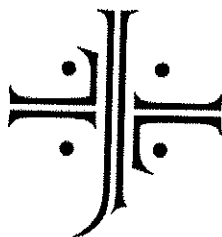


AKCINĖ BENDROVĖ  
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY  
"LITHUANIAN SHIPPING COMPANY"

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

2014-02-28

Nr. (05)-5-51  
Klaipėda

I \_\_\_\_\_ Nr. \_\_\_\_\_

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

Following the Rules of Preparation and Submission of Periodic and Supplemental of the Securities Commission of the Republic of Lithuania as well as the Law on Securities of the Republic of Lithuania, Item 22, we hereby confirm that, to the best of our knowledge Financial statements for the year ended 31 December 2013, drawn in accordance with the International Financial Reporting Standards, corresponds to the reality and properly reflects the assets, liabilities, financial state, profit or loss and cash flows of Public Company "Lithuanian Shipping Company".

Public Company "Lithuanian Shipping Company"  
General Director

Audronis Lubys

Public Company "Lithuanian Shipping Company"  
Chief Accountant

Arvydas Stropus

**Public Company**  
**Lithuanian Shipping Company**

Financial statements for the  
year ended 31 December 2013

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## **Company details**

### **Public Company Lithuanian Shipping Company**

Telephone: +370 46 393105  
Telefax: +370 46 393119  
Company code: 110865039  
Address: Malūnininkų St.3, Klaipėda

### **Supervisory Council**

Tomas Karpavičius (Chairman)  
Ona Barauskienė  
Evaldas Zacharevičius  
Laimutė Tinglum  
Gytis Kaminskas

### **Board of Directors**

Saulius Girdauskas  
Andrius Šniuolis  
Eglė Vyšniauskaitė  
Mindaugas Utkevičius  
Stepas Telešius

### **Management**

Audronis Lubys, General Director  
Arvydas Stropus, Chief Accountant

### **Auditor**

KPMG Baltics, UAB

### **Banks**

AB SEB Bankas  
AB DNB Bankas  
Danske bank A/S Lithuanian branch

## Statement of financial position

As at 31 December 2013

	Notes	31-12-2013	31-12-2012	01-01-2012
			(restated)	(restated)
Intangible assets	2	1	8	15
Tangible assets	1	142.076	195.780	210.378
<i>Total non-current assets</i>		<i>142.077</i>	<i>195.788</i>	<i>210.393</i>
Inventories	3	4.101	5.135	2.437
Assets held for sale	4	10.327	-	-
Prepayments	3	818	867	1.431
Trade receivables	5	2.721	2.385	750
Other receivables	5	1.339	163	191
Cash and cash equivalents	6	1.602	369	1.793
<i>Total current assets</i>		<i>20.908</i>	<i>8.919</i>	<i>6.602</i>
<i>Total assets</i>		<i>162.985</i>	<i>204.707</i>	<i>216.995</i>
Share capital	7	200.901	200.901	200.901
Legal reserve		-	-	-
Other reserves		-	-	-
Retained profit (loss)		(119.170)	(77.932)	(62.320)
<i>Total equity</i>	<i>17</i>	<i>81.731</i>	<i>122.969</i>	<i>138.581</i>
Non-current employee benefits	9	414	305	200
Payables to credit institutions	8	-	38.286	30.050
<i>Total non-current liabilities</i>		<i>414</i>	<i>38.591</i>	<i>30.250</i>
Current part of non-current loans	8	52.819	18.112	36.553
Trade payables	11	18.232	16.560	5.468
Received prepayments	11	3.028	4.019	3.266
Employment related liabilities	10	6.431	3.496	1.930
Income tax liabilities	18	66	66	66
Other payables	11	264	894	881
<i>Total current liabilities</i>		<i>80.840</i>	<i>43.147</i>	<i>48.164</i>
<i>Total shareholders' equity and liabilities</i>		<i>162.985</i>	<i>204.707</i>	<i>216.995</i>

The notes set out on pages 6-57 form an integral part of these financial statements

General Director

Audronis Lubys

Chief Accountant

Arvydas Stropus

**STATEMENT OF COMPREHENSIVE INCOME**  
**31 December, 2013**

	Notes No.	2013-12-31	2012-12-31 Restated	2013 IV Quarter	2012 IV Quarter
Sales	13	92.337	83.874	20.208	23.577
Costs of sales	14	(102.990)	(89.202)	( 23.326)	(27.866)
<b>Gross result</b>		<b>(10.653)</b>	<b>(5.328)</b>	<b>( 3.118)</b>	<b>(4.289)</b>
Administrative expenses	15	(4.669)	(4.657)	(1.555)	(1.524)
Impairment of vessels	15	(26.220)	(5.750)	(26.220)	(5.750)
Distribution expenses		(11)	(8)	(6)	(5)
Other operating income	16	5.501	522	514	339
Other operating income	16	(4.062)	( 3)	(4.057)	-
<b>Operating result</b>		<b>(41.114)</b>	<b>(15.224)</b>	<b>(30.463)</b>	<b>(11.229)</b>
Financial income	17	2.083	1.054	1.076	1.208
Financial expenses	17	(2.141)	(2.196)	( 572)	-
<b>Net financial expenses</b>	<b>17</b>	<b>(58)</b>	<b>(1.142)</b>	<b>504</b>	<b>1.208</b>
Profit ( loss) before tax		(41.172)	(16.366)	29.959	(10.021)
Income tax expenses	18	(66)	(66)	( 66)	( 66)
<b>Profit (loss) for the year</b>		<b>(41.238)</b>	<b>(16.432)</b>	<b>( 29.932)</b>	<b>(10.087)</b>
Other comprehensive income, net of income tax		-	-	-	-
<b>Total comprehensive income</b>		<b>(41.238)</b>	<b>(16.432)</b>	<b>( 30.025)</b>	<b>(10.087)</b>
Basic and diluted earnings (loss) per share ( in Litas	19	(0,21)	(0,08)	(0,15)	(0,05)

The notes set out on 6-43 form an integral part of these financial statements

General Director



Audronis Lubys

Chief Accountant



Arvydas Stropus

## Statement of changes in equity

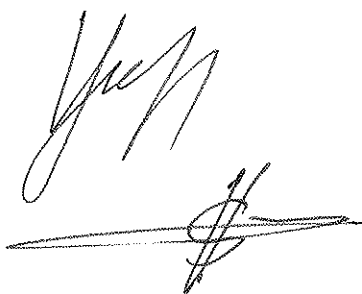
As at 31 December 2013

	Authorized capital	Legal reserve	Other reserves	Retained earnings (losses)	Total
<b>Balance at 31-12-2011 (restated)</b>	<b>200.901</b>			<b>(61.500)</b>	<b>139.401</b>
<i>Net profit (loss) for 2012 (restated) (restated)</i>				(16.432)	(16.432)
<i>Reserves used</i>				-	-
<b>Balance at 31-12-2012 (restated)</b>	<b>200.901</b>			<b>(77.932)</b>	<b>122.969</b>
<i>Net profit (loss) for 2013</i>				(41.145)	(41.238)
<i>Other comprehensive income, net of taxes</i>				-	-
<i>Reserves used</i>				-	-
<b>Balance at 31-12-2013</b>	<b>200.901</b>			<b>(119.170)</b>	<b>81.731</b>

The notes set out on pages 6-57 form an integral part of these financial statements.

General Director

Chief Accountant



Audronis Lubys

Arvydas Stropus

## Statement of cash flows

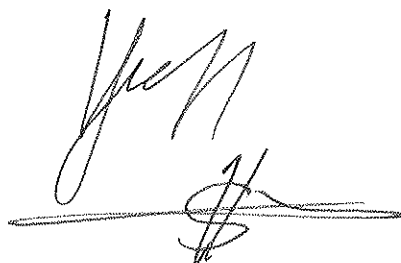
As at 31 December 2013

Items	Notes	31-12-2013	31-12-2012 (restated)
<b>Cash flows from operating activity</b>			
Net loss for the period		(41.238)	(16.432)
Adjustments for:			
Depreciation and amortization	1,2	18.481	19.648
Effects of exchange rate changes on loans	8	(2.083)	(1.376)
Gain (loss) on disposal and write down of property, plant and equipment		-	-
Impairment losses on vessels	15	22.100	5.750
Impairment of assets available for sale	4, 15	4.120	
Interest income/expenses, net	17	2.141	2.196
Income tax expense	18	66	66
<b>Operating cash flows before changes in working capital</b>		<b>3.587</b>	<b>9.852</b>
Decrease (increase) in receivables	5	(1.463)	(1.043)
Increase (decrease) in payables	9, 10, 11	3.095	9.852
Decrease (increase) in inventories	3	1.034	(2.698)
<b>Cash flows generated from operating activities</b>		<b>6.253</b>	<b>15.963</b>
Income tax paid	18	(66)	(66)
<b>Net cash flows from operating activities</b>		<b>6.187</b>	<b>15.897</b>
<b>Cash flows from investing activities</b>			
Acquisitions of non-current assets	1,2	(5.198)	(6.296)
Disposals of non-current assets	1,2	3.881	-
Received dividends and interest		-	-
<b>Net cash flows from investing activities</b>		<b>(1.317)</b>	<b>(6.296)</b>
<b>Cash flows from financing activities</b>			
Interest paid	17	(1.947)	(2.196)
Dividends paid to shareholders		-	-
Repayments of loans	8	(1.690)	(8.829)
<b>Net cash flow from financing activities</b>		<b>(3.637)</b>	<b>(11.025)</b>
<b>Change in cash and cash equivalents</b>		<b>1.233</b>	<b>(1.424)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>369</b>	<b>1.793</b>
<b>Cash and cash equivalents at 31 December</b>	6	<b>1.602</b>	<b>369</b>

The notes set out on pages 6-57 form an integral part of these financial statements

General Director

Chief Accountant



Audronis Lubys

Arvydas Stropus



## Notes to financial statements as at 31 December 2013

### I. Reporting entity

Public Company Lithuanian Shipping Company (LSC) is a joint-stock company established after reorganizing (desintegration) Public Company Lithuanian Shipping Company (LISCO). LSC was registered in the Registry of Legal Entities, certificate No. 027245, on 27 June 2001 and was assigned with the company code 110865039. LSC is located at: Malūnininkų St. 3, Klaipėda. Main activities of the Company are sea freight and lease of vessels.

