408	991,418
Increase (decrease) in liabilities connected with labor relations		1,890,231	1,824,422	2,119,628
Increase (decrease) in provisions		1,220,396	136,396	1,220,396
Increase (decrease) in other amounts payable and liabilities		(281,214)	250,575	(65,538)
Elimination of financing and investing activity results		277,693	1,631,060	525,194
<b>Net cash flows from operating activities</b>		<b>323,139</b>	<b>6,228,173</b>	<b>(9,326,087)</b>
<b>Cash flows from investing activities</b>				
Acquisition of non-current assets (excluding investments)		(1,689,807)	(2,982,510)	(2,393,619)
Transfer of non-current assets (excluding investments)		736,556	625,874	796,301
Acquisition of long-term investments		(526,501)	(1,314,719)	(105,671)
Transfer of long-term investments		-	959,100	-
Loans granted		(751,781)	-	-
Loans recovered		-	-	-
Dividends and interest received		15,990	-	1,519
Other increase in cash flows from investing activities		-	(378,339)	585,875
Other decrease in cash flows from investing activities		-	1,028,268	-
<b>Net cash flows from investing activities</b>		<b>(2,215,543)</b>	<b>(2,062,326)</b>	<b>(1,115,595)</b>

(Continued)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 (LTL) Company	As restated (Note 19) 2003 (LTL) Company	2004 (LTL) Group
<b>Cash flows from financing activities</b>				
Cash flows related to enterprise owners:				
Emission of shares		-	-	-
Owners' contributions against losses		-	-	-
Purchase of own shares		-	-	-
Dividends paid		-	-	-
Cash flows arising from other financing sources		1,697,562	(3,238,590)	13,041,768
Increase in financial debts		2,910,733	-	13,439,335
Loans received		2,910,733	-	13,439,335
Decrease in financial debts		(1,485,831)	(2,620,423)	417,621
Loans repaid		-	(1,590,641)	-
Interest paid		(391,810)	(363,142)	(606,523)
Payments of lease (finance lease) liabilities		(1,094,021)	(666,640)	(1,194,273)
Increase in other enterprise liabilities		289,154	-	188,902
Decrease in other enterprise liabilities		(66,724)	-	(66,724)
Other increase in cash flows from financial activities		140,049	43,469	140,049
Other decrease in cash flows from financial items		(89,819)	(661,636)	(89,819)
<b>Net cash flows from financing activities</b>		<b>1,697,562</b>	<b>(3,238,590)</b>	<b>11,810,947</b>
<b>Cash flows from extraordinary items</b>				
Increase in cash flows from extraordinary items		-	-	-
Decrease in cash flows from extraordinary items		-	-	-
<b>Net cash flows from extraordinary items</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in exchange rate</b>		<b>121,787</b>	<b>(1,177,582)</b>	<b>108,956</b>
<b>Net increase (decrease) in cash flows</b>		<b>(73,055)</b>	<b>(250,325)</b>	<b>1,478,221</b>
<b>Cash at the beginning of period</b>		<b>1,506,269</b>	<b>1,756,594</b>	<b>1,652,958</b>
<b>Cash at the end of period</b>		<b>1,433,214</b>	<b>1,506,269</b>	<b>3,131,179</b>

(Concluded)

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

These financial statements were approved on 31 March 2005 and signed by:

\_\_\_\_\_  
General director

\_\_\_\_\_  
Dalius Gesevičius

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

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**1 Accounting policies**

***General information***

AB Panevėžio Statybos Trestas (hereafter referred to as "the Company") was established in 1957 and was known as Šiaurės Lietuvos Statybos Trestas. In 1991 the Company was registered as State capital Company. Later, on 30 October 1993 the Company was reorganized and registered as Joint Stock Company. Company code 14773296, VAT code LT477329610. Registration No. 013732, issued on 2004 09 27 by State company Registry center Panevėžys branch.

As of 31 December 2004 the Company had the following branches: Gėrbusta and Pastatų Apdaila. These branches have an independent accounting from the parent company, but results of financial reports are included in the financial statements of the Company. Operations result of Klaipėda and Daržmesta branch, are accounted within the parent company. Vilsenta branch, which is registered in Vilnius city, is not operating, but was not removed from the register. The Company has two representative offices in Russia: in Čerėpovec and in Kaliningrad, and a branch in Sankt Petersburg.

The main activity of the Company is projection and construction of various buildings, structures, facilities, communications nets and other similar objects in Lithuania and abroad. The Company also rents out premises and equipment, sales building materials and resale communication services.

The Company employed 883 employees in 2004 (2003: 906).

The Group employed 1,047 employees in 2004 (2003: 1,056).

The accompanying financial statements are presented in the national currency of Lithuania, the Litas ("LTL").

***Basis of preparation***

The financial statements have been prepared in accordance with the Laws of Accounting and Companies' financial statements of the Republic of Lithuania and Business Accounting Standards (BAS).

