

*“Riga shipyard” JSC  
2006 annual report*

***“RIGA SHIPYARD” JSC  
2006 annual report***

***Riga, 2007***

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*2006 annual report*

**Information on the company**

Name of the company	<b>Joint stock company “Riga shipyard”</b>
Legal status	Joint stock company
Incorporation number, place and date	000304589, 5 December 1991, companies register, Riga 40003045892, 26 August 2004, commercial register, Riga
Registered office	2 Gales street, Riga, LV-1015
Stock capital of the enterprise	Ls 11 672 107
Core business of the enterprise	- building and repair of ships, yachts, catamarans, roll trailers and technological equipment -Port services -Wood processing, manufacturing of furniture designed for various functional purposes etc.
Associate company	“Tosmare Shipyard” JSC
Address	42/44 Generala Baloza Street, Liepaya
Partnership	49,72%

**Name, surnames and positions of members of the Board**

Vasiļijs Melņiks	Chairman of the Board, p. ID 310867-10726
Aivars Stolders	Member of the Board, p. ID 060569-10634
Igors Komarovs	Member of the Board, p. ID 040756-10902
Larisa Artemenko	Member of the Board, p. ID 030349-12926
Janis Davidovics	Member of the Board, p. ID 060363-11507 (appointed on 27.05.2005 resigned on 25.06.2006)

**Name, surnames and positions of members of the Council**

Sergejs Goliceins	Deputy Chairman of the Council, p. ID 250154-10952
Anatolijs Ustinovs	Member of the Council, p. ID 010146-10964
Aleksandrs Cernavskis	Member of the Council, p. ID 230770-10102
Andris Kravalis	Member of the Council, p. ID 250977-11002
Juris Kaksitis	Member of the Council, p. ID 270443-10124 (appointed on 26.07.2006)
Girts Stelbovics	Member of the Council, p. ID 280566-10102 (resigned on 26.07.2006)

Chief accountant	Marina Pudova, phone 7080868
Annual report	1 January – 31 December 2006
Tax authority	SRS Riga regional institution Ziemeļu district division
Name and address of an auditor	Natalija Zaiceva, p ID 140366-10722 A sworn auditor (LSAA certificate No 138) Sworn auditors firm KSIA “ORIENTS N” LSAA certificate No 28
Responsible person	Larisa Artemenko Member of the Board phone 7353411 e-mail:larisa@riga-shipyard.com

**"Riga shipyard" JSC directorship statement  
to 2006 annual report**

**Dear shareholders!**

JSC "Riga shipyard" business in year 2006 was persistent, it continued the previous years set in course of development.

In the past 2006 "Riga shipyard" JSC'S total net turnover made up Ls 29881206 including shipbuilding - Ls 11361163, ship repairing-Ls 18034067 (compared to 2005 Ls 29189376 including ship building -Ls 9232733, ship repairing-Ls 19495800).

Gross profitable in the 2006 year is Ls 1036777 (2005 year - Ls 1556229). The net profit for 2006 year has made Ls 473764, accordingly in 2005 year - Ls 655471.

The volume of incomes has decreased, despite of growth net a turn that is consequence of high inflation, a prompt rise in prices on metal and rises in price of all kinds of power resources. Especially these circumstances display on orders in the field of shipbuilding. Long-term contracts were made 1,5-2 years ago and were impossible to predict such rise in prices. Now, concluding new contracts in shipbuilding at a bookmark of the price the management reduction of risks of not predicted rise in prices.

In year 2006 JSC "Riga shipyard" in total repaired 94 ships (in 2005 there had been repaired 105 ships), it has been made and launched on water 16 hulls (in 2005 -10).

"Riga shipyard" JSC'S products and services, as well as material's suppliers in year 2006 did not change essentially: Western Europe, Russia, Ukraine, Lithuania as well as Latvia. Traditionally main customers for ships repair were Western European, Russian, Lithuanian and Latvian ship owners, but shipbuilding customers are from Scandinavian states.

In year 2006 JSC "Riga shipyard" invested into acquisition of new technological facilities and repair 1,7 million Ls (in 2005 - approximately 1,9 million Ls), owing to which it was possible to increase quality of products and services and decrease the cost price of products. Last year has been bayed hydraulic cranes, welding facilities, air-dryers, turning machines.

In 2006 projects are started in the field of decrease of expenses power resources-reconstruction of boilers (planned expenses of 1,3 million Ls) that will allow lowering thermal losses, and also the cost price of heat. Reconstruction of systems of heating and ventilation in shops, is started and is stipulated to finish in 2007-2008.

JSC "Riga shipyard" works within the framework of the international certificate Quality Management System Standards EN ISO 9001:2000 which is received in 2001 and it is constantly supervised and prolonged.

In 2006 special attention it was given the decision of the questions connected to protection of environment. In year 2006 JSC "Riga shipyard" have received the sanction to polluting works of a category B (the last year – A) that allows using industrial waste products for manufacture of other materials. Last year was implantation the Business Managing System "Microsoft Business Solutions – NAVISION 4.0", the Material and Production Control System "MARS" has been started which is planed to finish in year 2007.

In future "Riga shipyard" JSC shall pay the most attention to the enterprise's technical provision, especially in equipments and technological process with great expenditure of resources.

During time between the last day of a financial year and the day when the management signs the annual report, there were no significant events which could affect results of year and financial circumstances of company.

Taking into consideration the aforesaid "Riga shipyard" JSC'S board of directors instigates to pay off to the shareholders dividends for 2006 in amount of LVL 233 442 (two hundred thirty three thousand four hundred and forty two LVL), which makes up LVL 0.02 (two centimes) per one share. The rest part of income for 2006 shall be invested into the further development of the enterprise.

26 of April 2007

"Riga Shipyard" JSC

Chairmen of the Board

V. Melniks

***Notification on liability of the board***

The board of the enterprise is liable for preparation of a financial report, grounding on initial accountancy per each accounting period, which correctly reflects financial situation of the enterprise as at the end of the year of account, as well as results and cash flow for this period.

The board endorses that, preparing this report for the period ended on 31 December 2006, there were used corresponding accounting methods, their application was consequent, there were made reasonable and prudent resolutions. The board endorses that corresponding International Accounting standards are observed and financial reports are prepared in compliance with principle of continuation of business.

The board is liable for administering of respective accounting reports, for perseverance of means of the enterprise, as well as for elimination of deceit and other dishonest acts.

Chairman of the Board \_\_\_\_\_ ***V. MEĻNIKS***

26 April 2007

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Profit & Loss calculation for 2006 and 2005

	Remarks	2006 Ls	2005 Ls	2006 EUR	2005 EUR
1. Net turnover	1	29 881 206	29 189 376	42 517 126	41 532 740
2. Sold production operating costs	2	28 844 429	27 633 147	41 041 925	39 318 426
<b>3. Gross profit or losses</b>		<b>1 036 777</b>	<b>1 556 229</b>	<b>1 475 201</b>	<b>2 214 314</b>
4. Selling costs	3	63 450	62 023	90 281	88 251
5. Administration costs	4	745 737	766 374	1 061 088	1 090 452
6. Other enterprise's business activity's income	5	1 163 762	1 516 760	1 655 884	2 158 155
7. Other enterprise's business activity's costs	6	722 986	1 343 682	1 028 717	1 911 887
<b>8. Profit &amp; Loss commercial activities</b>		<b>668 366</b>	<b>900 910</b>	<b>950 999</b>	<b>1 281 879</b>
9. Other percents and the like income	7	80 801	79 789	114 969	113 530
10. Write-offs of the value of long-term financial investments and short-term securities					
11. Payment off percents and the like costs	8	151 218	130 894	215 164	186 245
<b>12. Profit &amp; Loss prior to extra ordinary items and taxes</b>		<b>597 949</b>	<b>849 805</b>	<b>850 804</b>	<b>1 209 164</b>
<b>13. Profit &amp; loss prior to taxes</b>		<b>597 949</b>	<b>849 805</b>	<b>850 804</b>	<b>1 209 164</b>
14. Income taxes of the enterprise for the year of account	9(a)	3 487	77 613	4 962	110 433
15. Deferred income	9(b)	67 157	66 518	95 556	94 646
16. Other taxes	10	53 541	50 203	76 182	71 432
<b>17. Year of account profit &amp; loss (net income)</b>		<b>473 764</b>	<b>655 471</b>	<b>674 104</b>	<b>932 653</b>

