

**Stock corporation's "Tosmare shipyard"
annual report of 2006**

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Information about the Company

Name of the Company	Stock company "Tosmare shipyard"
Legal status of the Company	Stock company
Registration number, place and date	210302283, 3 January 200, Company register, Liepaja. 42103022837, 12 May, 2004 Commercial register, Liepaja
Address	42/44G. Baloza Street, Liepaja, LV-3402
The main forms of Company's activities	Construction and repair of technological equipment, ships, yachts, catamarans, containers, roltrailers port services
Names, surnames and held positions of members of the board	
Alvils Pomerancis	Chairman of the board, Id. No. 160869-10810
Ivica Galic	Member of the board, Id. No. 190463-14655
Igor Komarovs	Member of the board, Id. No. 190463-14655
Names, surnames and held positions of members of the council	
Vasilij Melniks	Chairman of the council, Id. No.310867-10726
Sergejs Golicin	Vice-chairman of the council Id. No.250154-10952
Anatolijs Ustinovs	Member of the council, Id. No.010146-10964
Larisa Artemenko	Member of the council, Id. No. 030349-12926
Janis Davidovics	Member of the council Id. No.060363-10607 to 25 June 2006
Year of account	1 January 2006 - 31. December 2006
Name and address of the auditor	Natalija Zaiceva Certified auditor (LZRA certificate No.138) Company of certified auditors KSIA "ORIENTS N" LZRA License No.28 A.Caka Street 83/85-12 Riga LV-1011

AS "Tosmare shipyard"
Management's report
for report of activities of year 2006

AS "Tosmare shipyards" production activity in report year 2006 was successful. In year 2006 turnover in the company amounted the level of LVL 6 160 819, that made 94 % of year 2005 turnover level when it was LVL 6 567 827.

94 % from year 2006 turnover consisted of ship repair orders (5 984 290 LVL), 2,3 % made ship building orders (141 495 LVL), the rest - small repair orders.

The market of ship repair services in year 2006 was broad - Panama, Great Britain, Russia, Norway, Cyprus, Lithuania, Netherlands, Croatia and other. Ship repair orders in Latvia made 7,3 %.

In year 2006 profit from basic activity made 609 825 LVL, that is for 4,9 % or 28 430 LVL higher than the level of year 2005.

Net profit in year 2006 made 302 026 LVL or 4,9 % from the turnover, that is for 10 % or 27 400 LVL higher than the level of year 2005.

In year 2006 AS "Tosmare shipyard" management gave big attention to ship repair service market investigation, that is why it succeeded to keep the turnover amount level that was reached in year 2005 - over 6 million lats.

Besides, the level of shipbuilding turnover was lower than in the previous 2005 year. Coordination works of new shipbuilding object were made, and in year 2007 their accomplishment is already begun.

In the last 2006 report year the process of company's territory restructurization was finished, technological buildings that are not used for production were sold, in the result of what the tax for premises and buildings diminished for 4,6 thousand lats, recovery process of company's capacity continued, new canteen was built for company's employees, an office was equipped for ship building specialists, modernization of electrical transmission network took place and their reforming to heightened power from 6 kW to 10 kW.

In last 2006 report year for 7 % (or 2 persons) has decreased the average number of employees, that made 265 persons. Besides the load of basic production workers in total among the company did not decrease but increased for 2 %.

In report year the salaries of workers has increased in the company, the average monthly salary of one worker has increased for 17 % (not including administration) and makes 232 LVL.

Financial position of AS "Tosmare shipyard" was stable in year 2006.

In the period of time between the last day of annual report and when the board examines the annual report, there hasn't been any significant or extraordinary circumstances that would influence the annual results and company's financial standing.

The board suggests to pay dividends to share-holders for the year 2006 in amount of LVL 64067,94 that makes LVL 0,02 for one share, other earnings of the 2006 to invest in company's further development.

Chairman of the board
Member of board
Member of board

Alvils Pomerancis
Ivica Galic
Igor Komarovs

24 april of 2007 year

Announcement for management's responsibility.

Company's management is responsible for finance preparation, basing on the initial accounting register for each accounting period, that truly reflects the company's financial standing at the end of the year of account, as well as results of activities and cash flow for this period.

Management confirms that for compiling this report that ends at 31. December 2006, corresponding methods of accounting were used, their application was consequent, reasonable and cautious decisions were made. Management confirms that corresponding International Accounting standards were observed, and financial reports were compiled according to activity continuation principle.

Management is responsible for keeping of corresponding accounting registers, for company's means maintenance, as well as for prevention of deception and other unfair action.

