“RIGA SHIPYARD” JSC
annual report
On period till December 31st 2011

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Information on the company

Name of the company	**Joint stock company "Riga shipyard"**
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.
Subsidiary company	Northsale Logistics Limited
Address	No. 1 Cornhill London EC3V 3ND Great Britain (United Kingdom)
Partnership	100 %
Associate enterprise	"Tosmare Shipyard" JSC Reg.No. 42103022837
Address	42/44 Generala Baloza Street, Liepaya
Partnership	49,72%
Associate enterprise	"Remars Granula" SIA Reģ.Nr.54103022521
Address	2 Gales street, Riga, LV-1015
Partnership	49,80%

Name, surnames and positions of members of the Board

Vasilijs Melniks	Chairman of the Board,
Igors Komarovs	Member of the Board,
Larisa Artemenko	Member of the Board,
Irina Rudzate	Member of the Board,
Einars Buks	Member of the Board

Name, surnames and positions of members of the Council

Sergejs Golicins	Chairman of the Council,	
Anatolijs Ustinovs	Deputy Chairman of the Council,	
Aleksandrs Cernavskis	Member of the Council,	
Juris Kaksitis	Member of the Council,	(Resigned on 21.10.2011)
Gaidis Andrejs Zeibots	Member of the Council,	

Annual report	**1 January – 31 December 2011**
Tax authority	SRS Large tax payers department
Name and address of an auditor	Sworn auditors firm KSIA " UHY ORIENTS N" LSAA certificate No 28 83/85 -12 A.Čaka street , Riga, LV-1011 Latvija Natalija Zaiceva, LACA certificate. No. 138

"Riga Shipyard" JSC Board of Directorship statement to

2011 annual report

During the year 2011 JSC's "Riga Shipyard" total net turnover made up 98 601 720 LVL, including shipbuilding – 86 799 306 LVL, ship repairing – 11 573 115 LVL (compared to the year 2010 – 31 174 503 LVL, including ship building –18 730 796 LVL, ship repairing – 12 365 165 LVL).

In total there were 64 ships repaired in 2011 (compared to year 2010 –84 ships were repaired) and 6 hulls were built and launched (if compared to year 2010 there were 6 hulls). Two vessels were delivered to owners, first- prototype of the ocean energy converter, and the second - "SKRUNDA" first of five SWATH type patrol vessels also has been delivered to Ministry of Defense of Latvia.

Gross profit of the enterprise was 3 680 989 LVL (compared to year 2010 Gross profit was – 755 814 LVL), profit in year 2011 was 54 960 LVL, (compared to year 2010 profit was 159 519 LVL).

In spring 2011 "Riga Shipyard" successfully completed the modernization (the extension) of vessel "Mehanik Makarin" that belongs to the Russian company. "Riga Shipyard" expects that there will be similar orders, because the owner of "Mehanik Makarin" has a fleet of 11 similar vessels, which might need the same type of modernization.

As well a unique project was completed by "Riga Shipyard", the ocean energy converter 500W that was built by our Shipyard is now being tested and once it shows positive results, it is expected that these orders may become persistent.

In 2011 there was a contract concluded for building five floating restaurants for Russia, the execution of order has already been started.

In November 2nd of 2011 there was a contract concluded on building and delivery of self elevating floating drilling unit to national joint stock company of Ukraine "CHORNOMORNAFTOGAZ", the value of contract is 399 800 000 USD.

Due to beginning and the end of the completion of the contract is within two different periods, deposit income are made up according to level of completion, as a result net turnover and gross profit increases significantly.

There were no significant changes in list of suppliers for products and services, as well as for raw material suppliers in 2011 and mostly remain the same traditional countries like: from Western Europe, Russia, Ukraine, Lithuania as well as Latvia.

Traditionally, the main ship repairing customers were from Western Europe, Russia, and Latvia.

However shipbuilding customers for ship hulls have been mainly from the Scandinavian countries, for floating restaurants from Russia, for SWATH type patrol vessels – from Latvia; for self elevating floating drilling unit – from Ukraine.

During the year 2011 "Riga Shipyard" JSC has invested 1mln. 372 thousand LVL into purchase of and repairs of fixed assets (compared to 934, 5 thousand LVL in the year 2010).
The section for producing aluminum construction was also modernized, by setting up modern systems of ventilation and heating. Enterprise has purchased another floating crane to increase the capacity of production. To improve the materially technical base there was a hoist purchased, roll trailer for 140t and old welding equipment was replaced by the new one, that is not only lighter, but also have modern additional functions. The overhauls of workshops, floating docks, portal cranes, tug boats and other fixed assets are still going on.

JSC's "Riga Shipyard" work and procedures are made according to the international quality management system standards – EN ISO 9001:2008. The quality assurance certificate has been received in 2001 already. Quality management system is continuously improved.

The measures are taken each year to reduce environment pollution.

It has been planned to proceed with the development, to invest in modernization of production equipment, as well as the process, which leads us to improve competitiveness of enterprise in its own market share.

In the period of time since the Report's last day till the day of signing the report by the board, no any exceptional or significant circumstances affecting annual results or the Company's financial statement happened.

The Board of JSC "Rīgas kuģu būvētava" suggests to invest profit in amount of LVL 54 960 for further development of the enterprise.

JSC "Riga Shipyard"
Chairman of the Board ____________________ V. Melniks

April 26th, 2012

Notification on liability of the board

The Board of JSC "Riga Shipyard" (The Company) endorses that, according to information available at the time of preparing this report, Financial statements give a true picture of the Company's financial situation on 31st December, 2011 and its performance and cash flow in all significant aspects. The above mentioned financial statements are as per requirements of legislation of Latvian Republic.

The board endorses that, preparing this report:

- there were used corresponding accounting methods, their application was consequent;
- there were made reasonable and prudent resolutions;
- it was guided by business continuation principle.

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, and ensures the financial report has been prepared complying with Latvian Legislation.

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.

JSC "Riga Shipyard"
Chairman of the Board ____________________V. Melniks

April 26th, 2012

Profit or Loss statement
For the years ending 31st of December 2011 and 31st of December 2010

		2011	2010	2011	2010
		Ls	**Ls**	**EUR**	**EUR**
Net turnover	1	98601720	31174503	140297607	44357322
Sold production operating costs	2	94920731	30418689	135060033	43281895
Gross profit or losses		**3680989**	**755814**	**5237574**	**1075427**
Selling costs	3	67144	34509	95537	49102
Administration costs	4	836399	740636	1190090	1053830
Other enterprise’s business activity’s income	5	2197354	1677379	3126553	2386695
Other enterprise’s business activity’s costs	6	4624360	1331561	6579871	1894642
Profit & Losses of business activity’s		**350440**	**326487**	**498629**	**464548**
Other percents and the like income	7	96282	267272	136997	380294
Payment of interest and the like costs	8	149608	358032	212870	509433
Profit & Losses prior to extra ordinary items and taxes		**297114**	**235727**	**422756**	**335409**
Profit & loss prior to taxes		**297114**	**235727**	**422756**	**335409**
Income taxes of the enterprise	9(a)	34620	0	49261	0
Deferred income		102733	(28500)	146175	(40552)
Other taxes	10	104801	104708	149119	148986
Year of account profit & loss (net income)		**54960**	**159519**	**78201**	**226975**
Profit per share		0.01	0.01	0.02	0.02