Chairman of the Board \_\_\_\_\_ **V. MELNIKS**

Member of the Board \_\_\_\_\_ **L. ARTEMENKO**

26 April 2007

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**Balance as at 31 December 2006 and 2005**

<b>ASSETS</b>	Remarks	31.12.2006 Ls	31.12.2005 Ls	31.12.2006 EUR	31.12.2005 EUR
<b>Long-term investments</b>					
<b>I Intangible investments</b>					
1. Other intangible investments		52 690	46 089	74 971	65 579
2. Advance payments of intangible investments		154 587	72 421	219 957	103 046
<b>Intangible investments in total</b>	11	<b>207 277</b>	<b>118 510</b>	<b>294 928</b>	<b>168 625</b>
<b>II Fixed assets</b>					
1. Lands, buildings, constructions, perennial plants		3 078 381	2 638 941	4 380 142	3 754 875
2. Long-term investments into leased fixed assets		9 484	17 074	13 495	24 294
3. Equipment and machinery		3 729 487	3 525 352	5 306 582	5 016 124
4. Other fixed assets and stock		431 376	343 264	613 793	488 421
5. Up building of fixed assets and unfinished building objects costs		107 894	474 756	153 519	675 517
6. Advanced payments for fixed assets		0	27 017	0	38 442
<b>Fixed assets in total</b>		<b>7 356 622</b>	<b>7 026 404</b>	<b>10 467 531</b>	<b>9 997 673</b>
<b>III Property deposit</b>		<b>441 689</b>	<b>414 632</b>	<b>628 467</b>	589 968
<b>Fixed assets and property deposit in total</b>	12	7 798 311	7 441 036	11 095 998	10 587 641
<b>IV Long-term financial investments</b>					
1. Participation in capital of associated companies	13	2 164 782	2 164 782	3 080 207	3 080 207
2. Other equities and investments	14	165	165	235	235
3. Other loans and other long-term debtors	15	850 256	595 828	1 209 805	847 787
4. Loans to copartners of the enterprises and to the directorship	16	352 284	362 284	501 255	515 484
<b>Long-term financial investments in total</b>		<b>3 367 487</b>	<b>3 123 059</b>	<b>4 791 502</b>	<b>4 443 713</b>
<b>Long-term investments in total</b>		<b>11 373 075</b>	<b>10 682 605</b>	<b>16 182 428</b>	<b>15 199 979</b>
<b>Current assets</b>					
<b>I Reserves</b>					
1. Raw materials, direct materials and auxiliary materials	17	4 771 077	3 214 493	6 778 631	4 573 811
2. Unfinished production	18	0	2 692	0	3 830
3. Unfinished order	19	360 153	552 219	512 452	785 737
4. Advance payments for goods	20	846 912	43 268	1 205 047	61 565
<b>Reserves in total</b>		<b>5 978 142</b>	<b>3 812 672</b>	<b>8 506 130</b>	<b>5 424 943</b>
<b>II Debts of debtors</b>					
1. Debts of buyers and customers	21	2 680 091	2 174 067	3 813 426	3 093 419
2. Associated companies debts	22	49 999	34 220	71 141	48 690
3. Other debtors	23	1 434 263	550 037	2 040 772	782 632
4. Short-term loans to copartners of the enterprise's and to the directorship	24	1 045 370	1 137 446	1 487 428	1 618 440
5. Next period costs	25	79 727	48 556	113 441	69 090
6. Accrued proceeds	26	5 978 704	4 463 302	8 506 929	6 350 705
<b>Debtors in total</b>		<b>11 268 154</b>	<b>8 407 628</b>	<b>16 033 138</b>	<b>11 962 976</b>
<b>III Short-term financial investments</b>					
<b>Short-term financial investments in total</b>					
<b>Cash assets</b>	27	<b>28 443</b>	<b>14 045</b>	<b>40 471</b>	<b>19 984</b>
<b>Current assets in total</b>		<b>17 274 739</b>	<b>12 234 345</b>	<b>24 579 739</b>	<b>17 407 903</b>
<b>Assets in total</b>		<b>28 647 814</b>	<b>22 916 950</b>	<b>40 762 167</b>	<b>32 607 882</b>

Chairman of the Board \_\_\_\_\_ **V. MEĻNIKS**

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<b><u>LIABILITIES</u></b>	Remarks	31.12.2006 Ls	31.12.2005 Ls	31.12.2006 EUR	31.12.2005 EUR
<b>I Equity capital</b>					
1. Stock or share capital (equity capital)		11 672 107	11 672 107	16 607 912	16 607 912
2. Retained earnings					
a) previous years retained earnings		2 667 868	2 245 839	3 796 035	3 195 540
b) year of account retained earnings		473 764	655 471	674 105	932 653
<i>Retained earnings in total</i>		<i>3 141 632</i>	<i>2 901 310</i>	<i>4 470 140</i>	<i>4 128 193</i>
<b>Equity capital in total</b>	28	<b>14 813 739</b>	<b>14 573 417</b>	<b>21 078 052</b>	<b>20 736 105</b>
<b>II Reserves</b>					
<b>Reserves in total</b>					
<b>III Creditors</b>					
<b>I Long-term debts</b>					
1. Liability of leasing		2 954	8 660	4 203	12 322
2. Deferred taxation reserves liabilities	9(b)	386 791	319 634	550 354	454 798
<b>Long-term debts in total</b>		<b>389 745</b>	<b>328 294</b>	<b>554 557</b>	<b>467 120</b>
<b>II Short-term debts</b>					
1. Loans from credit institutions	29	1 936 489	1 811 834	2 755 376	2 578 007
2. Liability of leasing	30	5 706	5 448	8 119	7 752
3. Advance payments received from buyers	31	9 048 052	3 103 161	12 874 218	4 415 400
4. Debts to suppliers and contractors	32	1 669 622	2 304 563	2 375 657	3 279 098
5. Debts to associated companies	33	0	130 166	0	185 209
6. Taxes and social insurance payments	34	145 716	168 980	207 335	240 437
7. Other creditors	35	231 259	214 152	329 053	304 711
8. Unpaid previous years dividends	36	20 182	15 677	28 716	22 306
9. Accrued liabilities	37	387 304	261 258	551 084	371 737
<b>Short-term creditors in total</b>		<b>13 444 330</b>	<b>8 015 239</b>	<b>19 129 558</b>	<b>11 404 657</b>
<b>Creditors in total</b>		<b>13 834 075</b>	<b>8 343 533</b>	<b>19 684 115</b>	<b>11 871 777</b>
<b>Liabilities total</b>		<b>28 647 814</b>	<b>22 916 950</b>	<b>40 762 167</b>	<b>32 607 882</b>

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Cash flow statement for 12 months of the year 2006 and 2005