The Company does not present comparative consolidated statement of cash flows, as it is not required by Lithuanian Business Accounting Standards when consolidated financial statements are presented for the first time.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain tangible fixed assets. The following summarizes the most significant of these policies.

***Changes in accounting policies***

Starting from 1 January 2004 the Company has changed the accounting policy in accounting for construction contracts following adoption of Lithuanian Business Accounting Standards, which are effective from 1 January 2004. Before 1 January 2004 construction contracts were accounted as revenues and expenses only when acceptance certificates are signed. Starting from 1 January 2004 the Company accounts for construction contracts based on the stage of completion. The Company management did not consider it practical to restate prior year financial statements, therefore 2003 financial statements include contracts in progress for approximately LTL'000 7,118, which were recognized as income and corresponding expenses in 2004.

Starting from 1 January 2004 the Company has changed the accounting policy in accounting for investments in subsidiaries and associates following adoption of Lithuanian Business Accounting Standards, which are effective from 1 January 2004. Before 1 January 2004 the Company has accounting for investments in subsidiaries and associates at cost, and after 1 January 2004 the Company accounts for investments in subsidiaries and associates under the equity method. Comparative financial statements were restated to reflect the change in accounting policy, as presented in Note 19 to the financial statements.

Starting from 31 December 2004 the Company changed the accounting policy in accounting for buildings. Before 31 December 2004 the Company has accounted for buildings at cost, as adjusted for the indexation of certain real estate items, less accumulated depreciation and impairment loss. On 31 December 2004 buildings were evaluated by independent real estate appraisers and stated at fair values.

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

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***Correction of fundamental error***

The Company has corrected a fundamental error retroactively by a charge to the equity as of 1 January 2003, and, as a result, the shareholders' equity and assets as of 1 January 2003 have decreased by LTL'000 4,380. The adjustment is related to the investment in subsidiary in the amount of LTL'000 1,191 and accounts receivable from the subsidiary in the amount of LTL'000 3,189. The subsidiary is under bankruptcy.

The Company has also corrected a fundamental error retroactively by restating comparative financial statements in the amount of 751,164 litas. The error is related to expenses that appeared in 2003, however these expenses came in 2004. Comparative statements are presented in note 19 to the financial statements.

***Principles of consolidation***

The consolidated financial statements include the accounts of the Company and the Subsidiaries (the Group).

On acquisition, the assets and liabilities of the subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders' is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The result of the subsidiary acquired during the year are included in the consolidated income statement from the date of control acquisition or the effective date of the acquisition of subsidiary. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

All significant intercompany balances, transactions, unrealized surpluses and deficits on transactions between Group enterprises have been eliminated.

***Goodwill***

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognized as an asset and amortized on a straight-line basis over its estimated useful life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. On disposal of a subsidiary the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

***Use of estimates***

The preparation of the financial statements in accordance with Business Accounting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Non-current intangible assets***

Expenses are recognized as intangible assets if they meet these criteria: it is reasonably expected to gain economic benefit from the assets in the future periods; it is possible to measure the cost of the acquisition (production) of asset and to separate it from the value of other assets; Company can dispose, control or restrict the right for third parties to use it.

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

Amortization is computed using the straight-line method. Liquidation value is not set. Amortization costs are accounted as operating expenses.

The groups of intangible assets and their useful lives are:

No.	Asset group	Useful life (year)
1.	Development works	4
2.	Goodwill	5*
3.	Licenses and patents	3
4.	Computer software	3
5.	Other intangible assets	4

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

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\*In exceptional cases useful life of goodwill is estimated on individual basis, taking into consideration economical benefit of goodwill in future periods.

Intangible assets exploitation and other later expenses are distributed to the periods when they were occurred.

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

The losses of impairment and disposals of intangible assets are classified to operating expenses.

***Non-current tangible assets***

Non-current tangible assets are such assets, which are under the Company's ownership and control; which are reasonably expected to bring economic benefits in future periods; which are going to be used longer than one year; which acquisition (production) cost can be reliably measured; and which acquisition value is exceeding 1,000 LTL.

Depreciation is computed using the straight-line method. Liquidation value is equal 1 LTL. Depreciation costs are accounted as operating expenses or production costs and operating expenses. The groups of non-current tangible assets and their useful lives are:

No.	Groups of non-current tangible assets	Average useful life (in years)
1.	New buildings	From 8 to 25
2.	Residential buildings	From 20 to 40
3.	Other buildings	From 15 to 25
4.	Machinery and equipment	From 5 to 10*
5.	Devices (structures, bores)	From 8 to 15*
6.	Electricity transmission and communication devices (except for computer network)	8
7.	Furniture	6
8.	Computer and communication equipment	3
9.	Cars, not older then 5 years	6
10.	Other cars	Up to 6*
11.	Vehicles, trailers and semi trailers, buses not older then 5 years	4
12.	Other vehicles, trailers, semi trailers and buses	Up to 4*
13.	Other fixed assets	4

\*Depreciation rate for old cars, vehicles, trailers, semi trailers and buses is determined and approved by commission based on condition of such assets and estimated useful life. On purchase of buildings, useful life is determined individually. On purchase of machinery and equipment, depreciation rate is determined by the commission, which confirms the fact of such assets transfer to use within the range of depreciation rates approved.