Chairman of the Board — ***V. MELNIKS***

Member of the Board — ***L.ARTEMENKO***

Balance Sheet at 31 December 2011

ASSETS	Remarks	31.12.2011 Ls	31.12.2010 Ls	31.12.2011 EUR	31.12.2010 EUR
Long-term investments					
I Intangible investments					
Other intangible investments		169733	5999	241509	8537
Advance payments of intangible investments			167895		238894
Intangible investments in total	11	**169733**	**173894**	**241509**	**247431**
II Fixed assets					
Buildings, constructions, perennial plants		4319530	4025639	6146138	5727968
Long-term investments into leased fixed assets		16487	363	23459	516
Equipment and machinery		14229298	14302319	20246466	20350365
Other fixed assets and stock		234429	280598	333563	399255
Up building of fixed assets and unfinished building objects costs		295020	227462	419775	323648
Advanced payments for fixed assets		18567	4758	26419	6770
Fixed assets in total		**19113331**	**18841139**	**27195820**	**26808522**
III Property deposit		***430535***	***436280***	***612596***	***620770***
Fixed assets and property deposit in total	12	**19543866**	**19277419**	**27808416**	**27429292**
IV **Long-term financial investments**					
Partnership in capital of associated companies	13	2390		3400	
Partnership in capital of associated companies	14	3394958	3394958	4830590	4830590
Other equities and investments	15	165	165	235	235
Other loans and other long-term debtors	16	522699	534528	743731	760562
Loans to copartners of the enterprises and to the directorship	17	302284	312284	430111	444340
Long-term deposit	18	0	1447776	0	2060000
Long-term financial investments in total		**4222496**	**5689711**	**6008067**	**8095727**
Long-term investments in total		**23936095**	**25141024**	**34057992**	**35772450**
Current assets					
I Reserves					
Raw materials, direct materials and auxiliary materials	19	4503459	4310807	6407845	6133727
Unfinished production	20	1014246	252823	1443142	359735
Unfinished order	21	753888	170212	1072686	242193
Advance payments for goods	22	5096230	5158963	7251282	7340543
Reserves in total		**11367823**	**9892805**	**16174955**	**14076198**
II **Debts of debtors**					
Debts of buyers and customers	23	2340723	3321108	3330549	4725511
Associated companies debts	24	1384080	327094	1641499	465413
Other debtors	25	1356962	604940	2258650	860752
Short-term loans to share holders and management of the company	26	10000	10000	14229	14229
Next period costs	27	39164	34260	55725	48748
Accrued proceeds	28	84306613	14132897	119958164	20109301
Debtors in total		**89437542**	**18430299**	**127258156**	**26223954**
III Short-term financial investments					
Short-term deposit			**1855473**		2640100
Cash assets		**18393105**	**6720676**	**26171031**	9562661
IV Short-term deposit and cash assets in total	29	**18393105**	**8576149**	**26171031**	**12202761**
Current assets in total		**119198470**	**36899253**	**169604142**	**52502913**
Assets in total		**143134565**	**62040277**	**203662134**	**88275363**

Balance Sheet at 31 December 2011

	LIABILITIES	Remarks	31.12.2011 Ls	31.12.2010 Ls	31.12.2011 EUR	31.12.2010 EUR
I	***Equity capital***					
	Stock or share capital (equity capital)	30	11672107	11672107	16607912	16607912
	Overrate reserved of financial fixed assets	31	8473199	8473199	12056273	12056273
	Retained earnings					
	a) previous years retained earnings		3566130	3406611	5074147	4847172
	b) year of account retained earnings		54960	159519	78201	226975
	Retained earnings in total		*3621090*	*3566130*	*5152348*	*5074147*
	Equity capital in total		**23766396**	**23711436**	**33816533**	**33738332**
II	Reserves					
	Reserves *in total*					
III	**Creditors**					
I	**Long-term debts**					
	Liability of Liability of leasing		95620	111395	136055	158501
	Deferred taxation reserves liabilities	9b	2085456	1982722	2967334	2821159
	Long-term debts in total		**2181076**	**2094117**	**3103389**	**2979660**
II	**Short-term debts**					
	Loans from credit institutions	32	591482	3686407	841603	5245285
	Liability of leasing	33	42420	42029	60358	59802
	Other credit			421682		600000
	Advance payments received from buyers	34	113765371	29949028	161873539	42613628
	Debts to suppliers and contractors	35	1877743	1331641	2671789	1894754
	Debts to associated companies			182		259
	Taxes and social insurance payments	36	105618	2398	150279	3412
	Other creditors	37	228313	212454	324864	302295
	Unpaid previous years dividends	38	24652	24659	35077	35087
	Next period income	39	834	2834	1187	4033
	Accrued liabilities	40	550660	561410	783516	798816
	Short-term creditors in total		**117187093**	**36234724**	**166742212**	**51557371**
	Creditors in total		**119368169**	**38328841**	**169845601**	**54537031**
	Liabilities total		**143134565**	**62040277**	**203662134**	**88275363**

Chairman of the Board *V. MELNIKS*

Member of the Board *I.KOMAROVS*

Member of the Board *L.ARTEMENKO*

Member of the Board *I.RUDZATE*

Member of the Board *E.BUKS*

April 26th, 2012

Cash flow Statement for 12 months of the year 2011 and 2010

		2011 Ls	2010 Ls	2011 EUR	2010 EUR
A	**Cash flow from primary activity**				
	Sales and service income	117700961	29526300	167473379	42012140
	Cash to suppliers, personnel and others primary activity costs	103940582	31230840	147894124	44437482
	Gross cash flow from primary activity	13760379	-1704540	19579255	-2425342
	Interest paid	155352	360647	221046	513154
	Primary activity before extraordinary items	13605027	-2065187	19358209	-2938496
	Cash flow from extraordinary items				
	Net cash flow from primary activity	**13605027**	**-2065187**	**19358209**	**-2938496**
B	**Cash flow from investment activity**				
	Related enterprises shares acquisition	2390		3400	
	Selling out of shares	25000	25000	35572	35572
	Paid for fixed assets acquisition	654567	554206	931365	788564
	Received for the fixed assets sold	67731	11306	96373	16087
	Loans granted	916519	15033	1304089	21390
	Decrease of long-term deposit	1855473	2424603	2640100	3449900
	Repayment of loans	914547	33005	1301282	46962
	Interest received	96282	265112	136997	377220
	Net cash flow from investment activity	**1385557**	**2189787**	**1971470**	**3115787**
C	**Cash flow from financial activities**				
	Loan received		421682		600000
	Expenses on return of the loan	3516607	1056812	5003681	1503708
	Charges for leased assets acquisition	16055		22844	
	Dividend paid	7	130	10	185
	Net cash flow from financial activities	**-3532669**	**-635260**	**-5026535**	**-903893**
	Result of currency exchange rates changing	214514	45370	305226	64555
	Net cash flow and equivalent increase or decrease (A+B+C)	**11672429**	**-465290**	**16608370**	**-662047**
	Cash and equivalent thereof at beginning of the period of accounts	**6720676**	**7185966**	**9562661**	**10224708**
	Cash and equivalent thereof at the end of the period of account	**18393105**	**6720676**	**26171031**	**9562661**