	2006 Ls	2005 Ls	2006 EUR	2005 EUR
<b>A. Cash flow from primary activity</b>				
- Sales income	34 199 564	28 784 813	48 661 596	40 957 098
- Cash to suppliers, personnel and others primary activity costs	33 194 066	27 407 775	47 230 901	38 997 750
- <b>Gross cash flow from primary activity</b>	<b>1 005 498</b>	<b>1 377 038</b>	<b>1 430 695</b>	<b>1 959 348</b>
- Interest paid	134 294	130 544	191 083	185 747
- Corporate income tax	45 860	100 815	65 253	143 447
- <b>Primary activity before extraordinary items</b>	<b>825 344</b>	<b>1 145 679</b>	<b>1 174 359</b>	<b>1 630 154</b>
- Cash flow from extraordinary items				
<b>Net cash flow from primary activity</b>	<b>825 344</b>	<b>1 145 679</b>	<b>1 174 359</b>	<b>1 630 154</b>
<b>B. Cash flow from investment activity</b>				
- Selling out of shares	25 000	7 500	35 572	10 671
- Paid for fixed assets acquisition	807 351	1 354 760	1 148 757	1 927 650
- Received for the fixed assets sold	8 434	27 956	12 001	39 778
- Loans granted	0	20 296	0	28 879
- Repayment of loans	10 023	0	14 261	0
- Interest received	4 793	1 994	6 820	2 837
<b>Net cash flow from investment activity</b>	<b>-759 101</b>	<b>-1 337 606</b>	<b>-1 080 103</b>	<b>-1 903 243</b>
<b>C. Cash flow from financial activities</b>				
- Loan received	124 655	562 934	177 368	800 983
- Loan repaid	0	161 400	0	229 651
- Dividend paid	223 832	223 033	318 484	317 347
<b>Net cash flow from financial activities</b>	<b>-99 177</b>	<b>178 501</b>	<b>-141 116</b>	<b>253 985</b>
<b>Result of currency exchange rates changing</b>	<b>47 332</b>		<b>67 347</b>	
<b>Net cash flow and equivalent increase or decrease (A+B+C)</b>	<b>14 398</b>	<b>-13 426</b>	<b>20 487</b>	<b>-19 104</b>
<b>Cash and equivalent thereof at beginning of the period of accounts</b>	<b>14 045</b>	<b>27 471</b>	<b>19 984</b>	<b>39 088</b>
<b>Cash and equivalent thereof at the end of the period of account</b>	<b>28 443</b>	<b>14 045</b>	<b>40 471</b>	<b>19 984</b>

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Changes in own capital report for 2006 and 2005						
Types of changes	Stock or		Retained		Total	
	Share		earnings			
	capital					
	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31.12.2004</b>	<b>11672107</b>	<b>16607912</b>	<b>2479281</b>	<b>3527698</b>	<b>14151388</b>	<b>20135610</b>
Dividends			(233442)	(332158)	(233442)	(332158)
Period of account net profit & loss			655471	932653	655471	932653
<b>Balance as at 31.12.2005.</b>	<b>11672107</b>	<b>16607912</b>	<b>2901310</b>	<b>4128193</b>	<b>14573417</b>	<b>20736105</b>
Dividends			(233442)	(332158)	(233442)	(332158)
Period of account net profit & loss			473764	674105	473764	674105
<b>Balance as at 31.12.2006.</b>	<b>11672107</b>	<b>16607912</b>	<b>3141632</b>	<b>4470140</b>	<b>14813739</b>	<b>21078052</b>

EPS for 31.12.2006. LVL 473764:11672107=0,04 LVL or 0,06 EUR; EPS for 31.12.2005.- 0,056 LVL or 0,08 EUR

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26 April 2007

Notes: all sections of the financial reports are to be evaluated in EURO according to the rates of Bank of Latvia on 31.12.2006.

## **Notes to the financial statements**

### **Accounting policy**

#### **(1) General principles**

The annual report has been prepared in compliance with “International accounting standard.

Profit & Loss calculation has been prepared as per turnover costs scheme.

Cash flow statement has been prepared as per third method.

Comparing to previous year of account methods of accountancy and evaluation applied in the Company haven't changed.

The annual report has been prepared basing on the conception of continuation of business.

Financial reports which are applied to the given annual report are made in the Latvian national currency - in an LVL and counted in EURO.

Pursuant to the company's order No. 117 dated 29 November 2006, there was conducted the balance items' inventory.

#### **(2) Agency continuation**

Present financial report has been prepared with reference to uninterrupted operation of company that an active realization and repayment liability is preceding in an ordinary way.

#### **(3) Net turnover**

Net turnover is a total sum of services rendered and sold within the year and services free from tax and granted trade discounts.

#### **(4) Revaluation of foreign currency in lats**

All the company accounting is carried out into lats.

All monetary assets in foreign currency were revaluated in lats in the end of the year of account pursuant to the currency exchange rate officially established by the Bank of Latvia on 31 December.

Cash, debtors and creditors in currency at the end of the year was converted in Ls in accordance to the Bank of Latvia currency rate at the last day of year of the account. Net income or losses at the result of exchange rate fluctuations was reflected in profit-loss statement.

Currency rate for financial statements at December 31:

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
	<b>Ls</b>	<b>Ls</b>
1 USD	0,536	0,593
1 EUR	0,702804	0,702804
1 NOK	0,0854	0,08750
1 GBP	1,048	1,021
1 RUB	0,0203	0,0206

**(5) Fixed assets and low-grade stock**

Fixed assets have been evaluated as per initial costs value, deducting accumulated depreciation. Depreciation has been calculated as per linear method, considering the rate established by the JSC order No.4 dated 8 January 2002. Calculation of depreciation of the fixed assets was commenced starting with the first date of the month next to commissioning and was finished on the first date of the month next to their exclusion from the fixed assets' number.

Company capitalizes permanent assets with value more Ls 50 and time of valid usage is more than 1 year. Increased value of revaluing permanent assets is reflected as moving towards long-term investments revaluation reserve. It is attributed to the dissolution of permanent assets in the calculation of profits, incomes losses. To calculate enterprise's income tax the depreciation of the fixed assets was estimated pursuant to rates and requirements under article 13 of LR law "On enterprises' income tax".

Low-grade stock booked at the purchase prices and costs was 100% written off after commissioning.

**(6) Property deposit**

There is some property that is hold in order to gain cost for the rent.

**(7) Affiliated undertaking deposits.**

Affiliated undertaking deposits are shown taking into account SGS Nr.27, 28, 36 as well as SFPS Nr.3 requirements. Though since year 2004 goodwill amortization and 36 SGS requirements were suspended.

**(8) Other long-term investments.**

Other long-term investments have been reflected in purchase costs.

**(9) Reserves**

Raw materials, materials and goods subject to sale were booked at the purchase price, including costs related to purchase, and were accounted as per FIFO methods. Sum of Illiquid assets', stored in the enterprise's warehouses, in comparison to total commodity stock was not essential. Balance of reserves has been shown at the lowest costs.

Unfinished production has been reflected at the prime cost, excluding administration costs.

**(10) Long-term contract**

Initial and final dates of execution of the contract about creation of an active are in the different accounting periods.

Incomes of long-term contracts admit according to a degree of their readiness. The degree of readiness is determined surveying results of work personally and physically ascertaining the termination of a part of works of the named contracts.

1) According to SGS 11 standards in the financial report the following sums are mentioned and explained:

	Ls	EUR
The incomes connected to contracts, which are reflected as incomes	5 978 704	8 506 929
Payments connected to contracts	5 934 454	8 443 967
The received advance payments	8 247 623	11 735 310
Gross sum received from customers under contracts, and submitted as active object	44 250	62 962

**(11) Debtors**

Debtors' debts in the balance sheet have been shown at the net value. Debtors' actual sum complies with contracts and other accounting basic documents. There has been made reconciliation of debtors' debts as at 31 December 2006.