Chairman of the board

/Alvils Pomerancis/

24 _april_ 2007

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BALANCE on 31. December 2006 and 2005		LVL		EUR	
	Appendix	2006	2005 (corrected*)	2006	2005
ACTIVE					
Long-term investments					
I. Intangible investments					
Company's development costs					
Concessions, patents, licenses, trade marks and similar rights					
Other intangible investments					
Intangible value of the company					
Advance payments for intangible investments					
Intangible investments total					
	(11)	9 980		14200	
II. Fixed assets					
Lands, buildings, constructions, perennial plantations					
Long-term investments in leased fixed assets					
Equipment and machines					
Other fixed assets and inventory					
Forming of fixed assets and costs of unfinished objects of construction					
Advance payments for fixed assets					
Fixes assets total					
	(12)	2 815 184	3 277 175	4005646	4663001
III. Investment property					
IV. Biological actives					
V. Long-term financial investments					
Participation in capital of related companies					
Loans to related companies					
Participation in capital of affiliated companies					
Loans to affiliated companies					
Other securities and investments					
	(13)	8 415	7 460	11973	10 615
Other loans and other long-term debtors					
Own stocks and shares					
Loans to shareholders or participants and management					
Long-term financial investments total					
		8 415	7 460	11973	10 615
Long-term investments total					
		2 833 579	3 284 635	4031819	4 673 616
Current assets					
I. Stocks					
Raw materials, direct materials and auxiliary materials					
Unfinished products					
Complete products and goods for sale					
Unfinished orders					
Advance payments for goods					
	(15)	425	2 980	605	4 240
Stocks totally					
		762 480	801 522	1084912	1 140 463
II. For selling held long-term investments					
III. Debtors					
Debts of customers and clients					
Accrued incomes					
Debts of associated companies					
Other debtors					
Undeposited shares in company's capital					
Short - term loans to joint owners and management					
Next periods costs					
	(18)	10 724	11 652	15259	16 579
Debtors total					
		1 592 135	702 373	2265404	999 386
IV. Short-term financial investments					
Participation in capital of related companies					
Own stocks and shares					
Other securities and participation in capitals					
Derivative financial instruments					
Securities and participation in capitals total					
	(19)	196 766	8 994	279973	12 797
Current assets total					
		2 551 381	1 512 889	3630289	2 152 646
Actives total					
		5 384 960	4 797 524	7662108	6 826 262

*Explanation was given in the clause "Correction of previous years", page No.10.

Chairman of the board

/Alvils Pomerancis/

Member of board

/Ivica Galic/

Member of board

/Igors Komarovs/

24 april 2007

*AS "Tosmare shipyard"
annual report of 2006*

BALANCE on 31. December 2006 and 2005

	Appendix	LVL (corrected*)		EUR	
		2006	2005	2006	2005
<u>PASSIVE</u>					
I. Equity capital					
Stock or share capital (equity capital)	(20)	3203397	3 203 397	4558023	4 558 023
Stock issue extra charge					
Long - term investment reestimation reserve					
Financial instruments reestimation reserve					
Reserves:					
reserves prescribed by law					
reserves for own stocks and shares					
reserves prescribed by company's statutes					
other reserves					
Retained profit					
retained profit of previous years		69649	(204 977)	99102	(291 656)
retained profit of the year of accountant		302 026	274 626	429744	390 758
retained profit, amount		371 675	69 649	528846	99 102
Equity capital total		3 575 072	3 273 046	5086869	4 657 125
II. Provisions					
Provision for pensions and similar obligations					
Provision for prospective taxes					
Other provisions					
Provisions total		0	0		
III. Creditors					
I. Long-term debts to creditors					
Borrowings from credit institutions					
Other borrowings					
Leasing liabilities	(21)		11779		16 760
From customers received borrowings					
Debts to suppliers and contractors					
Debts to related companies					
Debts to associated companies					
Tax and social security payments					
Other creditors					
Deferred income liabilities	(22)	171 147	116 603	243520	165 911
Unpaid dividends					
Next periods incomes					
Long-term debts to creditors total		171 147	128 382	243520	182 671
II. Short-term debts to creditors					
Borrowings from credit institutions	(23)	833 092	909 171	1185384	1 293 634
Other borrowings					
Leasing liabilities	(24)	11 779	22 713	16760	32 317
From customers received borrowings		20 284	53 470	213730	76 081
Debts to suppliers and contractors		515 409	284 596	733361	404 944
Debts to related companies					
Debts to associated companies			34 220		48 691
Tax and social security payments	(25)	47 445	534	67508	760
Other creditors	(26)	44 896	61 012	63881	86 812
Next periods incomes					
Unpaid dividends					
Accrued liabilities	(27)	35 910	30 380	51095	43 227
Derivative financial instruments					
Short-term debts to creditors total:		1 508 815	1 396 096	2331719	1 986 466
Creditors total:		1 679 962	1 524 478	2575239	2 169 137
Passives total		5 255 034	4 797 524	7662108	6 826 262

*Explanation was given in the clause "Correction of previous years", page No.10.