Non-current tangible assets are stated at historical cost, less accumulated depreciation and impairment losses, except for real estate.

As of 31 December 2004 the Company has changed the method of accounting for buildings, and buildings at fair value, less accumulated depreciation and impairment loss. Fair value of buildings was determined by independent professional real estate appraisers. The excess of fair value over net book value was recognized as revaluation reserve. As a result of revaluation the value of buildings of the Company as of 31 December 2004 has increased by 5,358,170.

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



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

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***Investment property***

Investment property is the property, which is held to earn rentals and for capital appreciation. Investment property is initially measured at cost, after initial recognition, at cost less any accumulated depreciation and any accumulated impairment losses. Investment property is included within the fixed assets and depreciated over useful economic lives.

***Impairment of assets***

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

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

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

***Investments***

Investments are recognized on a trade-date basis and are initially measured at cost.

Investments available for sale subsequently are measured at fair value. Equity instruments that do not have the quoted market prices subsequently are measured at cost less impairment losses recognized. Gain and loss on equity instruments available for sale are included in the statement of income for the period.

Equity securities are measured at cost less any impairment in the value of individual investments.

Investment securities with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity. Held to maturity investments are carried out at amortized cost using the effective yield method, less any provisions for impairment.

***Revenue recognition***

Revenues are recognized as income when Company is likely to get economic benefits and the amount of revenue can be measured reliably. Before recognizing income these criteria should be met:

Revenue from the sale of goods

Revenue from the sale of goods is recognized when significant risks related with sold goods and rewards of ownership of the goods are transferred to the buyer, and the amount of revenue can be measured reliably.

Revenue from the rendering of services

Revenues are recognized when the transaction is finished or the stage of completion of the transaction at the balance sheet date can be measured reliably;

Interests

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividends

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

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

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***Expenses recognition***

Expenses are recognized on the accrual basis when related income is earned.

***Borrowing costs***

Interest for loans received, for assets acquired by finance lease and other expenses related with borrowing are recognized when they occur.

***Trade payables***

Trade payables are stated at their nominal value.

***Construction Contracts***

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

***Leasing***

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

The Company as lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets held under operating lease are recorded as non-current tangible assets. Such assets are depreciated over their estimated useful lives. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

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

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

***Inventories***

Inventories are stated at the lower of the cost of purchase (production) or net realizable value.

The cost of purchase of inventories comprises the purchase price, all purchase-related taxes and charges (except for those to be recovered later), transportation, preparation for use and other costs directly attributable to the acquisition of inventories.

The cost of inventories (goods) comprises raw materials' expenses, direct payroll expenses and other direct and indirect expenses related with production. The cost of inventory is calculated using the FIFO method (which assumes that the items of inventory that were sold or used first are purchased first).

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

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Net realizable value means the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

***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.

***Foreign currencies***

Transactions denominated in foreign currency are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. 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 RUB = 0.09106 LTL	1 RUB = 0.09446 LTL
1 LTV = 4.9527 LTL	1 LTV = 5.1629 LTL

All resulting gains and losses relating to cash are recorded in the statement of profit and loss in the period in which they arise. Gains and losses on translation are credited or charged at foreign exchange rates prevailing at the year-end.

***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 other 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.

***Cash and cash equivalents***

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

***Financial risk management***

Company operates internationally, therefore it incurs enlarged risk of interest rate, credit, currency exchange and liquidity.

***Credit risk***

The Company's credit risk is primarily attributable to its trade receivables. Credit risk, or the risk of counterparties defaulting, are controlled by the application of credit limits and monitoring procedures. The Company's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

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

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The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

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

Interest rate risk

Company's loans consist of loans with floating interest ratio, which is related with LIBOR (EURLIBOR, VILIBOR). Company did not apply any financial instruments in order to control the risk of interest ratio changes.

Foreign currencies exchange risk

Company has a policy to harmonize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. At the moment the Company doesn't use any derivative financial instruments in order to control foreign currencies exchange risk.

Liquidity risk

In order to maintain a sufficient amount of cash and control over the liquidity risk, Company makes monthly and annual cash flows forecasts.

**Financial instruments**

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

**Fair value of financial instruments**

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Where, in the opinion of 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.