**(12) Accumulated income**

The incomes from Riga Shipyard's customers are acknowledged respective to its executive degree.

**(13) Cash and cash equivalents**

In the report of cash flow consist of the money in cash-box and remnants of active bank cont.

**(14) Reserves for unused vocations**

Vocation cost reserves was calculated considering vocation days and average earnings for all workers.

**(15) Income tax of the enterprise**

Enterprise income tax was calculated according to Latvia Republic tax laws. Tax laws in 2006 and further fix 15% tax rate.

Deferred taxation was referable to all short-term distinctions, which appear as a result of making accountancy of earnings and expenses according to tax laws. Deferred taxation is liability, which was calculated using tax rates. The main short-term distinctions appear from distinctions of fixed assets and nonmaterial wealth depreciation norms in taxes and financial bookkeeping calculation.

Deferred taxation assets item was included in financial reports only when regain of assets is real.

**(16) Taxes**

There has been made reconciliation of taxes liabilities by data of SRS Ziemeļu division.

**(17) Bookkeeping arrangement**

The bookkeeping accountancy has been arranged with the help of computers using the software ( Microsoft Business Solutions – NAVISION 4.0).

**(18) Use of estimation**

In financial reports enterprise management must make estimations, assumptions which influence presented assets and liabilities at the date of annual report processing. Real results can differ from estimations.

**(19) Financial risks**

In ordinary work enterprise was subjected to credit risk and currency risk.

**(20) Credit risk**

Financial plants potentially dangerous for enterprise are rest of money and its equivalents, account receivable, deposit.

**(21) Percentage risk**

Enterprise is subjected from credit interest rate changing risk.

**(22) Currency risk**

Enterprise is subjected from currency changing risk in marketing and purchases operations, borrowings in different currency. Financial risk is possible in relation of Ls to USD.

**(23) Dividend**

Dividend was reflex as fixed in announced period.

**(24) Retraining**

In comparative readings for year 2005 in necessary cases individual post classification is changed in order to meet post classification for year 2006.

## Profit & Loss calculation supplement

### (1) Net turnover

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
On aspects of business				
- Shipbuilding	11361 163	9 232 733	16 165 479	13 136 996
- Ship repair	18 034 067	19 495 800	25 660 166	27 740 024
- Mechanical engineering	378 019	365 017	537 873	519 372
- Other works	107 957	95 826	153 608	136 348
<b>Total</b>	<b><u>29 881 206</u></b>	<b><u>29 189 376</u></b>	<b><u>42 517 126</u></b>	<b><u>41 532 740</u></b>

### (1a) Including net turnover allocation per geographical markets

- Latvia	2 394 351	932 499	3 406 855	1 326 827
- Russia	1 721 084	1 528 125	2 448 882	2 174 326
- Great Britain	0	489 778	0	696 891
- Georgia	0	72 385	0	102 995
- Estonia	0	73 357	0	104 378
- Italy	0	173 325	0	246 619
- Norway	6 099 946	6 887 974	8 679 441	9 800 704
- Cyprus	1 689 068	556 060	2 403 327	791 202
- Belize	702 635	717 205	999 760	1 020 491
- Malta	1 883 246	1 895 682	2 679 618	2 697 312
- Panama	2 330 615	4 938 079	3 316 166	7 026 253
- Liberia	2 600 693	1 485 721	3 700 453	2 113 991
- Sweden	273 982	1 109 183	389 841	1 578 225
- Finland	1 201 683	1 018 669	1 709 841	1 449 435
- Iceland	741 550	599 677	1 055 131	853 263
- Denmark	3 604 754	2 698 780	5 129 103	3 840 018
- Bahamas	210 840	490 800	299 998	698 345
- The Netherlands	0	195 588	0	278 297
- St Vincent	1 107 187	377 387	1 575 385	536 973
- Portugal	246 016	0	350 049	0
- Cambodia	9 007	208 300	12 816	296 384
- Antigua and Barbuda	200 286	220 847	284 981	314 237
- Gibraltar	9 456	183 432	13 455	261 000
- Lithuania	591 493	528 962	841 619	752 645
- Ukraine	42 484	0	60 449	0
- German	0	2 917	0	4 151
- Marshall Island	0	897 699	0	1 277 311
- China	0	682 895	0	971 672
- Comoros union	431 486	20 620	613 949	29 340
- Meixa	0	6 535	0	9 298
- Spain	135 762	0	193 172	0
- Belgium	693 931	0	987 375	0
- Vanuatu	913 564	0	1 299 884	0
- Slovakia	30 762	0	43 770	0
- Dominica	15 325	196 895	21 806	280 157
<b>Total</b>	<b><u>29 881 206</u></b>	<b><u>29 189 376</u></b>	<b><u>42 517 126</u></b>	<b><u>41 532 740</u></b>

**Profit & Loss calculation supplement**

**(2) Sold products operating costs**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
Material costs (raw materials and materials, value of goods, services from outside)	22 556 562	21 260 964	32 095 096	30 251 626
Salary	3 994 152	4 177 949	5 683 166	5 944 686
Social tax	920 108	924 744	1 309 196	1 315 792
Depreciation of fixed assets	801 602	674 959	1 140 577	960 380
Accruals for vacations	0	13 448	0	19 135
Other costs	572 005	581 083	813 890	826 807
<b>Total</b>	<b><u>28 844 429</u></b>	<b><u>27 633 147</u></b>	<b><u>41 041 925</u></b>	<b><u>39 318 426</u></b>

**(3) Selling costs**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
Advertisement	63 450	62 023	90 281	88 251
<b>Total</b>	<b><u>63 450</u></b>	<b><u>62 023</u></b>	<b><u>90 281</u></b>	<b><u>88 251</u></b>

**(4) Administration costs**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
Liaison costs	12 300	16 160	17 501	22 994
Office maintenance costs	5 365	6 398	7 634	9 104
Annual report costs	8 500	8 000	12 094	11 383
Salary of administration	55 924	182 130	79 573	259 148
Accrual for vacation	0	5 877	0	8 362
Remuneration of the board	228 258	175 235	324 782	249 337
Remuneration of the council	201 750	133 244	287 064	189 589
Social insurance costs	61 458	88 202	87 447	125 500
Depreciation of fixed assets	40 971	53 969	58 296	76 791
Transport costs, travel allowances	81 665	42 406	116 199	60 338
Legal services	9 117	26 478	12 972	37 675
Assurance	11 542	0	16 424	0
Representation costs	28 887	28 275	41 102	40 231
<b>Total</b>	<b><u>745 737</u></b>	<b><u>766 374</u></b>	<b><u>1 061 088</u></b>	<b><u>1 090 452</u></b>



## Profit & Loss calculation supplement

### (5) Other enterprise's business activity's income

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Income generated by transport services rendering	11 430	6 269	16 263	8 920
Income generated by leased FA payments and public services	539 519	406 136	767 666	577 879
Tugboat services income	110 636	93 010	157 421	132 341
Selling out of raw materials and materials	255 477	808 123	363 511	1 149 855
Income generated by fluctuation of currency rate	1 448	9 443	2 060	13 436
Income generated by chemical analyses	3 383	8 867	4 814	12 617
Income generated by realization of fixed assets	82 347	27 956	117 169	39 778
Income generated by difference between face value of certificates and costs on their acquisition	0	91 810	0	130 634
Increase of reserves due to inventory	0	12 004	0	17 080
Previous year income	27 460	17 374	39 072	24 721
Reimbursement of losses	0	6 944	0	9 880
Education expenses recovery	3 143	0	4 472	0
Incomes from writing off accounts payable to limit expiration.	28 200	9 657	40 125	13 741
Currency selling income	56 408	0	80 261	0
Compensation instrument lost	166	1 601	236	2 278
Other income	44 145	17 566	62 814	24 995
<b>Total</b>	<b><u>1 163 762</u></b>	<b><u>1 516 760</u></b>	<b><u>1 655 884</u></b>	<b><u>2 158 155</u></b>