Chairman of the Board — ***V. MELNIKS***

Member of the Board — ***L.ARTEMENKO***

April 26th, 2012

Changes in own capital report for 2011 and 2010

Types of changes	Stock or Share Capital		Long-term asset reevaluation reserve		Retained earnings		Total	
Balance as at 31.12.2009	***LVL***	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**	**LVL**	**EUR**
	11672107	***16607912***	***8671089***	***12337846***	***3406611***	***4847172***	***23749807***	***33792930***
Wear of revaluated part of the equipment			(232813)	(331264)			**(232813)**	**(331264)**
Changes in bonds of postponed taxes			34923	49691			**34923**	**49691**
Period of account net profit & loss					159519	226975	**159519**	**226975**
Balance as at 31.12.2010	***11672107***	***16607912***	***8473199***	***12056273***	***3566130***	***5074147***	***23711436***	***33738332***
Wear of revaluated part of the equipment								
Changes in bonds of postponed taxes								
Period of account net profit & loss					54960	78201	**54960**	**78201**
Balance as at 31.12.2011	***11672107***	***16607912***	***8473199***	***12056273***	***3621090***	***5152348***	***23766396***	***33816533***

EPS for 31.12.2011. ***LVL 54960 :11672107 =0,01 LVL or 0,02 EUR*** ;
EPS for 31.12.2010. ***0,01 LVL or 0,02 EUR***

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

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

April 26th, 2012

Notes: all sections of the financial reports are to be evaluated in EURO according to the rates of Bank of Latvia on 31.12.2011.

Notes mentioned on pages 12th - 37th are to be an integral part of this annual report.

Notes to the financial statements

Accounting policy

(1) General principles

Annual report has been prepared according to laws of Latvian Republic „Regarding Accountancy” and „Regarding Annual report”, rules of cabinet of Ministers of Latvian Republic No. 481 „ On cash flow report and report on changes of contents of own equity and the order of preparing”; and according to Rules of Cabinet of Ministers Latvian Republic No. 488 enforcement of law “Regarding Annual Report”, which must be used starting from July 1st of reports year. The sums included in Financial Statements are gained, based on prior costs method. Compared to to previous report year the methods used by the Enterprise and the methods of evaluating have not been changed. Profit & Loss calculation has been prepared as per turnover costs scheme. Cash flow statement has been prepared as per direct method. The enclosed financial statements are made in Latvian national currency – lats (LVL).According to Enterprises order No 110 as of November 29th 2011, 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) Income recognition and net sales

Net sales contain the total value of goods and services sold during the year excluding discounts value added tax and costs related to sales. Income is recognized according to the following principles:

- Revenue from ship repair are recognised in the reporting period when the relevant services were provided;
- Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
- Revenue from shipbuilding - under the percentage of completion method (also see the remark 11 to policy of accountancy);
- Income from fines and penalties - at the moment of receiving the payments;
- Interest income - on an accrual basis;
- dividends – when there is legal basis for them

The revenue from ship repair is recognized based on level of completion. Costs related to repair services contracts are recognized by the moment of their appearance. If it is not possible to estimate believably the result of service contract, the income is recognized just as much as costs arising from the contract are possible to get back. If it is possible to estimate the result and there is a large possibility that contract will result as profit, the income of such contract are recognized during the contract time. If there is possibility that total of contract costs will exceed total of contract incomes, than the expected loss is to be recognized as expenses at once.

(4) Segment Content

Operating Segment is identifiable public (consuming goods and services) section, which is characterized by the risks and benefits that differs from the risks and benefits of other part of public. **Geographical Segment** is identifiable public that sells good and provides services in the particular economic environment and which is characterized by the risks and benefits that differs from the other part of public acting in the other economic environment.

(5) Revaluation of foreign currency in lats

(a) Currency used in transactions and accounting.

Items of the Company financial reports are accounted for in the currency of the economic environment, in which the Company operates (accounting currency). Items of financial reports are expressed in Latvian Lats (LVL), which is the Company accounting currency and reporting currency.

(b) Transactions and balances
All transactions in foreign currencies are converted to the accounting currency based upon the currency exchange rate of the relevant transaction date. Profit or loss obtained in the result of converting these transactions and monetary assets and liabilities in foreign currencies into lats based upon the year-end currency exchange rate are reflected in the Profit/ Loss Statement.
Year-end exchange rates of most often used currencies were as follows:

	31.12.2011	**30.12.2010**
	Ls	**Ls**
1 USD	0,544	0,535
1 EUR	0,702804	0,702804
1 NOK	0,0903	0,09
1 GBP	0,84	0,824
1 RUB	0,017	0,0176

(6) Fixed assets and low-grade stock
Intangible and fixed assets are initially defined at the purchase cost, excluding the wear accumulated. The accusation value includes the expenditures, which are directly related to the acquisition of the fixed asset. Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	Depreciation % per annum
Buildings	2-15
Other buildings and constructions	3,5 - 20
Technological equipment	5-50
Other fixed assets and stock	10-40

Wear of basic means begins to count from the first date of the next month after its delivery to exploitation and is finished by the first date of the next after its exclusion from the basic means.
Company capitalizes permanent assets with value more than Ls 100 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.
In case of the obvious evident that as a result of fixed asset's repair and reconstruction in the future the economical achieved effect would be higher that the primary defined output then such investments are capitalized as an additional cost of fixed assets staff. With capitalization of the spare parts installation expense the remaining cost of exchange spare parts is written off to the profit or losses account.
Net profit or losses from fixed assets disposal is calculated as the difference between fixed assets balanced value and income received from the sales and defined in the income or loss calculation of the period where they had occurred from.
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.

(7) Property deposits
Investment property is buildings, constructions and their parts that the Company owns (as owner or renter acc. to financial leasing) to get rent or to wait prices rising (appreciation), but not to use for production of goods, providing a services, for administrative purposes or to sell in course of economic activity.

(8) Affiliated undertaking deposits.
Affiliated undertaking deposits are accounted complying with "cost" method. Accordingly to this method the value of the investment is created by value of affiliated purchase and the costs related to the purchase.

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

(10) 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. The reserves are valued at the lowest net sales value, purchase or production first cost.
Unfinished production has been reflected as costs related to employees, purchase of raw materials and services, excluding administration costs.

(11) Long-term contract
Due to the character to the contract on establishing an asset and performed activities the dates of starting and completing the contract performance falls within different reporting periods. Revenues and costs related to the contract are recognised as revenues and expenditure, accordingly, taking into account the percentage volume of completion of contract works as on the Balance Sheet date. In compliance to the above method the Company determines the degree of completion of the work by relating the costs related to the contract and incurred until the Balance Sheet date to the total estimated contract costs and expressing this relation as percentage or by assessing the physical level of completion of the work, depending on which of the above methods is more suitable. Expected loss from a long-term contract is recognised as expenditure immediately. Costs incurred during the reporting period and related to future operation of the contract are excluded from costs related to the contract when the degree of completion of the work is calculated. They are presented as raw materials and materials or other assets depending on their character. The orders of Shipbuilding with the completion level up to 10% (zero cycle) are not valued under level of completion and are shown like unfinished production.
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(12) Debtors
Debtors' debts in the balance sheet have been shown at the net value, obtained deducting provisions for doubtful debts from the total amount of Debtor's debts. Debtors' actual sum complies with contracts and other accounting basic documents. Provisions for doubtful depts. are calculated by individual evaluation of every Debtor. Provisions for doubtful depts. reflect evaluation of estimated loss on the date of balance. Hopeless debts are to be written off when its recovery is admitted as impossible.
Debtor's debt check has been executed on December 31st 2010.