**Provisions**

Provisions are recognized when the Company has an obligation as a result of the past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

**Trade receivables**

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

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

**2 Intangible assets  
(LTL)**

**2.1 Intangible assets – Company**

	Develop- ment works	Goodwill	Patents, licenses	Software	Other intangible assets	Total
<b>Residual value</b>						
<b>31 December 2003</b>	<b>8,833</b>	-	<b>30,631</b>	<b>29,069</b>	<b>419,805</b>	<b>488,338</b>
<b>a) Long-term intangible assets at purchasing costs</b>						
31 December 2003	42,346	-	78,033	223,633	494,050	838,062
Changes of the financial year:						
- acquisition of assets	-	-	35,726	40,274	-	76,000
- disposals (-)	-	-	-	2,605	-	2,605
- transferred to tangible fixed assets	-	-	-	-	494,050	494,050
<b>31 December 2004</b>	<b>42,346</b>	-	<b>113,759</b>	<b>261,302</b>	-	<b>417,407</b>
<b>b) Amortization</b>						
31 December 2003	33,513	-	47,402	194,564	74,245	349,724
Changes of the financial year:						
- charge for the year	8,833	-	16,312	22,806	49,405	97,356
- disposals (-)	-	-	-	2,604	-	2,604
- transferred to tangible fixed assets	-	-	-	-	123,650	123,650
<b>31 December 2004</b>	<b>42,346</b>	-	<b>63,714</b>	<b>214,766</b>	-	<b>320,826</b>
<b>d) Residual value</b>						
<b>31 December 2004 (a)-(b)</b>	-	-	<b>50,045</b>	<b>46,536</b>	-	<b>96,581</b>

**2.2 Intangible assets – Group**

	Develop- ment works	Goodwill	Patents, licenses	Software	Other intangible assets	Total
<b>Residual value</b>						
<b>31 December 2003</b>	<b>8,833</b>	-	<b>30,631</b>	<b>39,634</b>	<b>419,805</b>	<b>499,538</b>
<b>a) Long-term intangible assets at purchasing costs</b>						
31 December 2003	42,346	-	78,033	253,660	498,278	872,317
Changes of the financial year:						
- acquisition of assets	-	107,462	35,726	54,168	2,620	199,976
- disposals (-)	-	-	-	5,505	-	5,505
- transferred to tangible fixed assets	-	-	-	-	494,050	494,050
<b>31 December 2004</b>	<b>42,346</b>	<b>107,462</b>	<b>113,759</b>	<b>302,323</b>	<b>6,848</b>	<b>572,738</b>
<b>b) Amortization</b>						
31 December 2003	33,513	-	47,402	214,026	77,838	372,779
Changes of the financial year:						
- charge for the year	8,833	1,791	16,312	31,769	50,150	108,855
- disposals (-)	-	-	-	4,279	-	4,279
- transferred to tangible fixed assets	-	-	-	-	123,650	123,650
<b>31 December 2004</b>	<b>42,346</b>	<b>1,791</b>	<b>63,714</b>	<b>241,516</b>	-	<b>353,705</b>
<b>d) Residual value</b>						
<b>31 December 2004 (a)-(b)</b>	-	<b>105,671</b>	<b>50,045</b>	<b>60,807</b>	<b>2,510</b>	<b>219,033</b>

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

**3 Non-current tangible assets  
(LTL)**

**3.1 Non-current tangible assets – Company**

	Land	Buildings and constructions	Machine-ry and equip-ment	Vehicles	Other property, plant and equip-ment	Construc-tion in progress	Other tangible assets	Total
<b>Residual value</b>								
<b>31 December 2003</b>	<b>1,646,179</b>	<b>5,729,642</b>	<b>1,256,970</b>	<b>1,395,268</b>	<b>2,274,052</b>	<b>794,039</b>	<b>23,288</b>	<b>13,119,438</b>
<b>a) Purchasing cost</b>								
31 December 2003	1,646,179	12,297,388	5,093,290	4,272,133	7717,317	794,039	122,435	31,942,781
Changes of the financial year:								
- purchase of assets	-	540,225	575,081	297,220	1,248,766	26,496	20,040	2,707,828
- assets assigned and written down (-)	-	1,373,785	210,343	285,680	495,052	791,043	12,877	3,168,780
- transfers between items +/-	-	501,214	(151,713)	81,769	61,910		870	494,050
<b>31 December 2004</b>	<b>1,646,179</b>	<b>11,965,042</b>	<b>5,306,315</b>	<b>4,635,442</b>	<b>8,532,941</b>	<b>29,492</b>	<b>130,468</b>	<b>31,975,879</b>
<b>b) Revaluation</b>								
31 December 2003								
Changes of the financial year:								
- value increase (impairment) +/-	-	5,214,501	-	-	-	-	-	5,214,501
<b>31 December 2004</b>	<b>-</b>	<b>5,214,501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,214,501</b>
<b>c) Depreciation</b>								
31 December 2003	-	6,567,746	3,836,320	2,876,865	5,443,265	-	99,147	18,823,343
Changes of the financial year:								
- depreciation of the financial year	-	572,252	391,107	403,352	943,777	-	2,624	2,313,112
- depreciation of assets assigned to other persons and written down (-)	-	598,376	195,464	263,258	457,934	-	10,239	1,525,271
- transfers between items +/-	-	152,701	(134,644)	81,767	17,546	-	6,280	123,650
<b>31 December 2004</b>	<b>-</b>	<b>6,694,323</b>	<b>3,897,319</b>	<b>3,098,726</b>	<b>5,946,654</b>	<b>-</b>	<b>97,812</b>	<b>19,734,834</b>
<b>e) Residual value</b>								
<b>31 December 2004</b>								
<b>(a) + (b) - (c)</b>	<b>1,646,179</b>	<b>10,485,220</b>	<b>1,408,996</b>	<b>1,266,716</b>	<b>2,586,287</b>	<b>29,492</b>	<b>32,656</b>	<b>17,455,546</b>