### (6) Other enterprise's business activity's costs

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Material purchase costs	215 059	754 117	306 001	1 073 012
Losses due to currency rate fluctuation	0	34 338	0	48 859
Losses incurred by currency selling out	108 901	108 541	154 952	154 440
Social infrastructure objects costs (medical services)	8 967	7 157	12 759	10 183
Costs on tugboat services	50 081	43 940	71 259	62 521
The donations	5 400	29 564	7 684	42 066
Material benefits	9 910	10 490	14 101	14 926
Burial costs	5 596	3 390	7 962	4 824
Costs incurred by fixed assets' exclusion	30 008	10 358	42 698	14 738
Representation costs	20 388	19 641	29 010	27 947
Costs on maintenance of leased FA	233 722	221 066	332 556	314 548
Special reserved sum provided for unsecured debts	33 346	87 891	47 447	125 057
Other costs	1 608	13 189	2 288	18 766
<b>Total</b>	<b><u>722 986</u></b>	<b><u>1 343 682</u></b>	<b><u>1 028 717</u></b>	<b><u>1 911 887</u></b>

## Profit & Loss calculation supplement

### (7) Other percents and the like income

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Depositing percentage	2 519	1 752	3 584	2 493
Bank interests	57	242	81	344
Interests income for loans	52 879	77 652	75 240	110 489
Received penalty payments	25 346	143	36 064	204
<b>Total</b>	<b>80 801</b>	<b>79 789</b>	<b>114 969</b>	<b>113 530</b>

### (8) Payment off percents and the like costs

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Paid off penalty	192	350	273	498
Paid off interests	84 626	70 543	120 412	100 374
Guarantee maintenance	66 400	60 001	94 479	85 373
<b>Total</b>	<b>151 218</b>	<b>130 894</b>	<b>215 164</b>	<b>186 245</b>

### (9) Income taxes of the enterprise for the year of account

	2006 year Ls	2006 year EUR
Pursuant to LR law “On enterprises’ income tax” declaration’s line 0.3 – “Costs unrelated to economical activities” there have been reflected:		
Presents to employees	79 239	112 747
The donations	5 400	7 684
Material benefits	9 910	14 101
Burial costs	7 206	10 253
Other costs	1 447	2 059
<b>Total</b>	<b>103 202</b>	<b>146 844</b>

### (9)a Income tax important component parts

Profit & Loss statement

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Income tax	3 487	77 613	4 962	110 433
Increase of deferred taxation	67 157	66 518	95 556	94 646
<b>Total</b>	<b>70 644</b>	<b>144 131</b>	<b>100 518</b>	<b>205 079</b>

**Profit & Loss calculation supplement**

<b>(9)b Deferred taxation calculation</b>	<b>2006 year</b>	<b>2005 year</b>	<b>2006 yaer</b>	<b>2005 year</b>
Deferred taxation liabilities:	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Spread between capital assets residual value in financial				
accountancy and for tax collections	2 800 081	2 354 404	3 984 156	3 350 015
Deferred taxation assed:				
Reserves for vacations	221 474	223 510	315 129	318 026
Provisional distinctions total	<b>2 578 607</b>	<b>2 130 894</b>	<b>3 669 027</b>	<b>3 031 989</b>
<b>Deferred taxation liabilities/(assets), rate 15%</b>	386 791	319 634	550 354	454 798
<b>Deferred taxation liabilities</b>	<b>386 791</b>	<b>319 634</b>	<b>550 354</b>	<b>454 798</b>

<b>Deferred taxation liability changes</b>	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Profit & loss calculation				
Rest at the beginning of year of account	319 634	253 116	454 798	360 152
Deferred taxation increase	67 157	66 518	95 556	94 646
<b>Deferred EIT income tax liabilities at the end of taxation year</b>	<b>386 791</b>	<b>319 634</b>	<b>550 354</b>	<b>454 798</b>

**(10) Other taxes**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Buildings and constructions real estate tax	29 650	26 313	42 188	37 440
Real estate tax	23 891	23 890	33 994	33 992
<b>Total</b>	<b>53 541</b>	<b>50 203</b>	<b>76 182</b>	<b>71 432</b>

**Supplement to the balance sheet**

**(11) Other intangible investments (Ls)**

	Concession s, patents, licenses, trade- marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments total
<b>Initial value</b>						
01.01.2006			51 242		72 421	<b>123 663</b>
Bought			17 135		99 301	<b>116 436</b>
Written off					17 135	<b>17 135</b>
Relocated						<b>0</b>
Revaluated						<b>0</b>
31.12.2006	0	0	68 377	0	154 587	<b>222 964</b>
<b>Depreciation</b>						
01.01.2006			5 153			<b>5 153</b>
Estimated			10 534			<b>10 534</b>
Written off						<b>0</b>
31.12.2006			15 687	0	0	<b>15 687</b>
<b>Balance value</b>						
<b>01.01.2006</b>			<b>46 089</b>	<b>0</b>	<b>72 421</b>	<b>118 510</b>
<b>Balance value</b>						
<b>31.12.2006</b>			<b>52 690</b>	<b>0</b>	<b>154 587</b>	<b>207 277</b>

**(11) Other intangible investments (EUR)**

	Concession s, patents, licenses, trade- marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments total
<b>Initial value</b>						
01.01.2006			72 911		103 046	<b>175 957</b>
Bought			24 381		141 293	<b>165 674</b>
Written off					24 381	<b>24 381</b>
Relocated						
Revaluated						
31.12.2006	0	0	97 292	0	219 957	<b>317 249</b>
<b>Depreciation</b>						
01.01.2006			7 332			<b>7 332</b>
Estimated			14 989			<b>14 989</b>
Written off						
31.12.2006			22 321	0	0	<b>22 321</b>
<b>Balance value</b>						
<b>01.01.2006</b>			<b>65 579</b>	<b>0</b>	<b>103 046</b>	<b>168 625</b>
<b>Balance value</b>						
<b>31.12.2006</b>			<b>74 971</b>	<b>0</b>	<b>219 957</b>	<b>294 928</b>

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**Supplement to the balance sheet**