Management bodies of the Company are: the General Meeting of Shareholders, the Supervisory Board, the Board of Directors and the Chief Executive Officer.

As at 31 December 2013 there were 340 employees in the Company, 28 of them worked in management divisions and 312 in the fleet. As at 31 December 2012 there were 341 employees, 30 of them worked in management divisions and 311 in the fleet.

The shareholder structure as at 31 December 2013 was as follows:

	31-12-2013		31-12-2012	
	Number of shares	Ownership percent	Number of shares	Ownership percent
Ministry of Transport and Communication of the Republic of Lithuania	113.833.000	56,66	113.833.000	56,66
Swedbank AS (Estonia)	701.917	0,35	11.275.992	5,61
DFDS TOR LINE A/S	11.108.420	5,53	11.108.420	5,53
Other minor shareholders	75.257.959	37,46	64.683.884	32,20
<b>Total:</b>	<b>200.901.296</b>		<b>200.901.296</b>	

Ordinary shares of the Company are quoted at NASDAQ OMX Vilnius.

### Basis of preparation

#### Statement of compliance

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

These financial statements were approved by the management on 21 March 2014. The shareholders of the Company have the right to reject these financial statements and request for the new ones to be issued.

### Basis of preparation

The financial statements are prepared on the historical cost basis and in accordance with the accounting records maintained as to Lithuanian accounting laws and regulations.

### Functional and presentation currency

The financial statements are presented in the national currency Litas, which is the Company's functional currency. All the figures presented in the financial statements are rounded to the nearest thousand, unless stated otherwise.

## **Basis of preparation (cont'd)**

### **Use of judgements and estimates**

The preparation of financial statements in conformity with IFRS as adopted by the EU, requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by their nature, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

#### **- Impairment losses on vessels**

The carrying amounts of the Company's vessels are reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Fair values are determined based on valuations performed by independent appraisers. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised only when the carrying amount of an asset or cash generating unit significantly exceeds the estimated recoverable amount (note **Error! Reference source not found.** *Property, plant and equipment*).

#### **- Useful lives of vessels**

Useful lives are assessed annually and changed when necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilization and physical condition of the assets concerned.

#### **- Going concern assumption**

For preparation of the financial statements as at 31 December 2013, the Company decided to apply the going concern principle. Judgments and estimates are presented in note 26.

#### **- Decision on selection of functional currency**

Considering the structure of revenue and costs, the functional currency of the Company is decided to be Litās. Despite the fact that borrowings and revenue are denominated in the USD, the major part of the cost comprise the non-dollar expenditure, such as salaries, social security, taxes, daily allowances, major technical supplies for vessels, dock repairs and other costs. The management uses Litās to perform forecasts and to measure performance of the business.

## **Significant accounting principles**

### **Determination of fair values**

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

### **Fair values of financial assets and liabilities**

The base for determination of fair values of financial assets and liabilities, traded in the active markets, are the market prices and prices determined by brokers. Fair value of all other financial instruments is determined using other valuation methods.

### **Valuation models**

Fair value is determined in accordance with the fair value hierarchy, which reflects the value of the variables used:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes instruments valued based on quoted prices of similar instruments, which require significant unobservable adjustments or assumptions in order to reflect differences between the instruments.

The following valuation methods are used: the net present value and discounted cash flows methods, comparison with similar instruments to which observable market and other valuation methods apply. Assumptions and variables used in the estimates is a risk-free and basic interest rate, credit additions and other bonuses used to evaluate the discount rate, the bond and stock prices, currency Exchange rates, stock prices and stock indices.

The purpose of the assessment is to obtain fair value, which would reflect the price on the valuation day, at which the asset would be sold or the liability transferred through an orderly transaction between market participants.

Where appropriate, the Company assesses the fair value of the instrument using the instrument's price quoted in the active market. The market is considered active, if transactions with the assets or liabilities are sufficiently frequent and substantial to provide continuous information about prices.

If the prices are not quoted in an active market, the Company uses the valuation methods which maximize the usage of relevant observable variables and minimize the use of unobserved ones. The chosen valuation method includes all the factors that market participants would refer to in assessing the transaction.

Usually, the best source of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of given or received consideration. If the Company determines that the fair value on initial recognition differs from the transaction price, and the fair value is not supported by either the price of an identical asset or liability quoted in an active market nor is justified by the valuation method using only data from observable markets, then on initial recognition the financial instrument is valued at fair value adjusted so that the difference between the fair value on initial recognition and the transaction price would be deferred.

## **Significant accounting principles**

### **Fair values of financial assets and liabilities (cont'd)**

#### **Valuation models (cont'd)**

Subsequently, this difference is provided in the income statement over the validity period of the instrument, but not later when the valuation is fully justified by observable market data or when the transaction is completed.

Financial assets or financial liabilities that are exposed to market risk and credit risk, which are managed by the Company based on the net market risk or credit risk exposure, are evaluated based on the price that would be received by selling the net long position (or paid by transferring net short position) for a particular risk.

The Company recognised transfers between the fair value hierarchy from the end of the reporting period in which the change occurred.

#### **Foreign currency**

Transactions in foreign currencies are translated into Litas at official exchange rates set by the Bank of Lithuania. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Since 2 February 2002, the Litas has been pegged to the Euro at the rate of LTL 3.4528 = EUR 1. At the year-end all transactions in EUR were translated into LTL at a fixed exchange rate of 1 EUR = 3.4528 LTL, set by the Bank of Lithuania, and the invoices in USD were restated at the exchange rate of 1 USD = 2.5098 LTL.

Foreign exchange differences arising on translation of foreign currencies into LTL or re-translation of item denominated in foreign currencies are recognised as financial income or financial costs for the period in which they were incurred.

#### **Financial instruments**

##### **(a) Non-derivative financial instruments**

Loans and receivables as well as deposits are initially stated at the date of their origination. All other financial assets are initially stated at the date of transaction, when the Company becomes a party under the contractual terms of a financial instrument.

Financial assets are derecognised upon expiry of the rights to receive cash flows from the asset or upon transfer of the rights to receive cash flows from the asset when all the risks and rewards of the asset are transferred. Any benefit retained or created by the Company, related to the transferred financial asset, is recognised as a separate asset or liability.

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when the Company has a legal right to make such a set off and intends either to settle on a net basis or to dispose that asset and settle the liability simultaneously.

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. Non-derivative financial instruments are initially stated at fair value, including (except for financial instruments at fair value through profit or loss), all directly attributable transaction costs.

## **Significant accounting principles (cont'd)**

### **Financial instruments (cont'd)**

#### *Financial assets or financial liabilities at fair value through profit or loss*

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the economic characteristics and risks of the embedded derivative are closely related to the risk of the host contract or the embedded derivative has been separately accounted from the host financial instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Related profit or loss on revaluation is charged directly to the profit or loss. Interest income and expense and dividends on such investments are recognized as interest income and dividend income or interest expenses, respectively.

#### *Loans and receivables*

Receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months. Trade receivables are initially recognized at fair value. Loans and other receivables are initially recognized at fair value, plus transaction costs that are directly attributable to the acquisition. Subsequently, receivables are measured at amortized cost using the effective interest rate method, less impairment, if any. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Short-term receivables are not discounted.

#### *Cash and cash equivalents*

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

In the statement of cash flows cash and cash equivalents include cash on hand, cash at banks, deposits in current accounts with the maturity of less than 3 months, and deposits. Unrealised gain and losses, arising from currency exchange differences, are not cash flows. However, an effect of the currency exchange differences on cash and cash equivalents, held or payable in foreign currency, is presented in the statement of cash flows in order to compare cash and cash flows in the beginning and at the end of the period. The amount is presented separately from the cash flows from ordinary, investing and financing activities, and includes currency exchange differences, if any, recorded on these cash flows at the end of the period.