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

**3.2 Non-current tangible assets – Group**

	Land	Buildings and constructions	Machine-ry and equip-ment	Vehicles	Other property, plant and equip-ment	Construc-tion in progress	Other tangible assets	Total
<b>Residual value</b>								
<b>31 December 2003</b>	<b>1,646,179</b>	<b>5,961,511</b>	<b>1,684,982</b>	<b>1,574,118</b>	<b>2,448,660</b>	<b>794,039</b>	<b>67,949</b>	<b>14,177,438</b>
<b>a) Purchasing cost</b>								
31 December 2003	1,646,179	12,630,762	5,688,683	4,588,445	8,124,589	794,039	230,304	33,703,001
Changes of the financial year:								
- purchase of assets	-	540,225	575,081	609,361	1,391,435	67,948	50,608	3,234,658
- assets assigned and written down (-)	-	1,373,785	212,598	370,857	512,349	791,043	13,397	3,274,029
- transfers between items +/(-)	-	501,214	(151,713)	81,769	61,910	-	870	494,050
<b>31 December 2004</b>	<b>1,646,179</b>	<b>12,298,416</b>	<b>5,899,453</b>	<b>4,908,718</b>	<b>9,065,585</b>	<b>70,944</b>	<b>268,385</b>	<b>34,157,680</b>
<b>b) Revaluation</b>								
31 December 2003								
Changes of the financial year:								
- value increase (impairment) +/(-)	-	5,942,706	-	-	-	-	-	5,942,706
<b>31 December 2004</b>	<b>-</b>	<b>5,942,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,942,706</b>
<b>c) Depreciation</b>								
31 December 2003	-	6,669,251	4,003,701	3,014,327	5,675,929	-	162,355	19,525,563
Changes of the financial year:								
- depreciation of the financial year	-	585,174	492,074	494,237	1,020,696	-	23,311	2,615,492
- depreciation of assets assigned to other persons and written down (-)	-	598,376	197,605	289,429	474,207	-	10,239	1,570,375
- transfers between items +/(-)	-	152,701	(134,644)	81,767	17,546	-	6,280	123,650
<b>31 December 2004</b>	<b>-</b>	<b>6,808,750</b>	<b>4,163,526</b>	<b>3,30,902</b>	<b>6,239,964</b>	<b>-</b>	<b>181,188</b>	<b>20,694,330</b>
<b>d) Impairment value</b>								
31 December 2003								
Changes of the financial year:								
- impairment value of the financial year	-	143,669	-	-	-	-	-	143,669
<b>31 December 2004</b>	<b>-</b>	<b>143,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,669</b>
<b>e) Residual value</b>								
<b>31 December 2004</b>								
<b>(a) + (b) - (c) - (d)</b>	<b>1,646,179</b>	<b>11,288,703</b>	<b>1,735,927</b>	<b>1,607,816</b>	<b>2,825,621</b>	<b>70,944</b>	<b>87,197</b>	<b>19,262,387</b>

**3.3 Pledged fixed assets**

Groups of pledged assets	Company		Group	
	Carrying amount (LTL)	Pledge expiration date	Carrying amount (LTL)	Pledge expiration date
Buildings and constructions	3,789,252	2006 03 01	3,789,252	2006 03 01

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

**3.4 Fully depreciated fixed assets in use**

<b>Group</b>	<b>Company Cost</b>	<b>Group Cost</b>
Buildings and constructions	1,479,362	1,485,658
Machinery and equipment	2,869,491	2,924,199
Vehicles	2,372,973	2,420,167
Other property, plant and equipment	3,291,068	3,427,600
Other tangible assets	67,388	89,434

**4 Financial Assets  
(LTL)**

<b>Subsidiary</b>	<b>Business</b>	<b>Percentage owned</b>	<b>Net profit (loss) (Lt)</b>	<b>Investment at equity method</b>
UAB Skydmedis	Construction of wood houses	100 %	2,432	236,781
UAB Metalo meistrai	Production of metal constructions	100 %	8,090	234,241
UAB Vekada	Electricity installation	96 %	56,527	1,403,568
TŪB Vilniaus papėdė	Construction	69 %	(66)	10,022
UAB Audros rūmai	Construction of real estate	67 %	(112,956)	1,495,123
UAB Sėkmės šaltinis	Construction of real estate	100 %	(183,549)	-
UAB Alinita	Air conditioning equipment	100 %	2,340	242,340
UAB Inžinerinės veiklos centras	Designing services	51 %	(785)	75,715
<b>Total</b>			<b>(227,967)</b>	<b>3,697,790</b>