**(12) Report on long-term investments movement (Ls)**

	Land, buildings, constructi ons Ls	Investmen ts assets	Long- term investmen ts into leased FA Ls	Equipment and machinery Ls	Other fixed assets Ls	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
<b>Initial value</b>								
<b>01.01.2006</b>	<b>4067019</b>	<b>512 772</b>	<b>17074</b>	<b>9293993</b>	<b>708483</b>	<b>474756</b>	<b>27017</b>	<b>15101114</b>
Bought	588964	52283		877944	167409	1319738	205756	<b>3212094</b>
Written off	-		7590	170940	3776	1686600	232773	<b>2101679</b>
Relocated	-			-	-	-	-	<b>0</b>
<b>31.12.2006</b>	<b>4655983</b>	<b>565055</b>	<b>9484</b>	<b>10000997</b>	<b>872116</b>	<b>107894</b>	<b>0</b>	<b>16211529</b>
<b>Depreciation</b>								
<b>01.01.2006</b>	<b>1428 078</b>	<b>98140</b>	-	<b>5768641</b>	<b>365219</b>	-	-	<b>7660078</b>
Estimated	149524	25226	-	645394	77704	-	-	<b>897848</b>
Written off			-	142525	2183	-	-	<b>144708</b>
<b>31.12.2006</b>	<b>1577602</b>	<b>123366</b>	-	<b>6271510</b>	<b>440740</b>	-	-	<b>8413218</b>
<b>Balance value</b>								
<b>01.01.2006</b>	<b>2638941</b>	<b>414632</b>	<b>17074</b>	<b>3525352</b>	<b>343264</b>	<b>474756</b>	<b>27017</b>	<b>7441036</b>
<b>Balance value</b>								
<b>31.12.2006</b>	<b>3078381</b>	<b>441689</b>	<b>9484</b>	<b>3729487</b>	<b>431376</b>	<b>107894</b>	<b>0</b>	<b>7798311</b>

**(12) Report on long-term investments movement (EUR)**

	Land, buildings, constructi ons Ls	Investmen ts assets	Long-term investments into leased FA Ls	Equipment and machinery Ls	Other fixed assets Ls	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
<b>Initial value</b>								
<b>01.01.2006</b>	<b>5786847</b>	<b>729609</b>	<b>24294</b>	<b>13224161</b>	<b>1008080</b>	<b>675517</b>	<b>38442</b>	<b>21486950</b>
Bought	838020	74392		1249202	238202	1877818	292764	<b>4570398</b>
Written off	-		10799	243226	5373	2399816	331206	<b>2990420</b>
Relocated	-			-	-	-	-	<b>0</b>
<b>31.12.2006</b>	<b>6624867</b>	<b>804001</b>	<b>13495</b>	<b>14230137</b>	<b>1240909</b>	<b>153519</b>	-	<b>23066928</b>
<b>Depreciation</b>								
<b>01.01.2006</b>	<b>2031972</b>	<b>139641</b>	-	<b>8208037</b>	<b>519660</b>	-	-	<b>10899310</b>
Estimated	212753	35893	-	918313	110562	-	-	<b>1277521</b>
Written off			-	202795	3106	-	-	<b>205901</b>
<b>31.12.2006</b>	<b>2244725</b>	<b>175534</b>	-	<b>8923555</b>	<b>627116</b>	-	-	<b>11970930</b>
<b>Balance value</b>								
<b>01.01.2006</b>	<b>3754875</b>	<b>589968</b>	<b>24294</b>	<b>5016124</b>	<b>488421</b>	<b>675517</b>	<b>38442</b>	<b>10587641</b>
<b>Balance value</b>								
<b>31.12.2006</b>	<b>4380142</b>	<b>628467</b>	<b>13495</b>	<b>5306582</b>	<b>613793</b>	<b>153519</b>	<b>0</b>	<b>11095998</b>

## Supplement to the balance sheet

### Profit & Loss calculation supplement

#### Financial result of written off, liquidated and sold fixed assets:

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Initial value	174 716	83 211	248 598	118 399
Accumulated depreciation	144 708	72 853	205 901	103 660
Balance value	30 008	10 358	42 698	14 739
Permanent assets liquidation loss	<u>30 008</u>	<u>10 358</u>	<u>42 698</u>	<u>14 739</u>

#### (13) Partnership in capital of associated companies

	2006 year Ls	Share capital (%)	Equity capital	2005 year Ls	Share capital (%)	Equity capital	2006 year EUR	2005 year EUR
Branch enterprise “Tosmare shipyard” JSC	<b>2 164 782</b>	49,72%		<b>2 164 782</b>	49,72%		<b>3 080 207</b>	<b>3 080 207</b>
investment value	<b>2 164 782</b>			<b>2 164 782</b>			<b>3 080 207</b>	<b>3 080 207</b>
<b>Investments</b>								

	Own capital 31.12.2006 Ls	Own capital 31.12.2005 Ls	Year of account profit 31.12.2005 Ls	Year of account profit 31.12.2005 Ls
Information about associated enterprises	3 312 490	3 312 490	302 026	274 626

#### (14) Other equities and investments

Name enterprise	Parts or shares	Parts or shares value		31.12.2006			31.12.2005		
		2006	2005	Quantity	Ls	EUR	Quantity	Ls	EUR
“Baltic International Bank” JSC	33	5	5	33	165	235	33	165	235
<b>Total</b>	<b>33</b>	<b>5</b>	<b>5</b>	<b>33</b>	<b>165</b>	<b>235</b>	<b>33</b>	<b>165</b>	<b>235</b>

**Supplement to the balance sheet**

**(15) Other loans and other long-term debtors ( Ls )**

Name enterprise	31.12.2005 Ls	Loans granted in 2006 Ls	Repaid debts 2006 Ls	Difference in currency rate Ls	Reallocation at a short	31/12/2006 Ls	Term of payment	Percent correlation
Student loan payout	52 402	10 746	-10 451	-2 677	0	50 020	2018-2024	-
Shares loan payout	543 426	0	0	0	-15 000	528 426	2011-2012	-
Long-term loan	0	0	0	0	271 810	271 810	2009	5
<b>Total</b>	<b>595 828</b>	<b>10 746</b>	<b>-10 451</b>	<b>-2 677</b>	<b>256 810</b>	<b>850 256</b>		

Amount to be pay back after 5 years – 518 446 Ls.

**(15) Other loans and other long-term debtors (EUR)**

Name enterprise	31.12.2005 Eur	Loans granted in 2006 Eur	Repaid debts 2006 Eur	Difference in currency rate Eur	Reallocation at a short	31/12/2006 Eur	Term of payment	Percent correlation
Student loan payout	74 562	15 290	-14 870	-3 810	0	71 172	2018-2024	-
Shares loan payout	773 225	0	0	0	-21 343	751 882	2011-2012	-
Long-term loan	0	0	0	0	386 751	386 751	2009	5
<b>Total</b>	<b>847 787</b>	<b>15 290</b>	<b>-14 870</b>	<b>-3 810</b>	<b>365 408</b>	<b>1 209 805</b>		

Amount to be pay back after 5 years – 737 682 EUR

**(16) Loans to copartners of the enterprises and to the directorship**

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Long-term loans	352 284	362 284	501 255	515 484
<b>Total</b>	<b>352 284</b>	<b>362 284</b>	<b>501 255</b>	<b>515 484</b>

### Supplement to the balance sheet

	Ls	Euro
Copartners and directorship		
Including: Long-term	352 284	501 255
Short-term	10 000	14 229
31.12.2006	362 284	515 484

There is a management of JSC “Tosmare shipyard” shares in this position. The sum, which should be paid in 5 years- 312284 Ls or 444340 EUR.