(13) Accumulated income
Riga Shipyard's new building incomes are acknowledged respective to its executive degree (see remark 11 "Long - term contracts").

(14) Cash and cash equivalents
In the report of cash flow consist of the money in cash-box, remnants of active bank cont and demand deposits in the credit institutions with term to 90 days.

(15) Equity capital and dividends
Base shares are classified as equity capital. Dividends payable to the Company shareholders are recorded as liabilities during the Company financial reporting period when the Company shareholders approve the relevant dividends.

(16) Revaluation reserve
The growth of revaluation value is decreased, when revaluated fixed asset is eliminated or disposed.

(17) Savings
Savings are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Savings are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

(18) Reserves for unused vocations
Vocation cost reserves was calculated: average earning of past six month of the period reported per number of days of unused days of vacation by the end of year of period.

(19) Income tax of the enterprise
Enterprise income tax was calculated according to Latvia Republic tax laws. Tax laws in 2011 and further fixed tax rate is 15%.
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.

(20) Profit per share
Profit per share is determined by dividing the net profit or loss attributable to the Company shareholders with the weighted average number of shares.

(21) Related parties
Related parties are the Company's major shareholders, Board members and Council member, their close family members and the companies, that are controlled or affected by the above mentioned persons. Also related parties are the companies that are controlled or affected by the final controlling member. Related parties are as well the Company's related and associated companies, whose financial and main activity is under the Company's significant influence.

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

(23) 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.

(24) Financial risks
The principal financial instruments of the Company are money. The main objective of these financial instruments is to provide financing for the operations of the Company. The Company interacts with various other financial instruments, for example, trade receivables and payables and other creditors, following directly from its operations.
Financial risks, connected with the financial instruments of the Company, mainly, are interest rate risk, liquidity risk and credit risk.
In the conditions of regular activities the Enterprise is subject to credit and foreign exchange risks.

Credit risk
The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company has no significant concentration of credit risk on any separate business partner or group of partners corresponding to the similar description.

Percentage risk
Enterprise is subjected from credit interest rate changing risk.

Currency risk
The enterprise is having international operations and it is a subject to foreign currencies risk, which is generally caused by US dollar (USD).. As of 2005 the Bank of Latvia has stated a fixed official currency exchange rate for lats against euro, i.e. 0.702804, and ensures that the market rate will not differ from the official rate by more than 1%. As far as the Bank of Latvia maintains the above mentioned exchange corridor, the Company will not have a significant currency exchange risks in respect of assets and liabilities nominated in euro.

Liquidity risk

The Company follows cautious liquidity risk management and accordingly maintains sufficient amount of cash and ensures availability of financing by using loan facilities granted by banks. As at the end of the reporting year the total available amount of loan facilities equals Ls 3 935 702 (31.12.2010. Ls 4 919 628).
As on December 31st, 2011 the unused portion of the loan facility amounted to Ls 3 344 220 (31.12.2010. - -Ls 1 233 232). The Company management monitors operative forecasts of liquidity reserves based upon expected cash flow. Most of the Company liabilities are short-term. The management considers that the Company will have sufficient liquid funds obtained from core operations and utilisation of loan facilities with the Latvian banks

(25) Retraining

In order to meet post classification for year 2011 the comparative readings for year 2010 in necessary cases individual post classification has changed.

Supplements to Annual Report
Supplement to Profit or Loss Statement

Information on segments.
Management defined the following kinds of industrial works:
a) The 1st type – operating segment
b) Additional format – geographical segment.

(1) Net turnover

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
(a)				
Shipbuilding	86799306	18730796	123504285	26651522
Ship repair	11573115	12365165	16467059	17594045
Mechanical engineering	197496	75247	281011	107067
Other works	31803	3295	45252	4688
Total	**98601720**	**31174503**	**140297607**	**44357322**
(b)				
Latvia	8058566	11908033	11466307	16943604
Russia	1311443	355182	1866015	505378
Great Britain	0	216530	0	308094
Norway	7607356	5438580	10824291	7738402
Cyprus	1345887	1007736	1915025	1433879
Belize	0	87187	0	124056
Malta	3395263	921704	4831024	1311467
Panama	336832	1524806	479269	2169603
Liberia	0	706272	0	1004935
Sweden	1489599	421681	2119508	599998
Finland	1228151	1478912	1747501	2104303
Iceland	136851	353222	194721	502590
Denmark	13485	922481	19187	1312572
Bahamas	0	420250	0	597962
The Netherlands	15335	27490	21820	39115
St Vincent	418283	505846	595163	719754
Cambodia	893129	0	1270808	0
Antigua and Barbuda	742576	421826	1056590	600204
Gibraltar	0	7212	0	10262
Marshall Island	128689	1572904	183108	2238041
Estonia	40763	482575	58000	686642
St.Kitts&Nevis	40439	411790	57540	585926
Italy	185020	323290	263260	460000
Saudi Arabia	0	282429	0	401860
Singapore	572978	211663	815274	301169
USA	0	420356	0	598113
Belgium	1049004	231499	1492598	329393
Lithuania	12111	513047	17232	730000
Israel	2975981	0	4234439	0
Ukraine	65247360	0	92838630	0
Liberia	308982	0	439642	0
Luxembourg	1047637	0	1490655	0
Total	**98601720**	**31174503**	**140297607**	**44357322**

Supplement to Profit or Loss Statement (continuation)
(2) Sold products operating costs

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Material costs (raw materials and materials, value of goods, services from outside)	89187168	25113219	126901907	35732891
Salary	3397010	3220841	4833510	4582844
Social tax	796194	750497	1132882	1067862
Depreciation of fixed assets	908655	755618	1292900	1075148
Accruals for vocations	628	20792	894	29584
Other costs	631076	557722	897940	793566
Total	**94920731**	**30418689**	**135060033**	**43281895**

(3) Selling costs

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Advertisement	67144	34509	95537	49102
Total	**67144**	**34509**	**95537**	**49102**

(4) Administration costs

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Liaison costs	22262	15290	31676	21756
Office maintenance costs	1313	5804	1868	8257
Annual report costs	8000	8000	11383	11383
Salary of administration	49689	52846	70701	75193
Remuneration of the board	238702	215217	339642	306226
Remuneration of the council	174857	165248	248799	235127
Social insurance costs	106670	99618	151778	141744
Depreciation of fixed assets	21320	25911	30336	36868
Transport costs, travel allowances	103511	89081	147283	126751
Legal services	3304	334	4701	475
Insurance	2690	2989	3829	4253
Representation costs	15292	8245	21758	11732
Representation costs of the car	88789	52053	126336	74065
Total	**836399**	**740636**	**1190090**	**1053830**

Remuneration of sworn auditor for revision of annual report – LVL 8000

Supplement to Profit or Loss Statement (continuation)

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

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Income generated by transport services rendering	9818	9820	13970	13973
Income generated by leased FA payments and public services	997137	980844	1418798	1395615
Tugboat services income	224402	111743	319295	158996
Selling out of raw materials and materials	554162	445692	788501	634163
Income generated by education services	0	120	0	171
Income generated by chemical analyses	1553	1201	2210	1709
Net income generated by realization of fixed assets	0	9580	0	13631
Previous year income	1837	10609	2614	15095
Incomes from writing off accounts payable to limit expiration	109806	16982	156240	24163
Net income from currency exchange rating fluctucations	0	12913	0	18374
Currency selling revenue	119377	41211	169858	58638
Loss consideration	25254	23441	35933	33354
Mediation services	140561	0	200000	0
Other income	13447	13223	19134	18813
Total	**2197354**	**1677379**	**3126553**	**2386695**