Chairman of the board
Member of board
Member of board

/Alvils Pomerancis/
/Ivica Galic/
/Igor Komarovs/

24 april 2007

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CASH FLOW STATEMENT

for years 2006 and 2005 (according to direct method)

	LVL		EUR	
	2006	2005	2006	2005
I. Cash flow of basic activity				
Incomes from selling the products and rendering of services	5 242 109	6 024 248	7458849	8571733
Payments to suppliers, employees, other basic activity expenses	5 263 655	5 980 212	7489506	8509075
Other company's basic activity incomes or expenses				
Gross cash flow of basic activity	(21 546)	44 036	(30 657)	62 658
Expenses for interest payments	38 258	39 685	54436	56 467
Expenses for company's income tax payments				
Cash flow before extraordinary items	(59 804)	4 351	(85 093)	6 191
Cash flow from extraordinary items				
Net cash flow of basic activity	(59 804)	4 351	(85 093)	6 191
II. Cash flow of investment activity				
Acquisition of stocks or shares of related or associated companies				
Incomes from detinue of stocks or shares of related or associated companies				
Acquisition of fixed assets and intangible investments	140 376	295 813	199737	420904
Incomes from selling fixed assets and intangible investments	486 744	92 557	692574	131697
Issued loans				
Incomes from repayment of loans				
Received interests				
Received dividends				
Net cash flow of investment action	346 368	(203 256)	492 837	(289 207)
III. Cash flow of financing action				
Incomes from shares and bonds or capital participation stock investments				
Received loans		204 140		290465
Received subsidies, grants, gifts or donations				
Expenses for repayment of loans	76 079		108251	
Expenses for ransom of leased fixed asset	22713		32318	
Paid dividends				
Net cash flow of financing action	(98 792)	204 140	(140 569)	290 465
IV. Result of foreign exchange rate fluctuations				
Net increase or decrease of cash and its equivalents	187 772	5 235	267 175	7 449
Cash and its equivalents residue at the beginning of the year of account	8 994	3759	12797	5348
Cash and its equivalents residue at the end of the year of account	196 766	8 994	279 972	12797

Chairman of the board /Alvils Pomeranc
 Member of board _____/Ivica Galic/
 Member of board _____/Igors Komarovs/
 24 april 2007

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EQUITY CAPITAL CHANGE REPORT

for years 2006 and 2005

	Stock or share capital	Reserves prescribed by law	reestimanuon reserve of long- term investments	Other reserves	Retained profits	Total
	LVL	LVL	LVL	LVL	LVL	LVL
Residue on 31.12.2004	3 203 397				(204 977)	2 998 420
Increase/decrease of stock or share						0
Increase of reestimation reserve						0
Decrease of reestimation reserve						0
Calculated dividends for year 2004						0
Net profit or loss of accounting period (corrected*)					274 626	274 626
Residue on 31.12.2005(corrected*)	3 203 397	0	0	0	69 649	3 273 046
Increase/decrease of stock or share						0
Increase of reestimation reserve						0
Decrease of reestimation reserve						0
Calculated dividends for year 2005						0
Net profit or loss of accounting period					302 026	302 026
Residue on 31.12.2006	3 203 397	0	0	0	371 675	3 575 072
*Explanation was given in the clause "Correction of previous years", page No.9.						
	EUR	EUR	EUR	EUR	EUR	EUR
Residue on 31.12.2004	4 558 023				(291 656)	4 266 367
Increase/decrease of stock or share						0
Increase of reestimation reserve						0
Decrease of reestimation reserve						0
Calculated dividends for year 2004						0
Net profit or loss of accounting period					390 758	390 758
Residue on 31.12.2005	4 558 023	0	0	0	99 102	4 657 125
Increase/decrease of stock or share						0
Increase of reestimation reserve						0
Decrease of reestimation reserve						0
Calculated dividends for year 2005						0
Net profit or loss of accounting period					429 744	429 744
Residue on 31.12.2006	4 558 023	0	0	0	528 846	5 086 869

EPS on 31.12.2006. LVL (302 026 : 3203397) = 0,0943 LVL or 0,1342 EUR;

EPS on 31.12.2005. LVL (274 626 : 3203397) = 0,0857 LVL or 0,1219 EUR;(corrected*)

*Explanation was given in the clause "Correction of previous years", page No.10.

Chairman of the board /Alvils Pomerancis/

Member of board /Ivica Galic/

Member of board /Igor Komarovs/

Appendix from 10. to 20 page is an itegral part of this annual report.

24 april 2007

APPENDIX

(1) General principles

Annual report is prepared according to laws of the Republic of Latvia "About book-keeping", "About annual report" and by the Republic of Latvia Treasury Department Accounting council issued Latvia accounting standards that are to be applied in the year of account.

Profit or loss statement is composed according to turnover outlay scheme.

Cash flow statement is composed according to direct method.

Comparing with previous year of account, accounting and evaluation methods used by the Company has not been changed.

Annual report has been prepared on the base of activity continuation conception.

According to company's 03.10.2006. direction No.129 a stocktaking of items was carried out.

The supplemented financial statements have been compiled in national currency of Latvia - lats (LVL).

(2) Acknowledgement of incomes and net turnover

Net turnover includes the value of rendered services in the year of account (value of sold production), excepting value added taxes and with selling connected discounts.