Movement in investments in associates and subsidiaries:

	<b>2004</b>	<b>2003</b>
Opening balance	5,824,263	5,655,478
Acquisition of investments	526,500	-
Current year result of subsidiaries	(227,967)	168,785
Revaluation of tangible fixed assets in subsidiaries	474,994	-
Transferred red to current assets	2,900,000	-
<b>Closing balance</b>	<b>3,697,790</b>	<b>5,824,263</b>

As of 31 December 2003 investments in associates and subsidiaries included land lease rights in the amount of LTL 2,900,000 acquired on acquisition of subsidiary. The Company has reclassified this land lease right to current assets, as it is intended to be realized on the disposal of real estate that is under construction.

<b>Name</b>	<b>Company (Lt)</b>	<b>Group (Lt)</b>
Klaipėda free economic zone management company	50,000	50,000
Panevėžio basketball sport club	5,000	5,000
Aukštaitijos professional carrier center	500	-
<b>Total</b>	<b>55,500</b>	<b>55,000</b>



**AB PANEVĖŽIO STATYBOS TREŠTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004****5 Inventories  
(LTL)****5.1 Inventories - Company**

	<b>Raw materials and completion goods</b>	<b>Work in progress</b>	<b>Finished goods</b>	<b>Purchased goods held for resale</b>	<b>Total</b>
a) Costs of purchase of inventories					
31 December 2003	2,526,412	-		395,727	2,922,139
31 December 2004	381,528	-	2,222,683	2,158,119	4,762,330
b) Write-down to net realizable value (reversal)					
31 December 2003	-	-	-	-	-
31 December 2004	-	-	-	33,907	33,907
<b>c) Net realizable value (a) - (b)</b>					
<b>31 December 2003</b>	<b>2,526,412</b>	<b>-</b>		<b>395,727</b>	<b>2,922,139</b>
<b>31 December 2004</b>	<b>381,528</b>	<b>-</b>	<b>2,222,683</b>	<b>2,124,212</b>	<b>4,728,423</b>
Inventories held by third parties				1,982,601	1,982,601

**5.2 Inventories – Group**

	<b>Raw materials and completion goods</b>	<b>Work in progress</b>	<b>Finished goods</b>	<b>Purchased goods held for resale</b>	<b>Total</b>
a) Costs of purchase of inventories					
31 December 2003	3,457,472	-	340,345	395,727	4,193,544
31 December 2004	1,427,456	-	2,885,127	2,158,119	6,470,702
b) Write-down to net realizable value (reversal)					
31 December 2003	-	-	-	-	-
31 December 2004	50,521	-	2,074	33,907	86,502
<b>c) Net realizable value (a) - (b)</b>					
<b>31 December 2003</b>	<b>3,457,472</b>	<b>-</b>	<b>340,345</b>	<b>395,727</b>	<b>4,193,544</b>
<b>31 December 2004</b>	<b>1,376,935</b>		<b>2,883,053</b>	<b>2,124,212</b>	<b>6,384,200</b>
Inventories held by third parties	-	-	-	1,982,601	1,982,601

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

**6 Trade and other receivables  
 (LTL)**

	<b>Company</b>		<b>Group</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Trade receivables	31,870,818	27,502,047	30,102,577	28,020,696
Other receivables	1,855,601	2,542,151	4,195,149	2,497,178
Less: Provisions for doubtful amounts	(2,236,411)	(2,207,854)	(2,304,308)	(2,208,432)
<b>Total amount receivable for settlement within 12 months</b>	<b>31,490,008</b>	<b>27,836,344</b>	<b>31,993,418</b>	<b>28,309,442</b>

The movement for the years in the provision for doubtful accounts receivable consisted of the following:

	<b>Company</b>		<b>Group</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
2004 January 1	2,207,854	-	2,208,432	-
Increase of provisions	102,252	2,221,038	169,571	2,221,616
Reversal of provisions	57,028	3,548	57,028	3,548
Write-off of bad debts	16,667	9,636	16,667	9,636
<b>2004 December 31</b>	<b>2,236,411</b>	<b>2,207,854</b>	<b>2,304,308</b>	<b>2,208,432</b>

**7 Structure of Authorized Capital**

	<b>Number of shares</b>	<b>Amount (LTL)</b>
Share capital structure at the end of the financial year		
By types of shares		
Ordinary shares	16,350,000	16,350,000
<b>TOTAL:</b>	<b>16,350,000</b>	<b>16,350,000</b>

All shares are outstanding and fully paid. Par value of shares is 1 litas.