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

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Material purchase costs	518731	400521	738088	569890
Losses incurred by currency selling out	2917606	0	4151380	0
Social infrastructure objects costs (medical services)	9613	7785	13678	11077
Costs on tugboat services	113251	44370	161142	63133
The donations	8807	5202	12531	7402
Material benefits	14048	14675	19989	20881
Burial costs	2366	2186	3366	3110
Net loss incurred by fixed assets' exclusion	130764	0	186061	0
Representation costs	24910	13043	35444	18559
Costs on maintenance of leased FA	619574	584805	881574	832103
Special reserved sum provided for unsecured debts	256323	202063	364715	287510
Preceding year costs	879	43108	1251	61337
Other costs	7488	13803	10652	19640
Total	**4624360**	**1331561**	**6579871**	**1894642**

Supplement to Profit or Loss Statement (continuation)

(7) Other percents and the like income

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Depositing percentage	56720	257472	80705	366350
Bank interests	154	258	219	367
Interests income for loans	35853	9249	51014	13160
Received penalty payments	3555	293	5059	417
Total	**96282**	**267272**	**136997**	**380294**

(8) Payment off percents and the like costs

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Paid off penalty	4631	195867	6588	278694
Paid off interests	88609	109291	126078	155507
Guarantee maintenance	56248	52874	80034	75232
State fee	120	0	170	0
Total	**149608**	**358032**	**212870**	**509433**

(9a)The most significant parts of enterprises Income taxe

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Income tax	34620	0	49261	0
Increase of deferred taxation	102733	(28500)	146175	(40552)
Total	**137353**	**(28500)**	**195436**	**(40552)**

Deferred taxation calculation	**2011 year Ls**	**2010 year Ls**	**2011 year** EUR	**2010 year** EUR
Deferred taxation liabilities:				
Difference between capital assets residual value in financial	14098052	13412540	20059721	19084325
accountancy and for tax collections				
Deferred taxation assed:				
Reserves for vacations	195015	194387	277481	276588
Provisional distinctions total	**13903037**	**13218153**	**19782240**	**18807737**
Deferred taxation liabilities/(assets), rate 15%	2085456	1982722	2967334	2821159
Deferred taxation liabilities	**2085456**	**1982722**	**2967334**	**2821159**

Supplement to Profit or Loss Statement (continuation)

9(b) Deferred taxation liability changes

	2011 year Ls	**2010 year Ls**	**2009 year EUR**	**2010 year EUR**
Rest at the beginning of year of account	1982723	2046145	2821159	2911402
Deferred taxation increase/decrease	102733	(28500)	146175	(40552)
Increase (decrease) revaluation reserve	0	(34923)	0	(49691)
Deferred EIT income tax liabilities at the end of taxation year	**2085456**	**1982722**	**2967334**	**2821159**

(10) Other taxes

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Real estate tax	104801	104708	149119	148986
Total	**104801**	**104708**	**149119**	**148986**

Supplement to the balance sheet by December 31st 2011

(11) Other intangible investments LVL

	Concessions, 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
Initial value						
01.01.2010			74372		167895	**242267**
Bought						
Relocated						
Written off						
31.12.2010	0	0	74372		167895	**242267**
Depreciation						
01.01.2010			58421			**58421**
Estimated			9952			**9952**
Written off						
31.12.2010	0	0	68373			**68373**
Balance value 01.01.2010	**0**	**0**	**15951**		**167895**	**183846**
Balance value 31.12.2010	**0**	**0**	**5999**		**167895**	**173894**

(11) Other intangible investments EUR

	Concessions, 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
Initial value						
01.01.2010			105822		238894	**344716**
Bought						
Written off						
Relocated						
Revaluated						
31.12.2010	0	0	105822		238894	**344716**
Depreciation						
01.01.2010			83125			**83125**
Estimated			14160			**14160**
31.12.2010	0	0	97285			**97285**
Balance value 01.01.2010	**0**	**0**	**22697**		**238894**	**261591**
Balance value 31.12.2010	**0**	**0**	**8537**		**238894**	**247431**

(11) Other intangible investments LVL by December 31st 2011

	Concessions, 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
Initial value						
01.01.2011			74372		167895	**242267**
Bought			167895			**167895**
Relocated					167895	**167895**
Written off						
31.12.2011	0	0	242267		0	**242267**
Depreciation						
01.01.2011			68373			**68373**
Estimated			4161			**4161**
Written off						
31.12.2011	0	0	72534		0	**72534**
Balance value 01.01.2011	**0**	**0**	**5999**		**167895**	**173894**
Balance value 31.12.2011	**0**	**0**	**169733**		**0**	**169733**

(11) Other intangible investments EUR

	Concessions, 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
Initial value						
01.01.2011			105822		238894	**344716**
Bought			238894			**238894**
Written off					238894	**238894**
Relocated						
Revaluated						
31.12.2011	0	0	344716		0	**344716**
Depreciation						
01.01.2011			97285			**97285**
Estimated			5922			**5922**
Written off						
31.12.2011	0	0	103207		0	**103207**
Balance value 01.01.2011	**0**	**0**	8537		238894	**247431**
Balance value 31.12.2011	**0**	**0**	**241509**		**0**	**241509**

Supplement to the balance sheet by December 31st 2011

(12) Report on long-term investments movement LVL

	Buildings, constructions Ls	Investments assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
Initial value								
01.01.2010	**6141189**	**544039**	**560**	**18986373**	**970219**	**174008**	**0**	**26816388**
Bought	226537	12923		1116253	16589	1425756	51376	**2849434**
Written off	8258	1126	197	187456	21758	1372302	46618	**1637715**
Relocated								
31.12.2010	**6359468**	**555836**	**363**	**19915170**	**965050**	**227462**	**4758**	**28028107**
Depreciation								
01.01.2010	**2147537**	**94985**		**5107590**	**629199**			**7979311**
Estimated	193677	25697		459233	77011			**755618**
Written off	7385	1126		186784	21758			**217053**
Relocated				232812				**232812**
31.12.2010	**2333829**	**119556**	**0**	**5612851**	**684452**	**0**	**0**	**8750688**
Balance value 01.01.2010	**3993652**	**449054**	**560**	**13878783**	**341020**	**174008**	**0**	**18837077**
Balance value 31.12.2010	**4025639**	**436280**	**363**	**14302319**	**280598**	**227462**	**4758**	**19277419**

Real Estate (building) cadastral value at 31.12.2010. is 3778627 LVL

(12)Fixed assets (EUR)

	Buildings, constructions	Investment assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction	Advance Payment for FA	Total
Initial value								
01.01.2010	**8738125**	**774097**	**796**	**27015175**	**1380498**	**247590**		**38156281**
Bought	322333	18388		1588285	23604	2028668	73101	**4054379**
Written off	11750	1602	280	266726	30959	1952610	66331	**2330258**
Relocated								
31.12.2010	**9048708**	**790883**	**516**	**28336734**	**1373143**	**323648**	**6770**	**39880402**
Depreciation								
01.01.2010	**3055670**	**135151**	**0**	**7267447**	**895270**	**0**	**0**	**11353538**
Estimated	275578	36564		653430	109577			**1075149**
Written off	10508	1602		265770	30959			**308839**
Relocated				331262				**331262**
31.12.2010	**3320740**	**170113**	**0**	**7986369**	**973888**	**0**	**0**	**12451110**
Balance value 01.01.2010	**5682455**	**638946**	**796**	**19747728**	**485228**	**247590**	**0**	**26802743**
Balance value 31.12.2010	**5727968**	**620770**	**516**	**20350365**	**399255**	**323648**	**6770**	**27429292**