Other incomes are acknowledged as following:

- incomes from rent – at the moment of their emergence;
- incomes from fines and delay payments – at the moment of receipt;
- dividends – at the moment when legal rights on them arise.

(3) Long-term contract.

Contract about formation an active and performed actions because of the character the beginning and ending date of contract fulfillment is in different

accounting periods. Incomes from long-term contracts are acknowledged according to accomplishment level. Accomplishment level is defined

having inspected the result of the work done and establishing the completion of physically definable part of work.

According to the standard the following sums are explained in the report.

	LVL	EUR
With contract connected incomes that are acknowledged as incomes.	190 902	271 629
Expenses connected with the contract.	190 532	271 103
Received advance payments.	149 240	212 349
Gross profit.	370	526

(4) Correction of previous years.

Considering that from 1 January 2006 LR accounting standard "Long-term contracts" comes into force, in year 2006

accounting policy in relation to the evaluation of long-term contracts was changed corresponding to the requirements of the mentioned standard.

According to 8. LGS requirements of such kind has to be corrected retrospectively. In the result in the financial statements of 2005 were made following corrections.

	Initial residue		Correction		Corrected residue	
	LVL	EUR	LVL	EUR	LVL	EUR
<u>P/L calculation items</u>						
Net turnover	6 546 487	9314812	21 340	30364	6 567 827	9345176
Production costs of sold output	5 925 648	8431437	60 784	86478	5 986 432	8517925
Annual income	314 070	446881	39 444	56124	274 626	390758
<u>Balance items</u>						
Unfinished products	60 784		-60 784			
Accrued incomes			21 340		21 340	
Retained profit of the year of account*(Equity capital)	109 093		39 444		69 649	

(5) Foreign currency's reestimation in lats

Company's accounting has been made in Latvian lats. All operations in foreign currencies are reestimated in lats according to official currency rate defined by the Bank of Latvia in the corresponding day of operation.

Monetary instruments, as well as debtors and creditors in foreign currencies at the end of year are recalculated in lats according to the official currency exchange rate defined by the bank of Latvia in the last day of accounting year.

The gained profit or loss from foreign currency exchange rate fluctuations are reflected in profit or loss statement of the corresponding period in net value.

	31.12.2006.	31.12.2005.
	LVL	LVL
1 USD	0.5360	0.5160
1 EUR	0.7028	0.7028

(6) Intangible investments

Intangible investments are estimated according to their initial expense value, excepting the accrued depreciation. Depreciation is calculated according to linear method.

(7) Fixed assets and low-grade inventory

Fixed assets are estimated according to their initial expense value or reestimated initial value, excluding accrued depreciation.

	Years	%
Buildings, constructions	33.3	3
Equipment and technical utilities	10	10
Furniture and office machines	10	10
Computers and facilities	4	25
Vehicles	10	10
Instruments and inventory	10	10

The depreciation of fixed assets is started to calculate with the first day of next month after its commissioning and is finished with the first day of next month after its exclusion from fixed assets.

Company capitalizes fixed assets whose value exceeds LVL 50 and the period of useful utilization exceeds 1 year.

Reestimating the fixed assets, their value increase is reflected as movement in long-term investment reestimation reserve. To incomes in profit or loss statement is applied to fixed assets liquidation.

For calculation of company's income tax the fixed assets calculation is calculated according to requirements and rates of LR law "About company's income tax" 13.paragraph.

Low-grade inventory is entered in purchase prices and in expenses written off for 100% after commissioning.

(8) Long-term investments in leased fixed assets

Expenses of leased fixed assets overhaul are written off according to linear method rate in time of the period.

(9) Rate with ransom (financial leasing)

In cases when fixed assets that are obtained in lease with ransom (financial leasing) in relation to what all risks and liabilities pass over to the company, that is characteristic to ownership, is considered as company's actives at such value as they could be acquired for spot cash. Leasing interest payments and similar payments are included in profit or loss statement of the period when they have arisen.

(10) Lease without rights of ransom (operative leasing)

In cases when fixed assets are leased on lease provisions without rights on ransom, lease payments and prepayments for lease are included in profit or loss statement according to linear method in the period of lease.

(11) Stocks

Stocks are reflected at the lowest market or purchase value, using the FIFO (weighted average) method. In case of necessity the value of obsolete, slow turnover or damaged stock is written off.

In prime costs of produced goods are included the costs of used raw materials and materials and other expenses that are directly connected with production of corresponding object.

(12) Debtors

Debtors are estimated observing the principle of caution showing in balance sheet only the actual debtors. The actual sums of debtors conform with the ones shown in contracts and other accounting original documents. A comparison of debtors has been made and hopeless debts are written off, provisions for suspicious debtors was formed as well (or provisions has not been formed), on the base of evaluation of separate client financial standing and economic activity, considering the repayment of debt according to the concluded agreement (or otherwise – explain).

(13) Accrued incomes.

Incomes from ship building orders according to the level of their accomplishment.