**8 Reserves**

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the net distributable profit are required until legal reserve and share premium reach 10 % of the statutory capital. The appropriation is restricted to reduction of the accumulated deficit.

**AB PANEVĖŽIO STATYBOS TREŠTAS**

Company's code 147732969, P. Puzino str. 1, Panevėžys

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004****9 Draft Distribution of Profit**

	<b>Amount (LTL)</b>
Undistributed result – profit (loss) - at the end of the previous financial year	792,480
Net result of the financial year – profit (loss)	2,958,784
Distributable result - profit (loss) - at the end of the financial year	3,751,274
Shareholders contributions for covering losses	
Transfers from reserves	
Distributable profit	3,751,274
Profit distribution:	710,630
- to statutory reserves	147,939
- to other reserves	
- dividends	562,691
- other	
<b>Undistributed result – profit (loss) - at the end of the financial year</b>	<b><u>3,040,644</u></b>

**10 Condition of the Enterprise Liabilities  
(LTL)**

Classification of amounts due by type	Company			Group		
	Due debts or parts thereof			Due debts or parts thereof		
	After one financial year, but no later than within five years			After one financial year, but no later than within five years		
	Within one financial year	After five years		Within one financial year	After five years	
<b>Financial debts: (Including to subsidiaries and associates)</b>						
Lease (financial lease) or similar liabilities	592,780	1,250,228		696,931	1,305,744	-
To credit institutions	-	6,251,939	-	2,302,000	16,814,393	-
Other financial debts	-	-	-		947,883	-
<b>Other debts</b>	<b><u>33,755,216</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>37,738,512</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>TOTAL</b>	<b><u>34,347,996</u></b>	<b><u>7,502,167</u></b>	<b><u>-</u></b>	<b><u>40,737,443</u></b>	<b><u>19,068,020</u></b>	<b><u>-</u></b>

# AB PANEVĖŽIO STATYBOS TREŠTAS

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

### 11 Financial lease obligations (LTL)

As of 31 December 2004 minimal financial lease obligations of the Company and the Group were as follows:

	Minimal lease payments		Present value of minimal lease payments	
	2004	2003	2004	2003
During 1 year	652,112	592,780	761,781	696,931
From 1 to 5 years	1,326,857	1,250,228	1,383,976	1,305,744
Less interest	135,961		143,082	
<b>Present value of lease obligations</b>	<b>1,843,008</b>	<b>1,843,008</b>	<b>2,002,675</b>	<b>2,002,675</b>

### 12 Financial Relations with Enterprise Managers and Other Connected Persons (LTL)

	Company			Group		
	2004	2003	Balance as of 31 December 2004	2004	2003	Balance as of 31 December 2004
A. Amounts calculated during a year in connection with employment relations to:						
Managers	1,239,636	1,141,691	-	1,466,007	1,353,990	
B. Loans granted by the enterprise to:						
Managers	-	14,560	14,560		14,560	4,500
Average annual number of managers	18	18	X	24	24	X

### 13 Sales (LTL)

	Company		Group]	
	2004	2003	2004	2003
Construction	151,654,787	130,643,162	139,759,675	131,737,903
Sale of real estate and other assets	5,638,968	3,846,142	14,975,388	11,054,597
Other sales	2,865,867	1,869,584	2,893,377	1,890,601
<b>Total sales</b>	<b>160,159,622</b>	<b>136,358,888</b>	<b>157,628,440</b>	<b>144,683,101</b>

**AB PANEVĖŽIO STATYBOS TREŠTAS**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004****14 Cost of sales  
(LTL)**

	<b>Company</b>		<b>Group</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Cost of sales	141,096,144	124,918,811	136,723,654	131,244,302
Including subcontractors	53,871,584	47,552,359	53,973,070	47,664,538

**15 General and administrative expenses  
(LTL)**

	<b>Company</b>		<b>Group</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Payroll, social security and other related expenses	7,979,004	4,909,172	8,640,577	5,642,332
Depreciation and amortization	1,075,698	962,829	1,188,882	1,052,032
Provisions	526,087	298,809	526,087	298,809
Materials used	588,797	458,255	803,797	636,817
Advertisement expenses	299,906	99,799	387,192	169,216
Third party services	2,665,221	1,419,048	3,070,995	1,476,075
Impairment of fixed assets	262,989	426,789	388,129	426,789
Taxes	826,689	858,615	964,077	966,835
Other expenses	192,236	182,750	238,059	221,695
<b>Total general and administrative expenses</b>	<b>14,416,627</b>	<b>9,616,066</b>	<b>16,207,795</b>	<b>10,890,600</b>