## **Significant accounting principles (cont'd)**

### **Financial instruments (cont'd)**

#### **(b) Non-derivative financial liabilities**

Debt securities and subordinated liabilities are recognised on the date of their origination. All other financial liabilities (including liabilities at fair value through profit or loss) are initially recognised as at the date of transaction when the Company becomes a party to the contractual terms of the instrument.

Subsequently, liabilities are measured at amortized cost using the effective interest rate method. Trade payables are initially stated at fair value and subsequently – at amortised cost. Short-term liabilities are not discounted.

Financial liabilities are derecognised after they are fulfilled, cancelled or expired.

The Company has the following non-derivative financial instruments: loans and borrowings and trade and other payables. Such financial liabilities are initially stated at fair value, plus any directly attributable transaction costs. After initial recognition these financial liabilities are measured at amortised cost applying an effective interest rate method.

#### **Borrowing costs**

Borrowing costs are either recognised as costs when incurred, or are capitalised depending on the purpose of borrowing. The Company capitalises its borrowing costs, which are directly attributable to acquisition, construction or production of qualifying assets, as part of cost of such assets.

#### **(c) Ordinary shares**

Ordinary shares are classified as equity. Additional costs, directly attributable to issue of ordinary shares and share options, are stated as deduction from equity net of any tax effects.

#### **(d) Derivative financial instruments**

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the statement of comprehensive income when incurred. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit and loss. During the period the Company did not use any financial instruments of this category.

### **Property, plant and equipment**

In the financial statements all economic resources held by the Company are recognised as assets provided the Company expects to benefit from the use of these resources and they have the value that can be reliably measured.

Items of property, plant and equipment are stated at actual acquisition cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour costs and an appropriate proportion of production overheads.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Owner-occupied property acquired under a finance lease is presented at a present value of minimum lease payments at inception, less accumulated depreciation and impairment losses. Other leases are operating leases and the assets leased are not recognised in the Company's statement of financial position.

## **Significant accounting principles (cont'd)**

### **Property, plant and equipment (cont'd)**

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

Depreciation is calculated from the first day of the next month after an item of property, plant and equipment is put into operation, and is not calculated from the first day of the next month after its retirement or disposal, and when the total value of the used asset (less residual value) is transferred to the cost of production (works, services). Tangible non-current assets are depreciated on a straight-line basis over the useful life of each component of the asset. Dock survey and repair costs are depreciated over the period until the next dock survey (repair).

<b>Property groups</b>	<b>Useful lives (in years)</b>
Vessels	20 - 27 years since construction
Machines and equipment	7 - 16
Repair of vessels	2 - 3
Buildings and plant	15
Other vehicles	6 - 10
Other tangible assets	4

The Company capitalises borrowing costs directly related to acquisition, construction or production of a related asset under cost of the asset. In 2012 and 2011 the borrowing costs were not capitalised.

The management establishes useful lives of property, plant and equipment at the time of acquisition, and later reviews them on annual basis. A useful lifetime is determined based on past experience and anticipated future events that can have influence on the time of useful service. It can be changed if there is reason to believe that the remaining useful life time does not reflect the physical condition and the economic usage of the asset. The Company reviews useful lives, residual values and depreciation methods on annual basis.

### **Intangible assets**

Computer software and other intangible assets with the definite period of usage are stated at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the useful life of an asset. Non-current intangible assets are amortised within the period of 3 years.

### **Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured. Thereafter generally the assets, or parts of disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses are initially attributed to goodwill and subsequently to remaining assets and liabilities in proportion, other than inventories, financial assets, deferred tax asset, and employee benefits. Impairment losses are continued to be calculated in accordance with the accounting policies of the Company. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Reversal income of impairment losses are not recognized in excess of any cumulative impairment loss.

## **Significant accounting principles (cont'd)**

### **Inventories**

Inventories are recognized at the lower of the acquisition cost or net realizable value. Cost of inventories is calculated based on the FIFO method. Net realizable value is estimated as expected selling price less selling expenses.

When inventories are purchased from other parties, their acquisition cost is their purchase price combined with all purchase-related taxes (customs duties, etc.), transportation, preparation for use and other costs directly attributable to acquisition, less received discounts and rebates. When the amounts of inventory transportation and preparation for usage are insignificant or constant for several reporting periods, they are written off to operating expenses rather than included into the cost of purchase.

### **Dividends**

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

### **Provisions**

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

### **Employee benefits**

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, vacation payouts, compensation for the first two days of illness, bonuses, allowances, severance payments, vacation accruals, which are recognized as costs when an employee has fulfilled his duties in exchange to the received allowance.

Pursuant to the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement, is paid a single two-month salary.

Cost of the current part of employee benefits is immediately recognised as costs in the statement of comprehensive income. The past service costs are recognised as an expense in equal instalments over the average period until the benefits become vested. Gains or losses resulting from changes in benefit terms (reduction or increase) are recognised immediately in profit or loss.

The employee benefit liability is recognised in the statement of financial position and reflects the present value of the benefits as at the date of the statement of financial position.

### **Transactions with related parties**

The related parties of the Company are members of the management, the general director, fleet management director, technical director, finance director, chief accountant, divisional managers and their family members. There were no related legal entities as at 31 December 2013 and 2012.

The Company has decided not to disclose transactions with the state institutions as provided for in IAS 24.



## **Significant accounting principles (cont'd)**

### **Segment reporting**

Operating segments are segments that meet the criteria set for operating segments on which the Company receives financial information, regularly reviewed by the management who makes decisions on evaluation of operating results on the basis of such information. Operating segments have separate assets and segment liabilities, estimations of specific income and costs items, gross profit (loss) that are reconciled with the Company's financial statements. The Company identifies segments based on vessel tonnage. There are three segments: „Asta“ type vessels ( „Asta“ „Audre“ , „Akvilė“ , „Daina“, with the deadweight up to 6.000 tons), „Alka“ type vessels ( „Alka“ , „Skalva“ with the deadweight up to 10.000 tons), and „Raguva“ type vessels ( „Raguva“ „Deltuva“ , „Romuva“ , „Voruta“ , „Venta“ with the deadweight up to 25.000 tons).

### **Sales**

The income earning moment is the moment of supplying services when it is probable that the Company will receive economic benefits from the transaction, and the revenue amount can be reliably estimated. Income from sale of goods and services is recognized at fair value less the value of returned goods and discounts. Services are deemed granted when paid immediately or without substantial additional conditions are undertaken to be paid by the client at a later date (when both parties sign a relevant document: invoice, bill of lading, etc.). Prepayments for services are recorded as increase in liabilities to suppliers. In this case income is recognized only after the services have been rendered.

Income from the lease of vessels includes voyage-charters and time-charters of vessels.

Income from voyage-charter contracts is recognised based on percentage of completion method: the percentage of completion is calculated based on proportion of an actual time to the total estimated voyage duration.

Income from time-charter contracts is recognised on a straight-line basis over the lease period.

### **Cost of sales**

Costs are stated based on accrual and matching principles. Only that part of costs of prior or current periods, which relates to income earned during the current period irrespective of the time of money release, is recognized as costs. Costs not related to specific income are registered in the period in which they were incurred.

Cost of services is always connected with the services provided during the reporting period. Cost of sales includes depreciation of cash generating units, salaries and other costs incurred to earn the income.

Vessel repair costs incurred during regular dock-surveys are capitalised as part of an asset and amortised over a period of 2-3 years. Other repair and maintenance costs are recognised as costs for the year in which they were incurred.

### **Distribution and administrative costs**

Distribution and administrative costs include costs related to administrative staff, management, Office expenses, depreciation, amortisation and etc.

Costs are stated based on accrual principle in the period in which they were incurred.

Costs are usually measured at a paid or payable amount, excluding VAT. In the event of a long settlement period and not identified interest, costs are estimated by discounting the amount at the market interest rate.

## **Significant accounting principles (cont'd)**

### **Other operating income and costs**

Other operating income and costs includes gain and losses from disposal of vessels and other property, plant and equipment, lease of premises and other income and losses not directly related to the primary activity of the Company.

### **Financial income and costs**

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

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

### **Income tax**

Calculation of income tax is based on the annual profit and is made in accordance with the requirements of tax legislation of the Republic of Lithuania. Deferred income tax is calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases. An amount of deferred income tax depends on expected manner of realisation of assets and future settlements of liabilities and expected tax rates of the corresponding periods. Deferred tax assets and liabilities are not calculated when there is no origination of temporary differences as provided for by the Law on Income Tax.

The deferred tax assets and liabilities for current and previous years are recognised by an amount which is expected to be recovered from or paid to tax authorities. Income tax is calculated using the rates enacted at the date of statement of financial position.

Since the year 2007, the result of the Company from sea freight is subject to tonnage tax directly dependable on the total fleet capacity. Following the amendment and supplement to the Law on Income Tax of the Republic of Lithuania, dated 3 May 2007, the Company has chosen that its taxable income for the taxable periods started in 2007 or later is taxed by a fixed income tax rate. Fixed income tax base is calculated on payload capacity units (PC) of each of 100 vessels, applying a fixed daily amount and multiplying it by an amount of shipping days in the taxable period. The fixed income tax is applicable on shipping activities. Other activities of the Company, not related to shipping, are subject to normal income tax rate.