### (17) Raw materials, direct materials and auxiliary materials

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
1. Metal ware	54 639	82 422	77 744	117 276
2. Timbering	12 016	12 890	17 097	18 341
3. Metal, non-ferrous metals, pipes	2 903 240	2 549 300	4 130 938	3 627 327
4. Wire cables	6 015	5 081	8 559	7 230
5. Fuel	8 703	30 553	12 383	43 473
6. Coveralls	13 355	2 835	19 002	4 034
7. Equipment	908 391	27 973	1 292 524	39 802
8. Cables	29 816	31 148	42 424	44 320
9. Varnish and paint	110 181	38 523	156 773	54 813
10. Tools	27 948	27 440	39 768	39 044
11. Household goods	2 636	5 080	3 751	7 228
12. Technical rubber ware	14 321	31 331	20 377	44 580
13. Other	679 816	369 917	967 291	526 343
<b>Total</b>	<b>4 771 077</b>	<b>3 214 493</b>	<b>6 788 631</b>	<b>4 573 811</b>

### 18) Unfinished production

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
Unfinished production is shown in the balance sheet at production cost, excluding administration costs.				
Shipbuilding orders	0	2 692	0	3 830
<b>Total</b>	<b>0</b>	<b>2 692</b>	<b>0</b>	<b>3 830</b>

### (19) Unfinished orders

	2006 year Ls	2005 year Ls	2006 year EUR	2005 year EUR
1) Ship repair orders	325 086	485 662	462 556	691 035
Including:				
-m/v “Saules Krastas”	59 249		84 304	
-m/v “K.Mochalov”	183 895		261 659	
The others	81 942		116 593	
2) Mechanical engineering orders	34 627	65 478	49 270	93 167
3) Various	440	1 079	626	1 535
<b>Total</b>	<b>360 153</b>	<b>552 219</b>	<b>512 452</b>	<b>785 737</b>



**Supplement to the balance sheet**  
**(20) Advance payments for goods**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
For materials	846 912	43 268	1 205 047	61 565
<b>Total</b>	<b>846 912</b>	<b>43 268</b>	<b>1 205 047</b>	<b>61 565</b>

**(21) Debts of buyers and customers**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
Buyers and customers accounting value	2 881 175	2 839 183	4 099 543	4 039 793
Generated reserves	-201 084	-665 116	-286 117	-946 374
<b>Balance net value</b>	<b>2 680 091</b>	<b>2 174 067</b>	<b>3 813 426</b>	<b>3 093 419</b>

**Changes in provisions (Ls)**

	<b>Debts of buyers and customers</b>	<b>Other debtors</b>	<b>Total</b>
<b>Savings 31.12.2005</b>	<b>665 116</b>	<b>151 392</b>	<b>816 508</b>
Increase of savings	497 378	0	<b>497 378</b>
Decrease of savings	33 346	0	33 346
<b>Savings 31.12.2006</b>	<b>201 084</b>	<b>151 392</b>	<b>352 476</b>

**Changes in provisions (EUR)**

	<b>Debts of buyers and customers</b>	<b>Other debtors</b>	<b>Total</b>
<b>Savings 31.12.2005</b>	<b>946 375</b>	<b>215 411</b>	<b>1 161 786</b>
Increase of savings	707 705	0	<b>707 705</b>
Decrease of savings	47 447	0	<b>47 447</b>
<b>Savings 31.12.2006</b>	<b>286 117</b>	<b>215 411</b>	<b>501 528</b>

**(22) Associated companies debts**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
“Tosmare shipyard” JSC	49 999	34 220	71 142	48 690
<b>Total</b>	<b>49 999</b>	<b>34 220</b>	<b>71 142</b>	<b>48 690</b>

Dept for services

**Supplement to the balance sheet**  
**(23) Other debtors**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Accounting value	1 585 655	701 429	2 256 183	998 043
Generated reserves	-151 392	-151 392	-215 411	-215 411
<b>Balance net value</b>	<b>1 434 263</b>	<b>550 037</b>	<b>2 040 772</b>	<b>782 632</b>
Other debtors debts are as following:				
Accounted VAT	747 830	29 967	1 064 066	42 639
Overpaid taxes				
- Value added tax	369 535	146 927	525 801	209 058
- Enterprise income tax	121 860	53 451	173 391	76 054
Payments personal debts	513	3 562	730	5 068
Payment of salary	106	271	151	386
Short-term loans for “Tosmare Shipyard” JSC’S shares	15 000	15 000	21 343	21 343
Short-term loans	0	260 328	0	370 413
Advance payment of service	154 135	26 735	219 314	38 041
Account with other debtors	25 284	13 796	35 976	19 630
<b>Total</b>	<b>1 434 263</b>	<b>550 037</b>	<b>2 040 772</b>	<b>782 632</b>

**(24) Short-term loans to the enterprise’s copartners and directorship**

	<b>Directorship, copartners Ls</b>	<b>Directorship, copartners EUR</b>
Loan JSC “Remars Riga”	1 035 370	1 473 199
leaders debt for shares	10 000	14 229
<b>31.12.2006</b>	<b>1 045 370</b>	<b>1 487 428</b>

\* According to credit contract fixed 5% interest rate from principal amount

**(25) Next period costs**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Enterprise’s property insurance premium sum	35 555	14 429	50 590	20 531
Subscription to the press	671	175	955	249
Inviting of specialists	15 207	9 831	21 638	13 988
Insurance of health	4 807	5 850	6 840	8 324
Check of floating means	6 287	8 411	8 946	11 968
Expenses for repair of the rented basic means	13 695	7 590	19 485	10 800
Advertisements	614	885	874	1 259
Payment lease of land	0	0	0	0
Others	2 891	1 385	4 113	1 971
<b>Total</b>	<b>79 727</b>	<b>48 556</b>	<b>113 441</b>	<b>69 090</b>

**Supplement to the balance sheet**

**(26) Accrued proceeds**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
Shipbuilding	5 978 704	4 463 302	8 506 929	6 350 705
<b>Total</b>	<b>5 978 704</b>	<b>4 463 302</b>	<b>8 506 929</b>	<b>6 350 705</b>

**(27) Cash assets**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
Money at a cash department	1 990	4 131	2 832	5 878
Money on current accounts	26 453	9 914	37 639	14 106
<b>Total</b>	<b>28 443</b>	<b>14 045</b>	<b>40 471</b>	<b>19 984</b>

**(28) Stock or share capital (equity capital)**

“Riga shipyard” JSC was founded in 1995 with the equity capital of Ls 10 000 000, which was comprised of 10 000 000 shares, face value of one share made up Ls 1.

The joint stock company is public and its shares are quoted on Securities Exchange.

Amendments to the Acts:

1. Growth of the equity capital up to Ls 11 000 000 on 31 December 1998.
2. Growth of the equity capital up to Ls 11 672 107 on 30 December 1999.

	<b>31.12.2006 Ls</b>	<b>%</b>	<b>31.12.2005 Ls</b>	<b>%</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
“Remars-Riga” JSC	5 819 194	49,86	5 819 194	49,86	8 279 967	8 279 967
Other limited companies	2 428 228	20,80	3 352 981	28,73	3 455 057	4 770 862
Private personae	3 424 685	29,34	2 499 932	21,41	4 872 888	3 557 083
<b>Total</b>	<b>11 672 107</b>	<b>100</b>	<b>11 672 107</b>	<b>100</b>	<b>16 607 912</b>	<b>16 607 912</b>

**(29) Loans from credit institutions (short-term)**

	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
	1 936 489	1 811 834	2 755 376	2 578 007
<b>Total</b>	<b>1 936 489</b>	<b>1 811 834</b>	<b>2 755 376</b>	<b>2 578 007</b>

Overdraft and guarantee contract No 2003/4/OD/GA with the overdraft limit 13 000 000 EUR, also overdraft – 6 000 000 EUR, session contracts and contract of pledge were signed, for the amplification of obligations.