Real Estate(building) cadastral value at 31.12.2010. is 5376502 EUR

Supplement to the balance sheet by December 31st 2011

Supplements to the balance sheet
(12) Report on long-term investments movement LVL

	Buildings, constructions Ls	Investments assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
Initial value								
01.01.2011	**6359468**	**555836**	**363**	**19915170**	**965050**	**227462**	**4758**	**28028107**
Bought	482538	20559	20985	889976	26892	1487523	69997	**2998470**
Written off			4861	310110	8789	1419965	56188	**1799913**
Relocated								
31.12.2011	**6842006**	**576395**	**16487**	**20495036**	**983153**	**295020**	**18567**	**29226664**
Depreciation								
01.01.2011	**2333829**	**119556**		**5612851**	**684452**			**8750688**
Estimated	188647	26304		766661	70902			**1052514**
Written off				113774	6630			**120404**
Relocated								
31.12.2011	**2522476**	**145860**	**0**	**6265738**	**748724**	**0**	**0**	**9682798**
Balance value 01.01.2011	**4025639**	**436280**	**363**	**14302319**	**280598**	**227462**	**4758**	**19277419**
Balance value 31.12.2011	**4319530**	**430535**	**16487**	**14229298**	**234429**	**295020**	**18567**	**19543866**

Real Estate (building) cadastral value at 31.12.2011. is 3899261 LVL

(12) Fixed assets (EUR)

	Buildings, constructions	Investment assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction	Advance Payment for FA	Total
Initial value								
01.01.2011	**9048708**	**790883**	**516**	**28336734**	**1373143**	**323648**	**6770**	**39880402**
Bought	686590	29253	29859	1266322	38264	2116555	99597	**4266440**
Written off			6916	441247	12506	2020428	79948	**2561045**
Relocated								
31.12.2011	**9735298**	**820136**	**23459**	**29161809**	**1398901**	**419775**	**26419**	**41585797**
Depreciation								
01.01.2011	**3320740**	**170113**		**7986369**	**973888**			**12451110**
Estimated	268420	37427		1090861	100884			**1497592**
Written off				161887	9434			**171321**
Relocated								
31.12.2011	**3589160**	**207540**		**8915343**	**1065338**			**13777381**
Balance value 01.01.2011	**5727968**	**620770**	**516**	**20350365**	**399255**	**323648**	**6770**	**27429292**
Balance value 31.12.2011	**6146138**	**612596**	**23459**	**20246466**	**333563**	**419775**	**26419**	**27808416**

Real estate (building) cadastral value at 31.12.2011. is 5548149 EUR

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

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Initial value	318899	218598	453752	311037
Accumulated depreciation	120404	217052	171319	308837
Balance value	198495	1546	282433	2200
Permanent assets liquidation loss	**198495**	**1546**	**282433**	**2200**

Supplement to the balance sheet (continuation)

(13) Partnership in capital of related companies

	31.12.2011. Ls	Kapitāla daļas %	31.12.2010. Ls	Kapitāla daļas %	31.12.2011. EUR	31.12.2010. EUR
Northsale Logistics Limited United Kingdom	2390	100	0		3400	0
Investments	**2390**	**100**	**0**		**3400**	**0**

(14) Partnership in capital of associated companies

	31.12.2011. Ls	Share capital (%)	31.12.2010. Ls	Share capital (%)	31.12.2011. EUR	31.12.2010. EUR
Branch enterprise "Tosmares kuģubūvetava" JSC investment value	2551593	49,72	2551593	49,72	3630590	3630590
SIA "Remars Granula"	843365	49,80	843365	49,80	1200000	1200000
Investments	**3394958**		**3394958**		**4830590**	**4830590**

(15) Other equities and investments

Name enterprise		Parts or shares value		31.12.2011			31.12.2010		
		2011	2010	Quantity	Ls	EUR	Quantity	Ls	EUR
"Baltic International Bank" JSC		5	5	33	165	235	33	165	235
Total		**5**	**5**	**33**	**165**	**235**	**33**	**165**	**235**

(16) Other loans and other long-term debtors (Ls)

Type of Loan	31.12.2010	Loans granted in 2011	Loans granted in 2011	Difference in currency rate	Reallocation at a short	31.12.2011	Term of payment	Percent correlation
	Ls	Ls	Ls	Ls		Ls		
Loans for Students	66067	2769	797	1199		69238	2013-2029	-
Loans for shares	468461				15000	453461	2013-2015	-
Total	**534528**	**2769**	**797**	**1199**	**15000**	**522699**		

Amount to be paid in 5 years – 59503 Ls.

Supplement to the balance sheet (continuation)

(16) Other loans and other long-term debtors (EUR)

Type of Loan	31.12.2010	Loans granted in 2011	Loans granted in 2011	Difference in currency rate	Reallocation at a short	31.12.2011	Term of payment	Percent correlation
	Ls	Ls	Ls	Ls		Ls		
Loans for Students	94002	3940	1134	1706		98514	2013-2029	-
Loans for shares	666560				21343	645217	2013-2015	-
Total	**760562**	**3940**	**1134**	**1706**	**21343**	**743731**		

Amount to be pay back after 5 years – 84665 EUR

(17) Loans to co-partners of the enterprises and to the directorship

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Long-term loans	302284	312284	430111	444340
Total	**302284**	**312284**	**430111**	**444340**

	Ls	Euro
Copartners and directorship		
Including: Long-term	302284	430111
Short-term	10000	14229
31.12.2011	**312284**	**444340**

There is a debt of management for JSC “Tosmares kuģubūvētava” shares in this position.

Supplement to the balance sheet (continuation)

(18) Long-term deposit

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
	0	1447776	0	2060000
Total	**0**	**1447776**	**0**	**2060000**

The enterprise had made investments at JSC "UniCredit Bank" with final term February 24th 2012 that serves as a loan (financial guarantee) to signed guarantee agreement dated November 02th 2009 concluded between JSC "Rīgas kuģu būvētava"and JSC "UniCredit Bank" referring guarantee delivery based on May 30th 2008 agreement concluded between "JSC "Riga Shipyard" and "Abeking & Rasmussen Schiffs- und Yachtwerft Aktiengesellschaft" about 5 SWATH vessels building and delivery to the Ministry of Defense

(19) Raw materials, direct materials and auxiliary materials

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
1. Metal ware	60298	58978	85796	83918
2. Timbering	6065	2603	8630	3704
3. Metal, non-ferrous metals, pipes	2208190	1916207	3141971	2726517
4. Wire cables	4923	5108	7005	7268
5. Fuel	6364	5430	9055	7726
6. Coveralls	10121	4965	14401	7065
7. Equipment	447684	325100	636997	462576
8. Cables	60348	76054	85867	108215
9. Varnish and paint	183133	45964	260575	65401
10. Household goods	344	315	489	448
11. Technical rubber ware	12459	13152	17728	18714
12. Other	1503530	1856931	2139331	2642175
Total	**4503459**	**4310807**	**6407845**	**6133727**

(20) Unfinished production

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Shipbuilding orders	1014246	252823	1443142	359735
Total	**1014246**	**252823**	**1443142**	**359735**

These columns reflect the orders with up to 10% (zero cycle) executive degree from contractual value.