Profit earned not from sea freight services is taxed in accordance with the Law on Income Tax.

Since in 2007 the Company chose to pay the tonnage tax, the base of which does not depend on the Company's profit, all temporary differences between the tax and financial reporting have disappeared. Due to this, the deferred tax does not originate in the Company.

### **Basic and diluted earnings (loss) per share**

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. In the cases of a change in the number of shares without affect the economic resources, the weighted average of ordinary shares issued is adjusted in proportion to the change in the number of shares as if this change has occurred in the beginning of the previous period. As there are no instruments that dilute the equity, the basic and diluted earnings per share do not differ.

## **Significant accounting principles (cont'd)**

### **Other general notes to the financial statements**

#### **(a) Contingencies**

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

Contingent assets are not recognized in the financial statements. They are disclosed in the financial statements when it is probable that income or economic benefit will be received.

#### **(b) Subsequent events**

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

#### **(c) Financial risk factors**

In its activities, the Company is exposed to various financial risks: market risk (including currency exchange risk and interest rate risk), credit risk and liquidity risk. The Board of Directors is responsible for creation and control of overall risk management policy in the Company. Risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls. Risk management policies and systems are reviewed on a regular basis to reflect changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims at developing a disciplined and constructive control environment in which all employees understand their roles and obligations. Greatest attention is being dedicated to unpredictability of the financial markets and reduction of its effect on the Company's financial results. From time to time the Company may use derivative financial instruments in order to hedge against certain risks.

##### ***Credit risk***

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

<u>thousand LTL</u>	<u>31-12-2013</u>	<u>31-12-2012</u>
Trade receivables	2.721	2.385
Cash and cash equivalents	1.602	369
Other receivables	1.339	163
Prepayments	818	867
<b>Total:</b>	<b>6.480</b>	<b>3.784</b>

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

##### ***Liquidity risk***

In order to avoid the liquidity risk, the Company maintains sufficient flow of cash and cash equivalents or has financing through respective credit planning in advance as well as controlling cash flows. The Company does not have an approved liquidity ratio to aspire to, however the management shall aim at keeping the balance between unattractiveness and flexibility of financing. Liquidity ratios of the Company are provided in Note 23.

## Significant accounting principles (cont'd)

### (c) Financial risk factors (cont'd)

#### *Liquidity risk (cont'd)*

The following are the contractual maturities of financial liabilities, including the estimated interest payments as at 31 December 2013:

Thousand LTL	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>							
Loans from banks	52.819	(55.112)	(12.558)	(42.554)	-	-	-
Payable to suppliers	18.232	(18.232)	(18.232)	-	-	-	-
Prepayments received	3.028	(3.028)	(3.028)	-	-	-	-
Employment related liabilities	6.845	(6.845)	(6.431)	-	(414)	-	-
Other payable amounts	330	(330)	(330)	-	-	-	-
	81.254	(83.547)	(40.579)	(42.554)	(414)	-	-

According to loan agreements with banks, the Company must comply with certain financial ratios. Since the Company failed to meet some of the financial ratios as at 31 December 2013, all financial liabilities are classified as current liabilities in the statement of financial position as at 31 December 2013.

The following are the contractual maturities of financial liabilities, including the estimated interest payments as at 31 December 2012:

Thousand LTL	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>							
Loans from banks	56.398	(59.105)	(4.731)	(15.091)	(22.045)	(17.238)	-
Payable to suppliers	16.560	(16.560)	(16.560)	-	-	-	-
Prepayments received	4.019	(4.019)	(4.019)	-	-	-	-
Employment related liabilities	3.801	(3.801)	(3.496)	-	(305)	-	-
Other payable amounts	960	(960)	(960)	-	-	-	-
	81.738	(84.445)	(29.766)	(15.091)	(22.350)	(17.238)	-

**(c) Financial risk factors (cont'd)**

**Currency exchange risk**

Currency risk relates to sales, purchases and borrowings denominated in currencies other than Litas and euro.

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

Thousand USD	31-12-2013	31-12-2012
Prepayments	300	249
Trade receivables	1.085	918
Other receivables	517	18
Cash and cash equivalents	633	653
Trade payables	(3.931)	(3.350)
Financial liabilities	(21.045)	(21.642)
<b>Net exposure</b>	<b>(22.441)</b>	<b>(23.786)</b>

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

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

thousand LTL	31-12-2013	31-12-2012
Increase in currency exchange rate	10%	10%
Profit (loss)	5.632	6.199
Decrease of currency exchange rate	(10%)	(10%)
Profit (loss)	(5.632)	(6.199)

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

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

**Interest rate risk**

Borrowings of the Company are denominated in USD and bear a variable interest rate related to LIBOR, determined every three months. In 2013 the effective interest rate varied from 3.308% to 4.2419% (in 2012 – 3.31% to 3.39%).

If the average annual interest rate, applicable on the Company's borrowings with variable interest rate, increases (decreases) by 1%, then the Company's interest expenses and profit as at 31 December 2013 and 2012 would change as indicated in table:

## Significant accounting principles (cont'd)

### (c) Financial risk factors (cont'd)

#### Interest rate risk (cont'd)

2013	Increase/ (-) decrease, %	Effect on net result
USD	1 %	(210)
USD	-1 %	210
2012	Increase/ (-) decrease, %	Effect on net result
USD	1 %	(216)
USD	-1 %	216

### (d) Capital management

The Board's policy is to keep the shareholders' equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the future in order to comply with external capital requirements. The Board keeps track on the ratios of capital return and makes suggestions regarding proposed dividends, taking into account the financial results and strategic plans of the Company. Capital comprises equity owned by the shareholders.

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

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

According to the Law on Companies of the Republic of Lithuania, the Company's equity must make not less than 50% of the share capital. The Company did not comply with the requirement of the Law as at 31 December 2013.

### Effect of application of new standards, amendments to published standards and interpretations on financial statements

The accounting policies applied by the Company to all financial information reported in these financial statements are consistent with the accounting policies of the previous year.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

#### (i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard (see Note 4 (Non-current assets available for sale), Note 1 (Property, plant and equipment), 29 (Fair value of financial instruments)).

## **Significant accounting principles (cont'd)**

### **Effect of application of new standards, amendments to published standards and interpretations on financial statements (cont'd)**

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

#### *(ii) Presentation of items of other comprehensive income*

As a result of the amendments to IAS 1, the Company has modified the presentation of items in the statement of other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be.

#### *(iii) Other amendments to standards*

The following amendments to standards with effective date of 1 January 2013 did not have any impact on these financial statements:

- Amendment to IFRS 7 – Offsetting of Financial Assets and Liabilities;
- Amendment to IAS 19 (2011) – Employee Benefits;
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

### **New standards and interpretations not yet effective**

Accounting policies presented below coincide with the accounting policies of the previous year, except for those which were changed due to amendments to IFRS and the new IFRS effective as of 1 January 2013.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company as well as management's judgments regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Company does not plan to adopt these amendments, standards and interpretations early.

#### *(i) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)*

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest is a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

## **Significant accounting principles (cont'd)**

### **New standards and interpretations not yet effective (cont'd)**

- Amendments to IFRS 7 Disclosures - *Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2013). The Amendments contain new disclosure requirements for financial assets and liabilities that are:
  - offset in the statement of financial position; or
  - subject to master netting arrangements or similar agreements.

The Company does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

- IAS 19 (2011) *Employee Benefits* (Effective for annual periods beginning on or after 1 January 2013). The amendment requires actuarial gains and losses to be recognized immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognizing actuarial gains and losses, and eliminates the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognized in profit or loss to be calculated based on rate used to discount the defined benefit obligation.

The amendments are not relevant to the entity's financial statements, since the entity does not have any defined benefit plans.

- I *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* (Effective for annual periods beginning on or after 1 January 2013). The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.

The Company does not expect the Interpretation to have any impact on the financial statements since it does not have any stripping activities.

FRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group does not expect the new Standard will have a material impact on the financial statements.

These standards are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

(ii) *IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)*

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the presentation of consolidated financial statements, which have been incorporated into IFRS 10, *Consolidated Financial Statements*. The Company does not expect IAS 27 (2011) to have a material impact on the financial statements, since it does not result in a change in the entity's accounting policy.

(iii) *IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)*

There are limited amendments to IAS 28 (2008) which are related to associates and joint ventures held for sale and changes in interest held in associates and joint ventures. The Company does not expect the



## **Significant accounting principles (cont'd)**

### **New standards and interpretations not yet adopted (cont'd)**

amendments to Standard to have material impact on the financial statements since it does not have any significant investments in associates or joint ventures that will be impacted by the amendments.

(iv) *Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*

*Amendments to IAS 32* (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Company does not expect the Amendments to have any impact on the financial statements since the Company does not apply offsetting to any of its financial assets and financial liabilities and has not entered into master netting arrangements.

(v) *Amendments to IFRS 10, IFRS 12 and IAS 27 on Investment Entities (effective for annual periods beginning on or after 1 January 2014)*

The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities, as well as investments in associates and joint ventures at fair value through profit or loss, rather than consolidating them.

