

JSC “TOSMARE SHIPYARD”
Financial statement for 6 months in 2006
(not audited)

Liepaja, 2006

JSC "Tosmare Shipyard"
Financial statement for 6 months in 2006

Contents

	Page
Information on the company	3
Directorate report	4
Calculation of profits or losses	5
Balance	6
Cash flow report	8
Equity changes report	9
Appendixes	10

JSC "Tosmare Shipyard"
Financial statement for 6 months in 2006

Information on the company

Name of the Company	Joint Stock Company "Tosmares kuģubūvētāva"
Legal status of the company	Joint Stock Company
<i>Incorporation Number, place and date</i>	210302283, January 3 rd 2000, Enterprise Register, Liepaja 42103022837, May 12 th 2004, commercial register, Liepaja
Address	Ģ.Baloža Street 42/44, Liepāja , LV – 3402
Stock capital of the Enterprise	Ls 3 203 397
Main types of activities of the enterprise	- construction and repairs of ships, yachts, catamarans, rolltrailers and technological equipment - port services
Names, surnames and positions of the members of the board	
Alvils Pomerancis	Chairman of the board
Ivica Galich	Member of the board,
Igors Komarovs	Member of the board,
Names, surnames and positions of the councillors	
Vasilijs Melniks	Chairman of the council,
Sergejs Golicins	Vice-chairman of the council,
Anatolijs Ustinovs	Member of the council,
Larisa Artemenko	Member of the council,
Janis Davidovich	Member of the council, till 25 June
Chief accountant	Galina Kuzmina, phone 34-01-923
Accounting period	January 1 st 2006 – June 30 th 2006
Tax authority	SRS Kurzeme Regional institution Liepaja department
Auditor's name and address	Natalija Zaiceva, identity number 140366-10722 Cerified Audotor (Latvian Association of Certified Auditors (LACA) certificate No 138) Certified audotirs' firm KSIA "ORIENTS N" LACA Licence No 28

"TOSMARE SHIPYARD" JSC Directorate statement
2006. On six months report

In the past first half of 2006 "Tosmare Shipyard" JSC's total net turnover made up Ls 2 274 225 compared to the same period in 2005 - Ls 3 531 907.

Profit in the present period of 2006 it is Ls 38 125 compared to the same period in 2005 - Ls 190 384.

Decrease of net turnover equal to Ls 1 258 thousands compared to the same period in 2005 is due to decrease in ship repair orders, and that during this period there were no shipbuilding orders, but in June 2005 two ferries were delivered to the customer.

At present building of a new ship is commenced after the agreement was signed.

2006. August 31st

JSC "TOSMARE SHIPYARD"
Chairman of the board of directors

A. Pomerancis

JSC "Tosmare Shipyard"
Financial statement for 6 months in 2006

Calculation of profits or losses for 2006 6 months and 2005 6 months

		2006 6 months	2005 6 months	2006 6 months	2005 6 months
		Ls	Ls	EUR	EUR
Net turnover	1	2 274 225	3 531 907	3 235 930	5 025 451
Sold production operating costs	2	2 216 571	3 163 954	3 153 896	4 501 901
Gross profit or losses		57 654	367 953	82 034	523 550
Selling costs	3	12 612	3 996	17 945	5 686
Administration costs	4	66 743	56 231	94 967	80 009
Other income of enterprise business activity	5	642 842	99 076	914 682	140 972
Other costs of enterprise business activity	6	539 752	172 923	767 998	246 047
Profit or losses of enterprise business activity		81 389	233 879	115 806	332 780
Income from investments in capital of related and associated companies					
Income from the value of long-term investment loans and securities					
Other percents and the like income	7	22	26	31	37
Write-offs of the value of long-term financial investments and short-term securities					
Payment off percents and other like costs	8	22 680	22 626	32 271	32 194
Profit & Loss prior to extraordinary items and taxes		58 731	211 279	83 566	300 623
Extraordinary income					
Extraordinary expense					
Profit & Loss prior to taxes		58 731	211 279	83 566	300 623
Income taxes of the enterprise					
Other taxes	9	20 606	20 895	29 319	29 731
Year of account Profit & Loss (net income)		38 125	190 384	54 247	270 892