(14) Investments in sister or associated companies

Investments in sister or associated companies are listed according to prime cost method. According to this method the value of investments is formed from participation acquisition value and with acquisition connected expenses.

(15) Other investments

Long-term investments, excluding investments in holding company's sister or associated companies, are listed at acquisition value that is corrected in cases of their permanent value increase or decrease.

(16) Cash and cash equivalents

For cash flow statement purposes cash and cash equivalents consist of residues in cash-desk, current bank account residues and short-term deposits with term to 90 days.

(17) Provisions for not used holidays

Provisions for not used holidays are estimated multiplying the average daily earnings of a worker for the last six month of the year of account with accrued number of days of not used holidays at the end of the year of account.

(18) Company's income tax

Company's income tax is calculated according to the tax legislation of Republic of Latvia. The legislation in force in year 2006 and in future sets a tax rate of 15%.

(19) Deferred company's income tax

Deferred company's income tax is calculated according to liability method in relation to all interim differences between active and liability values in financial statements and their values for tax calculation purposes. In deferred tax calculations a tax rate is used that is prospective in periods, when interim difference equalizes. Interim differences mainly arise using different depreciation rates of fixed assets, as well as from tax losses that are to be posted on next taxation periods. In cases when the deferred tax calculation result should be reflected in balance active, it is included in financial statement only then when it is anticipated that a profit imposable with tax shall be available, to that it will be possible to relate the deductible interim differences that formed the deferred tax active.

(20) Grants

For fixed assets formation received grants are regarded as next periods incomes, that gradually includes the in incomes received of for grants acquired fixed assets in useful utilization time of period. Other grants are related to results of the year of account in the period of grant receipt.

(21) Use of calculations

Preparing the financial statements, company's management has to make calculations and assumptions that influence the actives and passives shown in statements and off-balance for the day of statement preparation, as well as shown incomes and expenses of accounting period. The actual results can differ from these calculations.

(22) Reclassification

For 2005 year's comparative parameters single item classification was changed in case of necessity, so that it would correspond to item classification used in year 2006.

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**Financial statement appendixes
Appendixes to profit or loss statement**

<u>(1) Net turnover</u>	LVL		EUR	
	(corrected*)		(corrected*)	
	2006	2005	2006	2005
Incomes from ship building	141 495	807 455	201 329	1 148 905
Incomes from ship repair services	5 984 290	5 723 416	8 514 878	8 143 687
Other incomes	35 034	36 956	49 849	52 584
Total	6 160 819	6 567 827	8 766 056	9 345 176

Per geographic regions

Incomes from service selling in local market	446 486	143 296	635 292	203 892
Incomes from service selling to				
USA		183 059		260 469
Austria		807 455		1 148 905
Russia	1 463 007	1 821 040	2 081 671	2 591 106
Norway	283 171	21 637	402 916	30 787
Malta	406 168	751 120	577 925	1 068 747
Estonia	1 427	2 151	2 030	3 061
Saint Vincent	441 005	625 289	627 494	889 706
Great Britain	521 549	301 609	742 097	429 151
Cyprus	435 993	459 225	620 362	653 418
Lithuania	293 694	12 905	417 889	18 362
Netherlands	186 076	160 929	264 762	228 981
Belize		134 648		191 588
Georgia	60 047	10 365	85 439	14 748
Antigua Burbuda	30 607	290 181	43 551	412 890
Dominica		486 612		692 387
Liberia		89 503		127 351
Barbados	422	109 496	600	155 799
Bahama Islands		140 440		199 828
Croatia	171 528		244 063	
Cambodia	142 497		202 756	
Faroe Islands	141 495		201 329	
Panama	921 469		1 311 132	
Germany	164 299		233 776	
Sweden	49 879		70 972	
other		16 867		24 000
	6 100 772	6 567 827	8 766 056	9 345 176

(2) Production costs of sold goods

Material purchase costs	1 226 750	1 693 433	1 745 508	2 409 538
Employees salary	694 019	710 600	987 500	1 011 093
Social insurance costs	162 766	162 783	231 595	231 619
Electricity costs	146 169	237 953	207 980	338 577
Depreciation of fixed assets	254 016	260 189	361 432	370 216
Contagent's services	2 753 997	2 527 917	3 918 585	3 596 902
Running repairs of equipment	69 483	68 134	98 865	96 946
Running repairs of buildings	24 817	69 956	35 311	99 537
Security staff	28 288		40 251	
Thermal energy's costs		366		520
Lease payment	27 640	58 213	39 328	82 830
Services from outside	158 961	191 944	226 181	273 112
Other costs	4 088	4 944	5 817	7 035
Total	5 550 994	5 986 432	7 898 353	8 517 925

*Explanation was given in the clause "Correction of previous years", page No.9.