The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated. An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. The Company does not expect the new standard to have any impact on the financial statements, since the Company does not qualify as an investment entity.

(vi) *Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures related to fair value hierarchy when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs of disposal. The Company does not expect the new Standard will have a material impact on the financial statements.

(vii) *Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)*

The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when certain criteria are met. The Company does not expect the new standard to have any impact on the financial statements, since the Company does not apply hedge accounting.

### III. Notes to the financial statements

#### 1. Property, plant and equipment

Items Thousand LTL	Buildings and plant	Machinery and equipment	Vessels (Restated)	Other vehicles	Repair of vessels	Other non-current assets	Not finished repair of vessels	Total
<b>Acquisition cost</b>								
Balance as at 31 December 2011	3.672	807	453.676	297	22.131	538	751	481.872
Acquisitions	-	59	47	-	10.677	7	-	10.790
Written down (-)	-	(72)	(4)	-	(9.754)	-	-	(9.830)
Reclassifications	-	(52)	52	-	751	-	(751)	-
Balance as at 31 December 2012	3.672	742	453.771	297	23.805	545	-	482.832
Acquisitions	-	12	3	-	5.385	6	-	5.406
Written down (-)	-	(30)	(18.420)	-	(1.206)	(85)	-	(19.741)
Transfers to assets available for sale	-	-	(52.167)	-	(3.031)	(90)	-	(55.288)
Reclassifications	-	(18)	18	-	-	-	-	-
Balance as at 31 December 2013	3.672	706	383.205	297	24.953	376	-	413.209
<b>Revaluation/impairment</b>								
Balance as at 31 December 2011	-	-	(93.557)	-	-	-	-	(93.557)
Impairment	-	-	(5.750)	-	-	-	-	(5.750)
Balance as at 31 December 2012	-	-	(99.307)	-	-	-	-	(99.307)
Impairment	-	-	(22.100)	-	-	-	-	(22.100)
Transfers to assets available for sale	-	-	15.788	-	-	-	-	15.788
Balance as at 31 December 2013	-	-	(105.619)	-	-	-	-	(105.619)
<b>Accumulated depreciation</b>								
Balance as at 31 December 2011	507	756	157.260	116	18.856	442	-	177.937
Depreciation for the period	196	38	14.258	40	5.061	45	-	19.638
Written down (-)	-	(72)	(4)	-	(9.754)	-	-	(9.830)
Reclassifications	-	(51)	51	-	-	-	-	-
Balance as at 31 December 2012	703	671	171.565	156	14.163	487	-	187.775
Depreciation for the period	196	39	11.202	39	6.968	30	-	18.474
Written down (-)	-	(30)	(14.845)	-	(593)	(78)	-	(15.546)
Transfers to assets available for sale	-	-	(22.555)	-	(2.517)	(86)	-	(25.158)
Reclassifications	-	(18)	18	-	-	-	-	-
Balance as at 31 December 2013	899	662	145.385	195	18.021	353	-	165.515
<b>Carrying amounts</b>								
31 December 2011	3.165	51	202.859	181	3.275	96	751	210.378
31 December 2012	2.969	71	182.899	141	9.642	58	-	195.780
31 December 2013	2.773	43	137.910	102	7.301	30	-	142.075

### **1. Property, plant and equipment (cont'd)**

At the end of the financial year the Company's property, plant and equipment comprised 8 vessels, an administration building, vehicles, machinery and equipment. The depreciation of vessels, equipment and machinery and other tangible assets on vessels was recognised under cost of sales. The depreciation of the building, other vehicles, equipment and machinery and other tangible assets on shore was recognised under administrative expenses.

Thousand LTL	31-12-2013	31-12-2012
Depreciation (including repairs)	18.102	19.363
Recognised under cost of sales		
Depreciation recognised under administrative expenses	275	275
<b>Total:</b>	<b>18.377</b>	<b>19.648</b>

All the vessels have been pledged to the bank to secure the bank loans (note 8).

As at 31 December 2013 the Company performed an evaluation with the purpose to determine whether the value of the vessels, presented in the statement of financial position as at 31 December 2013, is not impaired.

When performing an impairment test on each vessel separately, its recoverable amount is being compared to the carrying amount. The recoverable amount of a vessel is the higher of the value in use and the fair (sales) value. If the recoverable amount is lower than the carrying amount, the latter is decreased to the lower amount.

During the evaluation, the value in use of the vessels was calculated applying the discounted cash flows method. The main assumptions applied are presented below:

- Cash flows are forecasted for each vessel individually for the period at the end of which the residual value of vessels is determined. At the end of the useful lifetime, the residual value of a vessel is determined as a scrap value.
- Revenue from vessels is forecasted using the actual historical data, many years of experience and forecasts of the Company's economists and of *Drewry publishing research* until the end of 2016. An anticipated increase in revenue for 2014 and subsequent periods is 5% in average, resulting from an increase in freight margins.
- Number of working days: 5 days of off-hire per year are intended for all vessels where repair is not planned, if the vessel is in inspection of SS (called special survey) – 28 days off-hire, if the vessel is in inspection of DS (called dock survey) – 21 days off-hire.
- In 2014 the vessel costs are calculated based on the vessel costs actually incurred in 2013 and on the forecasts of *Drewry publishing research* until the end of 2016, which anticipate an annual increase in vessel costs by 3 % by 2019.
- No additional investments are being planned for the vessels, except for those needed to maintain a proper condition of the vessels. No unscheduled costs in relation to repair of vessels have been planned for the whole forecasted period.
- Costs incurred due to class surveys of the vessels during the forecasted period make fixed amounts, which are expected and aimed at in order to optimize the technical maintenance of the vessels.
- Discounting of cash flows is based on the weighted average capital cost rate (WACC). The calculated weighted average capital cost rate is 8.50% (2012 – 8.15%).

## 1. Property, plant and equipment (cont'd)

The impairment test of the vessels revealed that the recoverable amount of some vessels is lower than their carrying amount presented in the financial statements. Therefore, in the financial statements as at 31 December 2013 an impairment of 22.1 million LTL has been recorded for „Asta“, „Audrė“, „Akvilė“, „Daina“, „Alka“ and „Venta“ (refer to note 14).

Calculation of the recoverable amount is particularly sensitive to the projected amount of income and the weighted average cost of capital rate (WACC). Should the forecasted income of each year decrease by 5 per cent, the usage value of some vessels would become lower than the value stated in the Company's financial statements as at 31 December 2013, and the Company would be obligated to recognize an impairment of the vessels by approximately 12.5 million LTL. The table below shows possible impairment of the vessels, if the expected income remains unchanged, decreased by 5 % and 10 %, and if the WACC rates, used for calculation of the usage value of the vessels, are 8.5%, 9.0% and 9.5%.

Decrease in projected income	WACC base		
		Factually used 8.50%	9.00%
0%	22.1 million LTL	23.7 million LTL	27.2 million LTL
5%	34.6 million LTL	38.0 million LTL	41.1 million LTL
10%	49.6 million LTL	52.5 million LTL	55.4 million LTL

## 2. Intangible assets

Items Thousand LTL	Software	Total
<b>Acquisition cost</b>		
As at 31 December 2011	387	387
Additions	3	3
Write-offs	-	-
As at 31 December 2012	390	390
Additions	-	-
Write-offs	5	5
As at 31 December 2013	385	385
<b>Accumulated amortisation</b>		
As at 31 December 2011	372	372
Amortisation for the period	10	10
As at 31 December 2012	382	382
Amortisation for the period	2	2
As at 31 December 2013	384	384
<b>Carrying amounts</b>		
31 December 2011	15	15
31 December 2012	8	8
31 December 2013	1	1

Intangible assets are amortised over 3 years.

Intangible assets are carried under administrative expenses in the statement of comprehensive income.

### 3. Inventories and prepayments

Thousand LTL	31-12-2013	31-12-2012
Fuel and lubricants on vessels	3.261	4.796
Spare parts, materials	659	166
Food supplies on vessels	181	173
Total inventories:	4.101	5.135
Prepayments	782	867
<b>Total:</b>	<b>4.883</b>	<b>6.002</b>

As at 31 December 2013, fuel on vessels amounted to 3.261 thousand LTL. There were no revaluations of inventories to net realisable value as at 31 December 2013. As at 31 December 2013, the prepayments include the following amounts : 1 thousand LTL – advances paid, 517 thousand LTL – other prepayments (insurance, subscription, etc.) and 264 thousand LTL - prepayments to ship agents.

### 4. Assets available for sale

On 9 October 2013 the Board of the Company adopted a decision to sell the m/v “Skalva”. The sales transaction was carried out on 11 December 2013. At the moment of reclassification (9 October 2013) the m/v “Skalva” was stated at fair value less selling costs, which is lower than the carrying amount. The amount at which the carrying amount was reduced, has been recognized as loss due to impairment.

The loss from the write down of the m/v “Skalva” to fair value, amounting to 105 thousand LTL, is stated under administrative costs (note15).