**16 Information about Geographical Segments  
(LTL)**

	<b>Segment (geographical)</b>				<b>Total</b>	
	<b>Lithuania</b>		<b>Russian Federation</b>		<b>2004</b>	<b>2003</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Income	122,475,309	128,049,787	39,263,582	10,365,206	161,738,891	138,414,993
Expenses	119,334,317	126,099,336	38,221,194	11,868,620	157,555,511	137,967,956
<b>Operating profit</b>	<b>3,140,992</b>	<b>1,950,451</b>	<b>1,042,388</b>	<b>(1,503,414)</b>	<b>4,183,380</b>	<b>447,037</b>

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

**17 Results of Financial and Investing Activities  
(LTL)**

	<b>Company</b>		<b>Group</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
REVENUE FROM FINANCIAL AND INVESTING ACTIVITIES				
Positive currency exchange effect	121,787	-	108,956	-
Interest	1,990	10,605	1,519	3,073
Fines and penalties	65,357	2,436	65,837	6,482
	<u>189,134</u>	<u>13,041</u>	<u>176,312</u>	<u>9,555</u>
EXPENSES FOR FINANCIAL AND INVESTING ACTIVITIES				
Interest and related expenses	391,810	363,142	606,525	373,351
Fines and penalties	39,078	1,177,583	45,783	15,726
Negative currency exchange effect	-	15,038	-	1,201,536
	<u>430,888</u>	<u>1,555,763</u>	<u>652,308</u>	<u>1,592,613</u>
<b>RESULT OF FINANCIAL AND INVESTING ACTIVITIES</b>	<b><u>(227,754)</u></b>	<b><u>(1,542,722)</u></b>	<b><u>475,996</u></b>	<b><u>1,583,058</u></b>

**18 Income tax  
(LTL)**

The income tax expense for the years ended 31 December is as follows:

	<b>Company</b>		<b>Group</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Current tax	1,619,716	249,759	1,698,223	286,523
Change in deferred tax	479,855	-	(449,835)	-
Deferred tax asset, charged to equity	(874,975)			
<b>Total</b>	<b><u>1,224,596</u></b>	<b><u>249,759</u></b>	<b><u>1,248,388</u></b>	<b><u>286,523</u></b>

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

	<b>2004</b>	<b>%</b>
Profit before taxation	4,183,380	
Tax calculated at statutory tax rate	627,507	15 proc.
Income not subject to tax	(1,617,405)	(38 proc.)
Expenses not deductible for tax purposes	2,609,614	62 proc.
<b>Income tax expense</b>	<b><u>1,619,716</u></b>	<b><u>39 proc.</u></b>

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

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

	<b>2004</b>	<b>%</b>
Profit before taxation	3,811,329	
Tax calculated at statutory tax rate	571,699	15 %
Income not subject to tax	(1,617,405)	(42 %)
Expenses not deductible for tax purposes	2,715,175	71 %
<b>Income tax expense</b>	<b>1,669,469</b>	<b>44 %</b>

**Deferred tax calculation**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 15%.

The movement on the deferred income tax liability is as follows:

	<b>Company 2004</b>	<b>Group 2004</b>
<b>Deferred tax asset</b>		
Deferred expenses	339,620	421,081
<b>Total deferred tax asset before valuation allowance</b>	<b>339,620</b>	<b>421,081</b>
Valuation allowance		
<b>Total deferred tax asset net of valuation allowance</b>	<b>339,620</b>	<b>421,081</b>
<b>Deferred tax liabilities</b>		
Deferred tax liability, related to revaluation of fixed assets	(803,726)	(803,726)
Other deferred tax liabilities	(52,781)	(144,157)
<b>Total deferred tax liability</b>	<b>(516,887)</b>	<b>(947,883)</b>
<b>Net deferred tax position</b>	<b>516,887</b>	<b>526,802</b>

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

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**19 Restatement of the comparative financial statements  
(LTL)**

Starting from 1 January 2004 the Company has changed the accounting policy in accounting for investments in subsidiaries and associates following adoption of Lithuanian Business Accounting Standards, which are effective from 1 January 2004. Before 1 January 2004 the Company has accounted for investments in subsidiaries and associates at cost, and after 1 January 2004 the Company accounts for investments in subsidiaries and associates under equity method. Comparative financial statements were restated to reflect the change in accounting policy, as presented below.

The Company has also corrected a fundamental error retroactively by restating comparative financial statements in the amount of 751,164 litas. The error is related to expenses that appeared in 2003, however these expenses came in 2004. Comparative statements are presented below.

	<b>Before restatement</b>	<b>Restatement</b>	<b>After restatement</b>
Investments	5,463,481	360,782	5,824,263
Trade amounts payable	23,307,965	751,164	24,059,129
Cost of sales	124,167,647	751,164	124,918,811
Result of subsidiaries	-	168,785	168,785
Net profit	779,658	(582,379)	197,279
Shareholders' equity	19,623,688	(390,382)	19,233,306

**20 Commitments and contingencies**

As of 31 December 2004 the Company was not involved in any legal proceedings which in the management opinion would have a material impact on the financial statements.

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