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(3) Selling costs

Media advertising expenditures	40 114	32 191	57 077	45 804
Business trips	26 878	6 540	38 244	9 305
Other selling costs				
Total	66 992	38 731	95 321	55 109

Appendixes to profit or loss statement (continuation)

(4) Administration costs

	LVL		EUR	
	2006	2005	2006	2005
Communication costs	6 714	4 461	9553	6347
Annual report's costs	3 000	2 400	4269	3415
Administration's salaries	16 755	14 774	23840	21022
Reward for the board	32 891	18 928	46800	26932
Reward for the council	42 539	4 625	60528	6581
Social insurance costs	21 880	9 208	31132	13102
Office maintenance costs	3 170	4 225	4511	6012
Stock exchange costs	5 000	5 000	7114	7114
Lawyer's services	7 452	18 413	10603	26199
Transport costs, business trips	11 656	9 213	16585	13109
Bank services	5 427	9 199	7722	13089
Representation expenses	4 991	5 893	7 101	8 385
Total	161 475	106 339	229 758	151 307

(5) Other incomes from company's economic activity

Incomes from realization of materials	18 810	25 863	26764	36799
Incomes from selling the fixed assets	547 603	55 574	779168	79075
Incomes from rent	31 294	53 109	44527	75568
Net incomes from exchange rate fluctuations		91 873		130724
Incomes from tugboat's services	43 943	51 084	62525	72686
Other incomes	2 661	53	3 786	75
Total	644 311	277 556	916 770	394 927

(6) Other expenses from company's economic activity

Written off bad debtors	30138	15 050	42882	21414
Accrued liabilities (holiday reserves)	4030		5734	
Fixed assets exclusion expenses	506 887	30 990	721235	44095
Material purchase expenses	4121	15 061	5864	21430
Personnel expenses (material assistance)	1835		2611	
Costs for tugboat rent	5400	6 269	7684	8920
Donations	4530	2 415	6446	3436
Gifts to employees	7027	6 925	9999	9854
Net losses from exchange rate fluctuations	27140	215 464	38616	306578
Maintenance expenses of leased fixed assets	533	2 308	758	3284
Other expenses		701		997
Total	591641	295 183	841 829	420 008

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(7) **Other interest incomes and similar incomes**

Interest incomes for deposits				
Bank rates		76		108
Interest incomes for loans				
Received fines				
Other incomes				
Total		76	0	108

(8) **Interest payments and similar expenses**

Paid interests	38 258	39 685	54436	56467
Paid fines	154	1 278	219	1818
Other expenses	168		239	
Total	38 580	40 963	54 894	58 285

Appendixes to profit or loss statement (continuation)

-9 **Liability calculation of deferred tax:**

Deferred tax liabilities:

Difference between fixed assets remained value in financial accounting and tax needs	1 354 241	1 439 971	1926911	2048894
--------------------------------------------------------------------------------------	-----------	-----------	---------	---------

Deferred tax actives:

Accruals for holidays	34 410	30 380	48961	43227
Accruals for provisions				
Other interim differences		15 050		21414
Accrued tax losses	178 850	617 185	254 481	878 175
Total interim differences	1 140 981	777 356	2 230 353	2 991 710

Deferred tax liabilities/(active), rate 15%	171 147	116 603	243 520	165 911
---------------------------------------------	---------	---------	---------	---------

Unapproved active of deferred tax

Deferred tax liabilities	171 147	116 603	243 520	165 911
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(10) **Other taxes**

Immovable property tax for land	17 473	17 765	24862	25277
Immovable property tax for buildings and constructions	21 481	26 021	30 565	37 025
Total	38 954	43 786	55 427	62 302

Appendixes to balance sheet on 31.12.2006.

(10) **Intangible investments**

	Concessions, Ls	Research work Ls	Other Ls	Company's intangible Ls	Advance payments for Ls	Total Ls
Undepreciated value						
31.12.2005.						0
Purchased			10 326			10 326
Written off						0
Reestimated						0
31.12.2006.	0	0	10 326	0	0	10 326
Depreciation						
31.12.2005.						0
Calculated			346			346
Written off						0
31.12.2006.	0	0	346	0	0	346
Residual value	0	0	0	0	0	0
Residual value	0	0	9 980	0	0	9 980

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	EUR	EUR	EUR	EUR	EUR	EUR
Undepreciated value						
31.12.2005.						0
Purchased			14 692			14 692
Written off						0
Reestimated						0
31.12.2006.	0	0	14 692	0	0	14 692
Depreciation						
31.12.2005.						0
Calculated			492			492
Written off						0
31.12.2006.	0	0	492	0	0	492
Residual value	0	0	0	0	0	0
Residual value	0	0	14 200	0	0	14 200

(12) Fixed assets

	Land, buildings, constructions	Equipment and machines	Long-term investments in leased fixed assets	Other fixed assets and inventory	Formation of fixed assets	Advance payments for fixed assets	Unfinished construction works	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls	Ls
Undepreciated value								
31.12.2005.	2 417 485	1 726 684		62 785			50 168	4 257 122
Purchased	106 862	208 382		35 855			126 217	477 316
Written off	640 149	4 348		6 115			176 385	826 997
Reestimated								0
31.12.2006.	1 884 198	1 930 718	0	92 525	0	0	0	3 907 441
Depreciation								
31.12.2005.	413 639	537 465		28 843				979 947
Calculated	62 320	182 281		9 068				253 669
Written off	134 192	1 686		5 481				141 359
31.12.2006.	341 767	718 060	0	32 430	0	0	0	1 092 257
Residual value	2 003 846	1 189 219	0	33 942	0	0	50 168	3 277 175
Residual value	1 542 431	1 212 658	0	60 095	0	0	0	2 815 184