On 14 January 2014 the Board of the Company adopted a decision to sell the m/v “Alka”. The sales transaction was not carried out as at the date of the financial statements. In the financial statements as at 31 December 2013, the m/v “Alka” was reclassified from non-current assets to current assets available for sale. At the moment of reclassification (31 December 2013) m/v „Alka“ was stated at fair value less selling costs, which is lower than the carrying amount. The amount at which the carrying amount was reduced, has been recognized as loss due to impairment.

The loss from the write down of the m/v “Alka” to fair value, amounting to 29 thousand LTL, is stated under administrative costs (note15).

On 21 October 2013 the Board of the Company adopted a decision to sell the m/v “Asta”. The sales transaction was carried out on 28 January 2014. In the financial statements as at 31 December 2013, the m/v “Asta” was reclassified from non-current assets to current assets available for sale. At the moment of reclassification (21 October 2013) m/v „Asta“ was stated at fair value less selling costs, which is lower than the carrying amount. S The amount at which the carrying amount was reduced, has been recognized as loss due to impairment.

The loss from the write down of the m/v “Asta” to fair value, amounting to 3.986 thousand LTL, is stated under administrative costs (note15).

Thousand LTL	31-12-2013	31-12-2012
Fair value of m/v “Alka”	5.233	-
Sales costs of m/v “Alka” for 2013	-	-
<b>Total:</b>	<b>5.233</b>	<b>-</b>
Thousand LTL	31-12-2013	31-12-2012
Selling price of m/v “Asta”	5.144	-
Sales costs of m/v “Asta” for 2013	51	-
<b>Total:</b>	<b>5.094</b>	<b>-</b>
<b>Total assets available for sale</b>	<b>10.327</b>	<b>-</b>

### 5. Trade and other receivables

Thousand LTL	31-12-2013	31-12-2012
Trade receivables	3.835	3.524
Impairment (-)	(1.114)	(1.139)
Trade receivables, net	<b>2.721</b>	<b>2.385</b>
Receivable from the budget	21	59
Prepayments to vessels	86	95
Other receivables	1.232	9
<i>Total other receivables</i>	<b>1.339</b>	<b>163</b>
<b>Total:</b>	<b>4.060</b>	<b>2.548</b>

As at 31 December 2013 trade receivables amounted to 2.721 thousand LTL, 2.338 thousand LTL out of which are current trade receivables for services rendered, 358 thousand LTL – received prepayments and receivables, and 25 thousand LTL receivable for communication and other services.

Other receivables as at 31 December 2013 include 1.232 thousand LTL of 1.228 thousand LTL insurance premium, 3 thousand LTL of excess tax on real estate and 1 thousand LTL of other receivable amounts.

Thousand LTL	Outstanding balance	Not overdue amounts, on which no impairment has been recognised	Overdue amounts, on which no impairment has been recognised			
			Overdue up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Overdue more than 91 days
31-12-2013	2.721	1.421	682	239	5	374
31-12-2012	2.385	1.721	282	51	70	261

As at 31 December 2013 the Company's management performed an evaluation of receivable amounts. Based on the evaluation of the amounts, received after the date of the financial statements, and the historical data concerning payments from the clients, no impairment has been recognized. According to the management, there are no indications that the amounts overdue as at the date of the financial statements will not be settled.

### 6. Cash and cash equivalents

Thousand LTL	31-12-2013	31-12-2012
Cash at bank in national currency	4	30
Cash at bank in foreign currencies	1.592	329
Cash on hand in national currency	-	5
Cash on hand in foreign currencies	6	5
<b>Total:</b>	<b>1.602</b>	<b>369</b>

As at 31 December 2013 the Company had 633 thousand USD, 3 thousand EUR and 3 thousand LTL in bank accounts and on hand.

Under the conditions of credit agreement with the bank, 100 % of banking operations of the Company must be carried out through accounts opened with this credit institution. In addition, all current and future cash balances in all currencies on these accounts are pledged to the bank.

**Public Company Lithuanian Shipping Company**

Company code: 110865039, address: Malūnininkų St. 3, LT-92264 Klaipėda

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(in thousand Litās, unless stated otherwise)

**7. Authorised capital**

Thousand LTL	Authorised capital	Share premium	Total
31-12-2012	200.901	-	200.901
New emission of shares	-	-	-
Acquisition of own shares	-	-	-
31-12-2013	200.901	-	200.901

The Company's financial statements for the year ended 31 December 2013 show that the Company's equity as at 31 December 2013 amounts to 82.492 thousand LTL and is less than 50% of the authorized capital (100.450 thousand LTL). Therefore, the Company's management will request the general shareholders meeting to discuss the issue of restoration of the equity to the minimum amount required by the law.

The authorized capital of the Company at 31 December 2013 comprised 200.901.296 ordinary shares at par value of 1 LTL each. All shares are fully paid. Holders of ordinary shares have one vote per share at the general meeting of shareholders of the Company and are entitled to receive dividends when they are declared and the right to return the capital in case of capital reduction.

The shares of the Company are quoted by AB NASDAQ OMX Vilnius.

**Legal reserve**

Legal reserves are formed in accordance with the legal acts of the Republic of Lithuania. Transfers of not less than 5% of net profit must be performed on annual basis until the reserve makes 10% of the authorized capital. This reserve can be used only to cover the accumulated losses.

**8. Financial liabilities to credit institutions**

Thousand LTL	31-12-2013	31-12-2012
Payable after one year	-	38.286
Payable within one year	52.624	18.112
Accrued payable interest within one year	194	-
<b>Total:</b>	<b>52.819</b>	<b>56.398</b>
Loan balances in the beginning of the year	56.398	66.603
Loans received	-	-
Loans repaid	(1.692)	(8.829)
Accrued payable interest within one year	194	-
Currency exchange differences	(2.082)	(1.376)
<b>Total:</b>	<b>52.819</b>	<b>56.398</b>

All financial liabilities to the bank are secured by pledging the Company's property. The Company has pledged 8 vessels with the carrying amount of which as at 31 December 2013 amounted to 137.910 thousand LTL, and the vessels „Asta“ (the carrying amount, less selling costs, of 5.233 thousand LTL as at 31 December 2013) and m/v “Alka” (the carrying amount less selling costs of 5.094 thousand LTL as at 31 December 2013). The total loan balance payable to the bank as at 31 December 2013 amounted to 52.624 thousand LTL, accrued payable interests – 194 thousand LTL. The loan repayment deadline is 27 February 2015.

The loans bear variable interest rates related to 3 months LIBOR (USD). The effective interest rate in 2013 varied from 3.308 % to 4.2419%. A decline in the shipping market caused a decrease in cash flows; therefore, in October 2013 the loan repayment schedule was restructured. The restructured schedule anticipates repayment of the loan from the expected gain from disposal of the vessels as well as partial (monthly) instalments from operational revenues.

According to loan agreements with the banks, the Company must comply with certain financial ratios. Since the Company did not meet some of the financial ratios as at 31 December 2013, the total financial liability was classified under current liabilities.

**9. Non-current employee benefits**

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The Company has recognised non-current employee benefits related to retirement payments. Costs in relation to accounting of these liabilities have been stated under the administrative expenses in the statement of comprehensive income as well as under a separate item of long-term employee benefits in the statements of financial position.

Thousand LTL	
<b>31 December 2011</b>	<b>200</b>
Change	105
<b>31 December 2012</b>	<b>305</b>
Change	109
<b>31 December 2013</b>	<b>414</b>

**10. Employment related liabilities**

Thousand LTL	31-12-2013	31-12-2012
Payable salaries	4.173	1.311
Vacation reserve (salaries)	1.294	1.385
Vacation reserve (Sodra)	519	429
Payable to Sodra	367	369
Other payables	78	2
<b>Total:</b>	<b>6.431</b>	<b>3.496</b>

**11. Other payable amounts**

Thousand LTL	31-12-2013	31-12-2012
Payable to suppliers (a)	18.442	16.560
Prepayments received (b)	3.046	5.174
Payable dividends	95	95
Accrued expenses	77	58
Other	47	741
<b>Total:</b>	<b>21.707</b>	<b>22.628</b>

(a) As at 31 December 2013 payable to suppliers amounted to 18.442 thousand LTL which can be specified as follows: 9.442 thousand LTL – repair and technical supply of vessels; 637 thousand LTL – lubricants; 724 thousand LTL – payable to agents for services provided to vessels; 6.186 thousand LTL – fuel; 709 thousand LTL – vessel supervision classifying companies; 744 thousand LTL – various services to vessels and on-shore divisions.

(b) As at 31 December 2013 prepayments received amounted to 3.046 thousand LTL and include receivable for voyages and deferred income.

**12. Deferred tax asset and liabilities**

Since in 2007 the Company chose to pay the tonnage tax, the base of which is independent of the Company's result, all temporary differences between the financial and tax reporting have disappeared. Due to this reason, there are no deferred taxes in the Company.



### 13. Sales

Thousand LTL	31-12-2013	31-12-2012
Time-charter revenues	68.529	43.433
Other Time-charter revenues	19.509	39.578
Voyage-charter revenues	181	766
Other	4.118	97
<b>Total:</b>	<b>92.337</b>	<b>83.874</b>

In 2013 revenues from voyage charter contracts increased, compared to the prior year.