Supplement to the balance sheet (continuation)

(21) Unfinished orders

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
1) Ship repair orders	736141	157824	1047434	224563
2) Mechanical engineering orders	12245	6791	17423	9663
3) Various	5502	5597	7829	7967
Total	**753888**	**170212**	**1072686**	**242193**

(22) Advance payments for goods

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
For goods	5096230	5158963	7251282	7340543
Total	**5096230**	**5158963**	**7251282**	**7340543**

(23) Debts of buyers and customers

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Buyers and customers accounting value	2461271	3535400	3502073	5030420
Generated reserves for doubtfull debtors	-120548	-214292	-171524	-304909
Balance net value	**2340723**	**3321108**	**3330549**	**4725511**

Changes in savings (Ls)

	Debts of buyers and customers	Other debtors	Total
Savings 31.12.2010	**214292**	**7479**	**221771**
Decrease of savings	350067	0	350067
Increase of savings	256323	0	256323
Savings 31.12.2011	**120548**	**7479**	**128027**

Changes in savings (EUR)

	Debts of buyers and customers	Other debtors	Total
Savings 31.12.2010	**304909**	**10641**	**315550**
Decrease of savings	498100	0	498100
Increase of savings	364715	0	364715
Savings 31.12.2011	**171524**	**10641**	**182165**

Supplement to the balance sheet (continuation)

(24) Associated companies debts

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
“Tosmares kuģu būvētava” JSC debt for service and materials	289291	540	411624	768
Advance for services	230428		327870	
SIA “Remars Granula” debt for service	100	12638	142	17982
SIA “Remars Granula” debt for credit*	323102	313916	459733	446663
SIA “Remars Granula” debt for credit According to assignment agreement **	541159		770000	
Total	**1384080**	**327094**	**1969369**	**465413**

*According to the agreement the “Borrower” pays percentage at the end of the loan return.
** the debt is secured by a pledge

(25) Other debtors

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Accounting value	1364441	612419	1941421	871393
Generated reserves	-7479	-7479	-10641	-10641
Balance net value	**1356962**	**604940**	**1930780**	**860752**

Other debtors debts are as following:

Accounted VAT	424	982	603	1397
Overpaid taxes				
Value added tax	379401	150680	539839	214398
Enterprise income tax	0	53325	0	75874
Social insurance payments	0	152622	0	217162
Enterprise income tax	10038	46368	14282	65976
Payments personal debts	12216	248	17382	353
Payment of salary	524	794	746	1130
Short-term loans for “Tosmares kuģubūvetava” JSC’S shares	14942	14942	21261	21261
Advance payment of service	907438	166899	1291167	237476
Account with other debtors	31979	18080	45500	25725
Total	**1356962**	**604940**	**1930780**	**860752**

Supplement to the balance sheet (continuation)

(26) Short-term loans to the enterprise's share holders and management

	Directorship, copartners Ls	**Directorship, copartners EUR**
Managements debt for shares	10000	14229
31.12.2011	**10000**	**14229**

(27) Next period costs

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Enterprise's property insurance premium sum	9225	9769	13126	13900
Subscription to the press	272	531	387	756
Insurance of health	8792	8145	12510	11589
Expenses for repair of the rented basic means	4861	197	6917	280
Advertisements	182	350	259	498
Others	15832	15268	22526	21725
Total	**39164**	**34260**	**55725**	**48748**

(28) Accrued proceeds

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Shipbuilding	83375682	14132897	118632908	20109301
Ship repair	834931	0	1188000	0
Mediation services	96000	0	136596	0
Total	**84306613**	**14132897**	**119957504**	**20109301**

this item reflects the costs related to the contract and recognized profit

(29) Cash assets

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Short –term deposit	0	1855473	0	2640100
Money at a cash department	2367	8729	3368	12420
Money on current accounts	91191	11203	129753	15941
Other money means*	18299547	6700744	26037910	9534300
Total	**18393105**	**8576149**	**26171031**	**12202761**

*** The money means, which serves as guarantee (financial support) for contract as of 02nd of November year 2009 for issuance of guaranties and contract as of 28th of November year 2011 on issuance of LC by Unicredit Bank based on contract concluded between JSC "Rīgas kuģu būvētava" and Abeking & Rasmussen Schiffs- und Yachtwerft Aktiengesellschaft as of May 30th year 2008 on building and delivery of five patrol boats for needs of Latvian Ministry of Defense.**

Supplement to the balance sheet (continuation)

(30) 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 exchange market A/S NASDAQ OMX SECOND LIST. All the shares give equal rights for dividends receive, liquidation quotes and vote rights at the shareholders meeting. 1 share gives 1 vote right. The enterprise does not have shares that it held or anybody else on its behalf.

Amendments to the Statutes:

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

“Rīgas kuģu būvētava” JSC shareholders on the 31.12.2011

	31.12.2011 Ls	**%**	**31.12.2010 Ls**	**%**	**2011 year EUR**	**2010 year EUR**
“Remars-Rīga” JSC	5819194	49.86	5819194	49.86	8279967	8279967
Other limited companies	1957952	16.77	3335061	28.57	2785915	4745364
Private personae	3894961	33.37	2517852	21.57	5542030	3582581
Total	**11672107**	**100**	**11672107**	**100**	**16607912**	**16607912**

(31) Long term investments revaluation reserves

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
	8473199	8473199	12056273	12056273
Total	**8473199**	**8473199**	**12056273**	**12056273**

Revaluation reserve was established due to revaluation of floating docks, by certified external evaluator.

Supplement to the balance sheet (continuation)

(32) Loans from credit institutions (short-term)

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
	591482	3686407	841603	5245285
Total	**591482**	**3686407**	**841603**	**5245285**

The enterprise had concluded the Overdraft and guarantee line agreement Nr 2003 / 4 / OD / GA with JSC "Nordea Bank Finland Plc." On December 31st 2011 2 floating docks, two running new building project, all requirement rights belonging to the depositor, reserves and debtor debts had been pawned as a guarantee to the received loan. The balance value of pledged is Ls 24 824 212.

(33) Liability of leasing

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Long-term	95620	111395	136055	158501
Short-term	42420	42029	60358	59802
Total	**138040**	**153424**	**196413**	**218303**

The average yearly interest in SIA „Nordea Finance Latvija Līzings" is 4,39 %, SIA „Unicredit Leasing " is 4,85%.
The interest of Lease is shown as costs of report year.