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	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Undepriciated value								
31.12.2005.	3 439 771	2 456 850		89 335			71 383	6 057 339
Purchased	152 051	296 501		51 017			179 590	679 159
Written off	910 850	6 186		8 701			250 973	1 176 710
Reestimated								0
31.12.2006.	2 680 972	2 747 165	0	131 651	0	0	0	5 559 788
Depreciation								
31.12.2005.	588 555	764 744		41 040				1 394 339
Calculated	88 674	259 362		12 903				360 939
Written off	190 938	2 399		7 799				201 136
31.12.2006.	486 291	1 021 707	0	46 144	0	0	0	1 554 142
Residual value	2 851 216	1 692 106	0	48 295	0	0	71 383	4 663 000
Residual value	2 194 681	1 725 458	0	85 507	0	0	0	4 005 646

Appendixes to balance sheet (continuation)

(13) Other expenses and other long-term debtors

LVL

	31.12.2005.	Issued loan in year 2006	Repaid loan in year 2006	Posted loan to short-term in year 2006	Formed accruals in year 2006	31.12.2006.	Date of the contract	Term of payment
A.Sergeev	3 730	478				4 208	08.08.2002.	2022.
K.Mališenko	3 730	477				4 207	08.08.2002.	2022.
Total	7460	955	0	0	0	8415		

EUR

	31.12.2005.	Issued loan in year 2006	Repaid loan in year 2006	Posted loan to short-term in year 2006	Formed accruals in year 2006	31.12.2006.	Date of the contract	Term of payment
A.Sergeev	5307	680				5987	08.08.2002.	2022.
K.Mališenko	5307	679				5986	08.08.2002.	2022.
Total	10614	1359	0	0	0	11973		

(14) Raw materials, direct materials and auxiliary materials

	LVL		EUR	
	2006	2005	2006	2005
1. Metal	545 828	587 697	776643	836218
2. Abrasive	15 841	64 769	22 540	92 158
3. Pipes	92 107	42 157	131 057	59 984
4. Non-ferrous metals	27 359	23 554	38 928	33 514
5. Products of technical rubber	30 129	20 989	42 870	29 865
6. Other expenses	50 791	59 376	72 269	84 484
Total	762 055	798 542	1 084 307	1 136 223

(15) Advance payments for goods

	LVL		EUR	
	2006	2005	2006	2005
Materials	425	2 980	605	4240
Total	425	2 980	605	4 240

(16) Names of purchasers and customers

	LVL		EUR	
	2006	2005	2006	2005
Accounting value of purchaser's and clients' debts	1 298 470	471 356	1847556	670679
Accruals for doubtful debts of purchasers and clients				
Net debts of purchasers and clients	1 298 470	471 356	1 847 556	670 679

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(17) Other debtors	LVL		EUR	
	2006	2005	2006	2005
VAT accepted	17 759	15 081	25269	21458
In budget overpaid taxes or tax advance payments	29 344	49 855	41753	70937
Advance payment persons debts	2 057	2 924	2927	4161
Advance payments for services	42 846		60964	
Claims according to rulings of the Court				
Other debtors	33		47	
Total	92 039	67 860	130 960	96 556

(18) Expenses of next periods	LVL		EUR	
	2006	2005	2006	2005
Property insurance	1 428		2 032	
Subscription to press	231		329	
Employees insurance	4 806	4 816	6 838	6 852
Other expenses of next periods(participation in exhibition)	4 259	6 836	6 060	9 727
Total	10 724	11 652	15 259	16 579

(19) Cash	LVL		EUR	
	2006	2005	2006	2005
Money in cash-desk	2 079	1 039	2 958	1478
Money in current accounts	193 632	7 955	275 514	11319
Deposit on request	1 055		1 501	
Money on the way				
Total	196 766	8 994	279 973	12 797

(20) Information about company's own shares and total stock

The issued and totally paid Company's equity capital consists of 3 203 397 stocks with nominal value LVL 1 for one stock.