### 14. Cost of sales

Thousand LTL	31-12-2013	31-12-2012
Fuel	(31.943)	(21.798)
Crew costs	(20.899)	(20.181)
Depreciation	(18.199)	(19.363)
Port dues	(10.944)	(5.428)
Insurance	(4.898)	(4.495)
Commissions	(3.506)	(2.803)
Vessel's functional expenses	(2.993)	(3.043)
Lubricants	(1.767)	(2.984)
Emergency repair of vessels	(1.578)	(5.131)
Spare parts	(834)	(1.412)
Other vessel costs	(5.429)	(2.564)
<b>Total:</b>	<b>(102.990)</b>	<b>(89.202)</b>

Fuel costs for 2013 amounted to 31.943 thousand LTL (2012 - 21.798 thousand LTL).

Port dues for 2013 amounted to 10.944 thousand LTL (2012 - 5.428 thousand LTL). In 2013 the Company's fleet worked more days under voyage-charter contracts (2.223 days), i.e. the Company itself purchased fuel and paid port dues, whereas in 2012 the fleet of LSC worked more days under time-charter contracts (2.594 days), where the contract terms and conditions prescribe that the fuel costs and port dues are covered by the charterer.

Depreciation charge has decreased due to changed depreciation periods, restated residual values and adjusted values of the vessels (note 24).

### 15. Administrative expenses

Thousand LTL	31-12-2013	31-12-2012
Impairment of vessels	(22.100)	(5.750)
Impairment of assets available for sale (note 4)	(4.120)	-
Staff costs	(2.684)	(3.001)
Depreciation and mortization	(282)	(285)
Consultation and legal services	(224)	(407)
Bank services	(161)	(130)
Business maintenance expenses	(144)	(157)
Transport expenses	(112)	(106)
Maintenance of premises	(99)	(101)
Communication services	(92)	(109)
Other	(882)	(361)
<b>Total:</b>	<b>(30.900)</b>	<b>(10.407)</b>

Staff costs include employee salaries, business trips and daily allowances.

### 16. Other operating income/expenses

Thousand LTL	2013-12-31	2012-21-31 (restated)
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Proceeds from disposal of non-current assets	3.824	-
Other income	677	522
<i>Total other operating income:</i>	<i>4.501</i>	<i>522</i>
Loss from disposal of non-current assets	(3.881)	-
Other expenses	(181)	(3)
<i>Total other operating expenses:</i>	<i>(4.062)</i>	<i>(3)</i>
<b>Total:</b>	<b>439</b>	<b>519</b>

### **17. Financial and investing activity**

Thousand LTL	2013-12-31	2012-12-31
Interest income	-	-
Gain of currency exchange	2.083	1.054
<i>Total financial activity income:</i>	<i>2.083</i>	<i>1.054</i>
Interest expenses	(2.141)	(2.196)
Loss of currency exchange	-	-
<i>Total financial activity expenses:</i>	<i>(2.141)</i>	<i>(2.196)</i>
<b>Total:</b>	<b>(58)</b>	<b>(1.142)</b>

### **18. Income tax expense**

Thousand LTL	2013.12.31	2012.12.31
Tonnage tax	(66)	(66)

In 2013 and 2012 the Company calculated a fixed income tax from gross tonnage of the operated fleet.

### **19. Basic earnings (loss) per share**

Basic earnings (loss) per share are calculated by dividing net profit (loss) attributable to ordinary equity holders by the weighted average number of ordinary shares.

Basic loss per share as at 31 December 2013 amounts to 0.21 LTL, basic loss per share as at 31 December 2012 - 0.08 LTL.

The Company does not have any convertible or potentially convertible shares; therefore, basic and diluted earnings (loss) per share are equal.

### **20. Related parties**

The related parties of the Company are: members of the Board, general director, fleet management director, technical director, common affairs director (as of 2 January 2013), chief accountant and their family members. Remuneration to the mentioned persons in 2013 amounted to 561 thousand LTL (in 2012 - 639 thousand LTL). There were no other transactions with the related parties in 2013.

## 21. Segments

The main operating markets of the Company are as follows:

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

The Company has two clients, income from which in 2013 made more than 10% of the total income. In 2013 income received from these clients amounted to 32% of the total income (in 2012 the Company had two clients, income from which made 32% of the Company's total income for 2012).

According to the size (tonnage) of vessels, there are three vessel segments: "Asta"- type vessels ("Asta", "Audrė", "Akvilė", "Daina" – with the dead weight up to 6.000 tons), "Alka"- type vessels ("Alka", "Skalva" – with the dead weight up to 10.000 tons), and "Raguva"- type vessels ("Raguva", "Deltuva", "Romuva", "Voruta" and "Venta" – with the dead weight up to 25.000 tons).

31-12-2013, in thousand LTL	"Asta"	"Alka"	"Raguva"	Not attributed	Total
Voyage income	16.494	16.738	59.105	-	92.337
Voyage costs	(6.447)	(10.564)	(33.350)	-	(50.361)
<b>Voyage result</b>	<b>10.047</b>	<b>6.174</b>	<b>25.755</b>	-	<b>41.976</b>
Current vessel costs	(9.289)	(5.594)	(19.548)	-	(34.431)
Operating costs	-	-	-	(4.397)	(4.397)
<b>Operating costs before depreciation, EBITDA</b>	<b>758</b>	<b>580</b>	<b>6.207</b>	<b>(4.397)</b>	<b>3.148</b>
Impairment of vessels	(14.486)	(4.234)	(7.500)	-	(26.220)
Depreciation	(3.648)	(2.168)	(12.383)	(282)	(18.481)
<b>Operating result, EBIT</b>	<b>(17.376)</b>	<b>(5.822)</b>	<b>(13.676)</b>	<b>(4.676)</b>	<b>(41.553)</b>
Other activity result	-	-	-	439	439
Interest expenses	-	-	(2.141)	-	(2.141)
Currency exchange result	-	-	2.083	-	2.083
Other financial activity, net	-	-	-	-	-
Tonnage tax	(15)	(9)	(42)	-	(66)
<b>Net result</b>	<b>(17.391)</b>	<b>(5.831)</b>	<b>(13.776)</b>	<b>(4.240)</b>	<b>(41.238)</b>
Non-current assets of segments	17.716	4.931	115.263	-	137.910
Loans payable by segment	-	-	52.819	-	52.819
Acquisition of non-current assets	12	2	39	-	53

Voyage expenses include: fuel, port dues, commissions, loading services.

Current expenses of vessels include: salaries, taxes, daily allowances, vessel repair and maintenance, insurance, communication and other expenses.

## 21. Segments (cont'd)

31-12-2012, in thousand LTL	"Asta"	"Alka"	"Raguva"	Not attributed	Total
Voyage income	15.502	17.538	50.834	-	83.874
Voyage costs	(3.778)	(8.722)	(20.308)	-	(32.808)
<b>Voyage result</b>	<b>11.724</b>	<b>8.816</b>	<b>30.526</b>	-	<b>51.066</b>
Current vessel costs	(8.152)	(6.645)	(22.234)	-	(37.031)
Operating costs	-	-	-	(4.380)	(4.380)
<b>Operating costs before depreciation, EBITDA</b>	<b>3.572</b>	<b>2.171</b>	<b>8.292</b>	<b>(4.380)</b>	<b>9.655</b>
Impairment of vessels	(2.100)	(1.000)	(2.650)	-	(5.750)
Depreciation	(3.894)	(2.587)	(12.882)	(285)	(19.648)
<b>Operating result, EBIT</b>	<b>(2.422)</b>	<b>(1.416)</b>	<b>(7.240)</b>	<b>(4.665)</b>	<b>(15.743)</b>
Other activity result	-	-	-	184	184
Interest expenses	-	-	(2.196)	-	(2.196)
Currency exchange result	-	-	(1.054)	-	(1.054)
Result from other financial activity, net	-	-	-	-	-
Fixed income (tonnage) tax	(15)	(9)	(42)	-	(66)
<b>Net result</b>	<b>(2.437)</b>	<b>(1.425)</b>	<b>(8.424)</b>	<b>(4.481)</b>	<b>(16.767)</b>
Non-current assets of segments	39.202	13.342	130.355	-	182.899
Segment loans payable	-	-	56.398	-	56.398
Acquisition of non-current assets	12	2	39	-	53

Voyage expenses include: fuel, port dues, commissions and loading services.

Current expenses of vessels include: salaries, taxes, daily allowances, vessel repair and maintenance, insurance, communication and other expenses.