(34) Advance payments received from buyers

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
For shipbuilding	113381818	29935783	161327792	42594782
For ship repair	377255	10937	536786	15562
Others	6298	2308	8961	3284
Total	**113765371**	**29949028**	**161873539**	**42613628**

Supplement to the balance sheet (continuation)

(35) Debts to suppliers and contractors

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Debts for services	912993	997450	1299073	1419244
Debts for materials	964750	334191	1372716	475510
Total	**1877743**	**1331641**	**2671789**	**1894754**

(36) Movement of tax liabilities in 2011 (Ls)

	Balance as at 01.01.2011 Ls	Calculated In 2011 Ls	Paid In 2011 Ls	Calculated Fine or Correction Ls	Refund In 2011 Ls	Deflected to other taxes Ls	Balance as at 31.12.2011 Ls
Social insurance payments	-152622	1336762		-817	259	1127674	55908
Residents income tax	-53325	767016	60174	2590		612265	43842
VAT	-150680	-3158927			1190267	-1739939	-379401
Real estate tax	257	104801	104843				215
Enterprise income tax	-46368	34620			1710		-10038
EIT for nonresident		2258			-1710		548
Risk tax	165	2030	2020	-15			160
Customs duty on import		305	305				
Natural resources tax	1976	19488	16519				4945
Total	**-400597**	**-891647**	**183861**	**1758**	**1190526**	**0**	**-283821**
Ink.							
Overpay tax	**402995**						**389439**
Debt tax	**2398**						**105618**

Supplement to the balance sheet (continuation)

Movement of tax liabilities in 2011 (EUR)

	Balance as at 01.01.2011 EUR	**Calculated In 2011 EUR**	**Paid In 2011 EUR**	**Calculated Fine or Correction Ls**	**Refund In 2011 EUR**	**Deflected to other taxes EUR**	**Balance as at 31.12.2011 EUR**
Social insurance payments	-217162	1902041		-1165	369	1604535	79548
Residents income tax	-75874	1091365	85620	3685		871175	62381
VAT	-214398	-4494748			1693597	-2475710	-539839
Real estate tax	366	149118	149178				306
Enterprise income tax	-65976	49261			-2433		-14282
EIT for nonresident		3213			2433		780
Risk tax	235	2888	2874	-21			228
Customs duty on import		434	434				
Natural resources tax	2811	27729	23504				7036
Total	**-569998**	**-1268699**	**261610**	**2499**	**1693966**	**0**	**-403842**

Ink.							
Overpay tax	**573410**						**554121**
Debt tax	**3412**						**150279**

(37) Other creditors

	2011 year Ls	**2010 year Ls**	**2011 year EUR**	**2010 year EUR**
Salary	193921	169447	275925	241101
Payments for deductions from salary	772	1007	1098	1433
Payments by return to personae	2240	5591	3188	7955
Payments for credit cards	2285	3171	3251	4512
Payments for debts to other enterprises	29095	33238	41402	47294
Total	**228313**	**212454**	**324864**	**302295**

(38) Unpaid previous years dividends

	Ls	**EUR**
31.12.2010.	**24659**	**35087**
Calculated		
Paid off	7	10
31.12.2011.	**24652**	**35077**

Supplement to the balance sheet (continuation)

(39) Next period income

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
Free of charge received base means had been formed that will be referred to PL incomings at the period of base means use.	834	2834	1187	4033
Total	**834**	**2834**	**1187**	**4033**

(40) Accrued liabilities

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
For services	355645	367023	506035	522229
Accruals for vocations	195015	194387	277481	276587
Total	**550660**	**561410**	**783516**	**798816**

(41) Transactions with associated parties

Associated Company or Associated Person	Type of relation	Sold Goods or Provided Services Ls	Acquired Goods or Received Services Ls	Other transactions Ls
JSC „Remars –Rīga"	Significant ascendancy	161520	1353186	0
JSC „Tosmares Kuģubūvetava"	Assoc.Comp.	339655	260	0
„Remars-Granula" Ltd.	Assoc.Comp.	377	0	554076
„Eiro Constructions" Ltd.		55657	24571	0
"Northsale Logistics" Ltd.	Related Comp.	1835	62372864	0
Total		**559044**	**63750881**	**554076**

Associated Company or Associated Person	Type of relation	Sold Goods or Provided Services EUR	Acquired Goods or Received Services EUR	Other transactions EUR
JSC „Remars –Rīga"	Significant ascendancy	229823	1925410	0
JSC „Tosmares Kuģubūvetava"	Assoc.Comp.	483286	370	0
„Remars-Granula" Ltd.	Assoc.Comp.	536	0	788379
„ Eiro Constructions" Ltd.		79193	34961	0
"Northsale Logistics" Ltd.	Related Comp.	2610	88748590	0
Total		**795448**	**90709331**	**788379**

(42) Events after the end of report period

In the period of time since the Report's last day till the day of signing the report by the board, no any exceptional or significant circumstances affecting annual results or the Company's financial statement as on December 31st of 2011.

(43) Out of balance obligations

The enterprise has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid through On August 31st year 2028. The Enterprise has the priority to extend the agreement term.

Supplement to the balance sheet (continuation)

General remarks

	2011 year Ls	2010 year Ls	2011 year EUR	2010 year EUR
(1) Year average number of employees				
Average number of employees	639	619		
(2) Personnel payments	**4843357**	**4503129**	**6891476**	**6407375**
- Salary	*3925258*	*3653229*	*5585139*	*5198076*
- Social tax	*918099*	*849900*	*1306337*	*1209299*
Total:				
Including:				
Salary of employees working in production (core business)				
- Salary	*3462010*	*3219918*	*4925996*	*4581531*
- Social tax	*811429*	*750282*	*1154560*	*1067555*
Total:	*4273439*	*3970200*	*6080556*	*5649086*
Payment for work of Administration				
- Salary	*49689*	*52846*	*70701*	*75193*
- Social tax	*11846*	*12671*	*16855*	*18029*
Total:	*61535*	*65517*	*87556*	*93222*
Remuneration of the Board				
- Remuneration	*238702*	*215217*	*339642*	*306226*
- Social tax	*56389*	*51846*	*80235*	*73770*
Total:	*295091*	*267063*	*419877*	*379996*
Remuneration of the Council				
- Remuneration	*174857*	*165248*	*248799*	*235127*
- Social tax	*38435*	*35101*	*54688*	*49944*
Total:	*213292*	*200349*	*303487*	*285071*

The annual report of year 2011 pages 1 to 37 we approve:

Chairman of the Board	***V. MELNIKS***
Member of the Board	***I.KOMAROVS***
Member of the Board	***L.ARTEMENKO***
Member of the Board	***I.RUDZATE***
Member of the Board	***E.BUKS***

April 26th, 2012

INDEPENDENT AUDITOR'S REPORT

To the shareholders of A/S „Rīgas kuģu būvētava"

Report on the Financial Statements

We have audited the accompanying financial statements of A/S „Rīgas kuģu būvētava" set out on pages 7 to 37 of the accompanying annual report, which comprise the balance sheet as of 31 December 2011 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and perform the audit to obtain reasonable assurance about 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 risks 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 made 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.

Explanation of opinion with objection

As it is mentioned in the supplement Nr. 14 of financial statement „Partnership in capital of associated companies", in the balance sheet of the enterprise is included investment in capital of associated company to the tune of LVL 843 365, which is a purchase expense of the investment. In the financial statement not recognized losses from this values of investments decrease. In our opinion this value of investments decreased but as the company management has not made an estimate of future cash flows from these investments we could not reliably determine the amount of damages that should be recognized as a result of depreciation.

Opinion with objection

In our opinion, except for possible influence of circumstances mentioned in „ Explanation of opinion with objection" paragraph, the financial statements give a true and fair view of the financial position of A/S „Rīgas kuģu būvētava" as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the Latvian law "On the Annual Report"

Report on Other Legal and Regulatory Requirements

We have read the management report as shown on the page 4 to 5 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 2011.

SIA " UHY Orients N" Member of the board
Licence No.28

Natalija Zaiceva
Certified Auditor of Latvia
Certificate No.138

Riga, Latvia
26 April 2012