**Supplement to the balance sheet**

**(30) Liability of leasing**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Liability of leasing short stake	5 706	5 448	8 119	7 752
Liability of leasing long stake	2 954	8 660	4 203	12 322
<b>Total</b>	<b>8 660</b>	<b>14 108</b>	<b>12 322</b>	<b>20 074</b>

**(31) Advance payments received from buyers**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
For shipbuilding	8 902 721	2 958 199	12 667 431	4 209 138
For ship repair	139 704	129 537	198 781	184 315
Others	5 627	15 425	8 006	21 947
<b>Total</b>	<b>9 048 052</b>	<b>3 103 161</b>	<b>12 874 218</b>	<b>4 415 400</b>

**(32) Debts to suppliers and contractors**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Debts for services	54 623	35 109	77 722	49 956
Debts for materials	832 503	722 516	1 184 544	1 028 048
Debts subcontractors	782 496	1 546 938	1 113 391	2 201 094
<b>Total</b>	<b>1 669 622</b>	<b>2 304 563</b>	<b>2 375 657</b>	<b>3 279 098</b>

**(33) Debts to associated companies**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
“Tosmare shipyard” JSC	0	130 166	0	185 209
<b>Total</b>	<b>0</b>	<b>130 166</b>	<b>0</b>	<b>185 209</b>

**Supplement to the balance sheet**

**(34) Movement of tax liabilities in 2006 (Ls)**

	Balance as at 01.01.2006 Ls	Calculated In 2006 Ls	Paid off In 2006 Ls	Return Overpayment	Deflected to other taxes Ls	Balance as at 31.12.2006 Ls
Social insurance payments	98 246	1 368 569	269 679	26 301	1 090 350	80 485
Residents income tax	67 465	929 703	368 833		570 455	57 880
VAT	-146 927	- 1 536 392	379 787		-1 693 571	-369 535
Real estate tax	1 291	53 541	53 815			1 017
Enterprise income tax	-53 451	3 487	39 130		32 766	-121 860
EIT for nonresident		10 485	5 437			5 048
Risk tax	350	2 935	3 060			225
Customs duty on import		23 187	23 187			0
Natural resources tax	1 628	5 960	6 527			<b>1 061</b>
<b>Total</b>	<b>-31 398</b>	<b>861 475</b>	<b>1 149 455</b>	<b>26 301</b>	<b>0</b>	<b>-345 679</b>
<b>Ink. Overpay tax</b>	<b>-200 378</b>					<b>-491 395</b>
<b>Debt tax</b>	<b>168 980</b>					<b>145 716</b>

**Movement of tax liabilities in 2006 (EUR)**

	Balance as at 01.01.2006 EUR	Calculated In 2006 EUR	Paid off In 2006 EUR	Return Overpayment	Deflected to other taxes EUR	Balance as at 31.12.2006 EUR
Social insurance payments	139 791	1 947 298	383 719	37 423	1 551 428	114 520
Residents income tax	95 994	1 322 848	524 802		811 684	82 356
VAT	-209 058	-2 186 089	540 388		-2 409 734	-525 801
Real estate tax	1 837	76 182	76 572		0	1 447
Enterprise income tax	-76 054	4 962	55 677		46 622	-173 391
EIT for nonresident	0	14 919	7 736			7 183
Risk tax	498	4 176	4 354			320
Customs duty on import	0	32 992	32 992			0
Natural resources tax	2 317	8 481	9 288			1 509
<b>Total</b>	<b>-44 675</b>	<b>1 225 769</b>	<b>1 635 528</b>	<b>37 423</b>	<b>0</b>	<b>-491 857</b>
<b>Ink. Overpay tax</b>	<b>-285 112</b>					<b>-699 192</b>
<b>Debt tax</b>	<b>240 437</b>					<b>207 335</b>

**Supplement to the balance sheet**

**(35) Other creditors**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Salary	205 557	165 550	292 481	235 556
Payments for deductions from salary	1 110	1 958	1 580	2 786
Payments by return to personae	1 279	2 246	1 820	3 196
Payments for credit cards	3 913	1 952	5 568	2 777
Payments for debts to other enterprises	19 400	42 446	27 604	60 396
<b>Total</b>	<b>231 259</b>	<b>214 152</b>	<b>329 053</b>	<b>304 711</b>

**(36) Unpaid previous years dividends**

	<b>2006 year</b>	<b>2006 year</b>
	<b>Ls</b>	<b>EUR</b>
<b>31.12.2005</b>	<b>15 677</b>	<b>22 306</b>
Calculated	233 442	332 158
Paid off	228 937	325 748
<b>31.12.2006</b>	<b>20 182</b>	<b>28 716</b>

**(37) Accrued liabilities**

	<b>2006 year</b>	<b>2005 year</b>	<b>2006 year</b>	<b>2005 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
For services	165 830	37 748	235 954	53 711
Accruals for vocations	221 474	223 510	315 130	318 026
<b>Total</b>	<b>387 304</b>	<b>261 258</b>	<b>551 084</b>	<b>371 737</b>

**General remarks**

<b>(1) Year average number of employees</b>	<b>2006 year Ls</b>	<b>2005 year Ls</b>	<b>2006 year EUR</b>	<b>2005 year EUR</b>
Average number of employees	949	1 061		
<b>(2) Personnel payments</b>	<b>5 538 906</b>	<b><u>5 510 546</u></b>	<b><u>8 410 775</u></b>	<b><u>7 840 800</u></b>
- Salary	4 542 558	4 492 102	6 463 478	6 391 685
- Social tax	996 348	1 018 444	1 947 297	1 449 115
Total:				
Including:				
Salary of employees working in production (core business)				
- Salary	4 050 003	3 996 304	5 762 635	5 686 228
- Social tax	933 358	928 601	1 857 670	1 321 280
Total:	<b><u>4 983 361</u></b>	<b><u>4 924 905</u></b>	<b><u>7 620 305</u></b>	<b><u>7 007 508</u></b>
Payment for work of Administration				
- Salary	55 924	182 130	79 573	259 148
- Social tax	12 779	42 648	18 183	60 683
Total	<b><u>68 703</u></b>	<b><u>224 778</u></b>	<b><u>97 756</u></b>	<b><u>319 831</u></b>
Remuneration of the board				
- Remuneration	228 258	175 235	324 782	249 337
- Social tax	22 937	23 970	32 636	34 106
Total	<b><u>251 195</u></b>	<b><u>199 205</u></b>	<b><u>357 418</u></b>	<b><u>283 443</u></b>
Remuneration of the council				
- Remuneration	201 750	133 244	287 064	189 589
- Social tax	25 742	21 584	36 628	30 711
Total	<b><u>227 492</u></b>	<b><u>154 828</u></b>	<b><u>323 692</u></b>	<b><u>220 300</u></b>
Salary of employees, which are not involved into commercial activity				
- Salary	6 623	5 189	9 424	7 383
- Social tax	1 532	1 641	2 180	2 335
Total	<b><u>8 155</u></b>	<b><u>6 830</u></b>	<b><u>11 604</u></b>	<b><u>9 718</u></b>

Chairman of the Board

***V. MEĻNIKS***

Member of the Board

***I.KOMAROVS***

Member of the Board

***A.STOLDERS***

Member of the Board

***L.ARTEMENKO***

26 April 2007



**ORIENTS N**

ZVĒRINĀTU REVIDENTU KOMERCSABIEDRĪBA

## INDEPENDENT AUDITOR'S REPORT

To the shareholder of Rīgas kuģu būvētava A/S

### *Report on the financial statements*

We have audited the accompanying financial statements (page 6 to 31) of Rīgas kuģu būvētava A/S, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Rīgas kuģu būvētava A/S as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Report on the management report*

We have read the management report as shown on the page 4 of the annual report and we have not identified any material discrepancies between the historical financial information presented in the management report and the financial statements for the year ended 31 December 2006.

Managing Member of LTD *Orients N*  
Commercial Company License No.28

Rīga, Latvia  
26 April 2007



Natālija Zaiceva  
Sworn Auditor  
Certificate No.138