## 22. Capital management policy

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

### Debt – equity ratio

Thousand LTL	31-12-2013	31-12-2012 (restated)
<i>Total liabilities:</i>	81.254	81.738
Less cash and cash equivalents	1.602	369
<i>Net amount of liabilities</i>	<b>79.652</b>	<b>81.369</b>
<i>Total equity:</i>	81.731	122.969
Plus subordinated debt instruments	-	-
Less change in fair value of hedging instrument recognized in equity	-	-
<i>Adjusted equity</i>	81.731	122.969
<b>Debt – equity ratio</b>	<b>0,97</b>	<b>0,66</b>

### 23. Financial ratios

	Calculation	31-12-2013	31-12-2012 (restated)
Gross debt ratio	$\frac{\text{Total liabilities}}{\text{total asset}}$	0,50	0,40
Gross solvency ratio	$\frac{\text{Total equity}}{\text{Total liabilities}}$	1,01	1,47
Gross profitability	$\frac{\text{Gross profit}}{\text{Sales and services}}$	-0,12	-0,06
Current ratio	$\frac{\text{Current asset}}{\text{Current liabilities}}$	0,26	0,21
Receivables turnover	$\frac{\text{Sales and services}}{\text{Accounts receivable}}$	33,93	35,17

The maximum credit risk implies the risk of receivable amounts. The Company has established an income policy where upon signing contracts the clients make prepayments for ship services.

### 24. Correction of errors and changes in accounting policy

During the period 2009-2012 the Company received surplus amounts of 1.155 thousand LTL (2009-2011 – 820 thousand LTL, 2012 – 335 thousand LTL), which have not been set off against other payments or claimed back by the clients. Having investigated the terms of settlement and having not received any claims from the clients, the mentioned surplus amounts were recognised as other operating income for prior periods.

Item and error description	Amount of error, thousand LTL	Amount before adjustment 31-12-2013, thousand LTL	Amount after adjustment 31-12-2013, thousand LTL
Prepayments received	1.155	5.174	4.019
<b>Total current liabilities</b>	<b>1.155</b>	<b>44.302</b>	<b>43.147</b>
Retained earnings (losses)	1.155	(79.087)	(77.932)
<b>Total equity</b>	<b>1.155</b>	<b>121.814</b>	<b>122.969</b>
Other operating income	335	187	522
Operating loss	335	(15.559)	(15.224)
Loss before taxation	335	(16.701)	(16.366)
Loss for the year	335	(16.767)	(16.432)
<b>Total comprehensive income</b>	<b>335</b>	<b>(16.767)</b>	<b>(16.432)</b>
Retained earnings (losses) as at 31-12- 2011	820	(62.320)	(61.500)
Equity as at 31-12- 2011	820	138.581	139.401

As of 1 January 2013, the Company changed the accounting policy for non-current assets, and when calculating the depreciation charge the new residual values and depreciation periods of the vessels were applied prospectively. The effect of changes in the accounting policy is stated below.

Thousand LTL	Annual depreciation charge for 2014 as to former accounting policy	Annual depreciation charge for 2014 as to new accounting policy	Difference
Vessels – extended useful lifetime , changed residual value (scrap value)	12.250	9.664	(2.586)

### 25. Contingencies

There is an ongoing legal proceeding regarding compensation of pecuniary and non-pecuniary damage. The Company is being claimed an amount of 411 thousand LTL. The action has been raised regarding the death of captain J. Smirnovas in 2005.

There is an ongoing legal proceeding with the former employee of the Company regarding compensation of pecuniary and non-pecuniary damage; the claim amount is approximately 140 thousand LTL. The claim against the Company was raised in relation to acknowledgement of termination of the labour contract as invalid.

The Company has not granted any guarantees or sureties to other persons.

The tax authorities have not performed a full scope tax review of the Company for the period 2009 to 2013. According to prevailing tax legislation the tax authorities have the right to check accounting registers and records of the company for 5 years prior to the current accounting period and may charge additional taxes and penalties. The management of the Company is not aware of any circumstances due to which additional material tax liabilities could be imposed on the Company.

The Company has not issued any guarantees or sureties to other persons.

#### **26. Fair value of financial instruments**

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings. The management of the Company is of the opinion that the carrying amounts of the financial instruments approximate their fair value, as borrowings bear an interest rate related LIBOR, and other financial assets and liabilities are short-term therefore the volatility of their fair value is not significant.

#### **27. Going concern**

Growth and development opportunities of the Company depend on recovery of the shipping market. The development of the shipping market is limited by two major factors – slow economic recovery and excess ship tonnage in the market. It is expected that the market will experience a substantial recovery in 2014 as the first positive changes can already be noticed – transportation charges have started to rise (the value of Baltic Dry Handysize index in the beginning of 2013 was 440, and as at 4 February 2014 it was 681). In any case, the minimum recovery signs can be expected due to an increase in demand, because growth has been forecasted for the two leading economies – the US and China. According to the forecasts of the World Bank for 2014, the economy will experience a stabilization period. An expected global GDP growth is 3 %. Similar growth rates should remain until the year 2018.

In order to realize its strategic goals, during 2014-2016 the Company is planning to sell four inefficient smallest vessels and acquire one new vessel (a „Deltuva“/„Voruta“ type vessel with 17 thousand tons DWT). It is expected that gain from disposal of one vessel will amount to 5.5 million LTL. Moreover, the Company and the main creditor (SEB Bankas) have signed an amendment to the loan agreement providing for an extended repayment deadline until February 2015. Currently, the Company negotiates with the banks for extension of repayment deadlines of significant loans and expects to come to a positive agreement in the near future.

The management believes that the mentioned actions will positively affect the Company's financial stability and business continuity. These financial statements have been prepared on the going concern basis and do not reflect any adjustments, which might be necessary if the Company were not able to continue as a going concern.

#### **28. Subsequent events**

On 28 January 2014 the Company sold the m/v ml. „Asta“ (built in 1996). After the mentioned disposal, the Company's fleet consists of 9 vessels.

No other significant events have occurred after the statement of financial position date.

As at the issuance date of the financial statements the Company has not prepared a draft profit appropriation.

### **29. Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal (or most favourable) market regardless of whether this price is directly observable or determinable applying a valuation method.

When determining the fair value of the financial instruments, the Company uses the following methods and assumptions:

#### **Receivable amounts.**

The carrying amount of assets with a term shorter than 3 months is close to the fair value due to a relatively short duration of the financial instrument. The fair value of deposits with a longer duration period was determined by discounting the future expected cash flows using relevant interest rates effective at the end of the reporting period.

#### **Available-for-sale and held-to-maturity investments.**

Fair values of the investments are based on quoted market prices.

#### **Loans granted to clients and receivable lease payments.**

The valuation was made by discounting future cash flows for each loan over its validity period, using the interest rates effective at the end of the reporting period.

#### **Liabilities to clients and banks, finance lease and other borrowings.**

The carrying amount of balances with a term shorter than 3 months is close to the fair value due to a relatively short duration of the financial instrument. The fair value of deposits and other financial liabilities with a fixed interest rate determined for a longer period was calculated by discounting the cash flows and using interest rates applicable on borrowings with similar repayment terms.

Fair value is divided according to a hierarchy, which reveals materiality of initial valuation data used. The levels of the fair value hierarchy are as follows:

Level 1 – a quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**29. Fair value of financial instruments (cont'd)**

Methods used for valuation of fair values of level 2 and significant unobservable variables are as follows:

<b>Type</b>	<b>Valuation method</b>	<b>Significant unobservable variables</b>	<b>Correlation between valuation of significant unobservable variables and fair value</b>
Financial assets stated at fair value, the difference included in profit or loss	The market comparison method: fair values are based on quoted prices. Similar transactions are traded in an active market and the quoted prices reflect operations performed by the similar instruments	Not applicable	Not applicable
Financial liabilities stated at fair value, the difference included in profit or loss	The market comparison method: fair values are based on quoted prices. Similar transactions are traded in an active market and the quoted prices reflect operations performed by the similar instruments	Not applicable	Not applicable

**Financial instruments not stated at fair value**

The table below presents the carrying and fair values of the financial instruments, which are not stated at fair value in the financial statements. The table does not include the values of non-financial assets and non-financial liabilities:



**29. Fair value of financial instruments (cont'd)**

**The Bank**

As at 31 December 2013	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<b>Assets</b>					
Cash at Central bank					
Cash at banks and other credit institutions					
Investments held to maturity					
Loans and other receivables					
Investment in subsidiary					
Other financial assets					
<b>Liabilities</b>					
Liabilities to banks and other credit institutions					
Payable to clients					
Other loans					
Other financial liabilities					

**As at 31 December 2012**

<b>Assets</b>					
Cash at Central bank					
Cash at banks and other credit institutions					
Investments held to maturity					
Loans and other receivables					
Investment in subsidiary					
Other financial assets					
<b>Liabilities</b>					
Liabilities to banks and other credit institutions					
Payable to clients					
Other loans					
Other financial liabilities					

The table below reflects the valuation methods used by the bank for valuation of fair values of the 2<sup>nd</sup> and 3<sup>rd</sup> levels, and significant unobservable variables:

Type	Valuation method	Significant unobserved variables
Cash at banks and other credit institutions	Discounted cash flows	Discount rates
Loans and other receivables	Discounted cash flows	Discount rates, bankruptcy probability
Investments in subsidiary	Fair value	Assets and liabilities
Liabilities to banks and other credit institutions	Discounted cash flows	Discount rates
Payable to clients	Discounted cash flows	Discount rates
Other loans	Discounted cash flows	Discount rates

General Director

Chief Accountant

Audronis Lubys

Arvydas Stropus