Appendixes to balance sheet (continuation)

(21) Other loans (long-term)

Total long-term loan		11779		16760
Short-term part				
Long-term part, net, excluding short-term part	0	11 779	0	16 760

(22) Deferred tax liabilities

Deferred tax liabilities at the beginning of year	116603	57279	165911	81501
Deferred tax liability increase in the year of account	54 544	59 324	77 609	84 410
Total	171 147	116 603	243 520	165 911

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

Total	833092	909171	1185384	1293634
Total	833 092	909 171	1 185 384	1 293 634

Appendixes to balance sheet (continuation)

	Short-term	Short-term part	Currency	Terms	Annual % rate
			833092 EUR	07.06.2007	4.3
Total	0	833092			

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(24) Leasing liabilities

	Ls		EUR	
	2006	2005	2006	2005
I. Short-term part of leasing liabilities				
2007	11779	22 713	16760	32 318
Interest liabilities	205	1 551	292	2 207
Total short-term part of leasing liabilities	11984	24 264	17052	34 525
II. Long-term part of leasing liabilities				
Total long-term part of leasing liabilities		11 779		16 760
Total leasing liabilities	11984	36 043	17 052	51 285

Average annual interest rate for liabilities to (name) Leasing is 2,700 %. Leasing liabilities contain property redemption value adding value added tax. Leasing interests are shown as expenses of year of account. Long-term interest payment part makes 1346_LVL.

(25) Movement of tax liabilities in 2006

	01.01.2006.	Calculated in 2006	Calculated fine and delay payment	(Paid)/ repaid	Posted to/ (from) other taxes	31.12.2006.
	LVL	LVL	LVL	LVL	LVL	LVL
Value added tax	(43 254)	305 531			286 879	(24 602)
Population income tax	(3 705)	159 150	92	65 428	64 079	25 938
State social insurance compulsory payments	(2 896)	253 596		8 757	221 012	20 931
Company's income tax						0
Immovable property tax (land)		17 473	25	17 473		0
Immovable property tax (buildings)		21 437	31	26 179		(4 742)
Tax of natural resources	445	2 626	4	2 558		513
Risk duty of business	89	807	2	444	388	64
Total	(49 321)	760 620	154	120 839	572 358	18 102

incl.:

Debt to budget	534	47 445
Overpayment	(49 854)	(29 344)

	01.01.2006.	Calculated in 2006	Calculated fine and delay payment	(Paid)/ repaid	Posted to/ (from) other taxes	31.12.2006.
	EUR	EUR	EUR	EUR	EUR	EUR
Value added tax	(61 545)	434 731			408 192	(35 006)
Population income tax	(5 272)	226 450	131	93 096	91 176	36 906
State social insurance compulsory payments	(4 121)	360 835		12 460	314 472	29 782
Company's income tax						0
Immovable property tax (land)		24 862	35	24 862		0
Immovable property tax (buildings)		30 502	44	37 249		(6 747)
Tax of natural resources	633	3 736	6	3 639		730
Risk duty of business	127	1 148	3	632	552	91
Total	(70 178)	1 082 264	219	171 938	814 392	25 756

incl.:

Debt to budget	760	67 508
Overpayment	(70 936)	(41 753)

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(26) Other creditors

	LVL		EUR	
	2006	2005	2006	2005
Salary	41820	31817	59505	45271
Deductions from salary	1 020	1 068	1 451	1 520
Other creditors	2 056	28 127	2 925	40 021
Total	44 896	61 012	63 881	86 812

Appendixes to balance sheet (continuation)

(26) Accrued liabilities

	LVL		EUR	
	2006	2005	2006	2005
Accruals for holiday grants	34410	30380	48961	43227
Other accruals	1 500		2 134	
Total	35 910	30 380	51 095	43 227

General remarks

	Ls		EUR	
	2006	2005	2006	2005
(1) The annual average number of employed ones				
The average number of persons employed by the company in the year of account	265	291		
(2) Personnel expenses total	986208	850 002	1403248	1 209 444
- salary	801562	690 893	1140520	983 052
- social tax	184646	159 109	262728	226 392
- including:				
Salary of persons engaged in production (basic activity)				
- salary	709377	652 566	1009353	928 518
- social tax	162766	149 901	231595	213 290
- total	872143	802 467	1240948	1 141 808
Administration's salary				
- salary	16755	14 774	23840	21 022
- social tax	3976	3 555	5657	5 058
- total	20731	18 329	29497	26 080
Reward to the board				
- reward	32891	18 928	46800	26 932
- social tax	7805	4 543	11105	6 464
- total	40696	23 471	57905	33 396
Reward to the council				
- reward	42539	4 625	60528	6 581
- social tax	10099	1 110	14369	1 579
- total	52638	5 735	74897	8 160

We confirm the annual report of the year 2006 from 1 to 20 page:

Chairman of the board _____/Alvils Pomerancis/
 Member of the board _____/Ivica Galic/
 Member of the board _____Igors Komarovs

24 april 2007



INDEPENDENT AUDITOR'S REPORT

To the shareholder of Tosmares kuģubūvētava A/S

Report on the financial statements

We have audited the accompanying financial statements (page 4 to 19) of Tosmares kuģubūvētava 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 the Latvian law "On the Annual Report". 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 Tosmares kuģubūvētava A/S as of 31 December 2006, 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 the management report

We have read the management report as shown on the page 3 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

Natālija Zaiceva
Sworn Auditor
Certificate No.138

Riga, Latvia
24 April 2007