Chairman of the board _____
/A.Pomerancis/

JSC "Tosmare Shipyard"
Financial statement for 6 months in 2006

Balance as at June 30th 2006

ASSETS	30.06.2006. Ls	30.06.2005. Ls	30.06.2006. EUR	30.06.2005. EUR
Long-term investments				
I Intangible investments				
Research and development costs				
Concessions, patents, licences, trade-marks and similar rights				
Other intangible investments				
Goodwill				
Advance payments of intangible investments				
Intangible investments in total				
II Fixed assets				
Lands, buildings, constructions perennial plants	1 537 358	1 956 125	2 187 463	2 783 315
Long-term investments into leased fixed assets				
Equipment and machinery	1 163 065	1 119 356	1 654 893	1 592 700
Other fixed assets and stock	44 926	20 222	63 924	28 773
Up building of fixed assets and unfinished building object costs	2 100	103 945	2 988	147 900
Advance payments for fixed assets				
Fixed assets in total	10 2 747 449	3 199 648	3 909 268	4 552 689
III Long-term financial investments				
Participation in capital of related companies				
Loans to related companies				
Participation in capital of associated companies				
Loans to associated companies				
Other equities and investments				
Other loans and other long-term debtors	11 7 460	5 224	10 614	7 433
Proper shares and parts				
Loans to co-partners of the enterprise and to the directorship				
Long-term financial investments in total	7 460	5 224	10 614	7 433
Long-term investments in total	2 754 909	3 204 872	3 919 882	4 560 122
Current assets				
I Reserves				
Raw materials, direct materials and auxiliary materials	12 765 793	437 573	1 089 625	622 610
Unfinished production	13 159 439	213 262	226 861	303 445
Production and goods ready for sale				
Unfinished orders				
Advance payments for goods	14 5 381	9 623	7 657	13 692
Working and productive animals				
Reserves in total	930 613	660 458	1 324 143	939 747
II Debts of debtors				
Debts of buyers and customers	15 887 479	1 330 144	1 262 769	1 892 624
Debts of related companies				
Debts of associated companies				
Other debtors	16 37 817	59 596	53 809	84 798
Amount owing in public stock				
Short-term loans to co-partners of the enterprise and to the directorship				
Next period costs	17 4 446	8 227	6 326	11 706
Recognized incomes				
Debtors in total	929 742	1 397 967	1 322 904	1 989 128
III Short-term financial investments				
Participation in capital of related companies				
Equity shares and parts				
Other equities and participation in capitals				
Derived financial tools				
Equities and participation in capitals in total				
Cash assets (in total)	18 22 803	15 424	32 445	21 946
Current assets in total	1 883 158	2 073 849	2 679 492	2 950 821
Assets in total	4 638 067	5 278 721	6 599 374	7 510 943

Chairman of the board _____/A.Pomerancis/

JSC "Tosmare Shipyard"
Financial statement for 6 months in 2006

LIABILITIES	30..06.2006. Ls	30..06.2005. Ls	30..06.2006. EUR	30..06.2005. EUR
I Equity capital				
Share capital (stock capital)	19	3 203 397	4 558 023	4 558 023
Share issue increase of price				
Long-term investments revaluation reserves				
Financial tools revaluation reserve				
Reserves: a) statutory reserves				
b) Equity share reserves				
c) reserves defined by law				
d) other reserves				
<i>Reserves in total</i>				
Retained earnings				
a) previous year retained earnings		109 093	155 225	(210 155)
b) year of account retained earnings		38 125	54 247	270 892
<i>Retained earnings in total</i>		147 218	209 472	60 737
Equity capital in total		3 350 615	4 767 495	4 618 760
II Provisions for liabilities and charges				
Provision for pensions and similar obligations				
Provision for contingent tax				
Other provisions				
Provisions for liabilities and charges in total				
III Creditors				
I Long-term debts				
Loans for bonds				
Loans that can be converted to stock				
Loans from credit institutions				
Other loans				
Liability of leasing				
Advanced payments received from buyers				
Debts to suppliers and contractors				
Debts to related companies				
Debts to associated companies				
Taxes and social insurance payments				
Other creditors				
Next period income				
Year of account dividend				
Unpaid previous years dividends				
Accrued liabilities		116 603	165 911	
Long-term debts in total		116 603	165 911	
II Short-term debts				
Loans that can be converted to stock				
Loans from credit institutions	20	482 124	741 791	686 000
Other loans				1 055 474
Liability of leasing	21	23 274		33 116
Advanced payments received from buyers	22	129	256 880	184
Debts to suppliers and contractors	23	527 454	780 296	750 499
Debts to related companies				
Debts to associated companies			159 673	227 194
Taxes and social insurance payments	24	40 055	33 991	56 993
Other creditors	25	67 433	60 007	95 949
Next period income				
Year of account dividends				
Unpaid previous years dividends				
Accrued liabilities	26	30380		43 227
Derived financial tools				
Short-term debts in total		1 170 849	2 032 638	1 665 968
Creditors in total		1 287 452	1 831 879	2 892 183
Total		4 638 067	5 278 721	7 510 943

Chairman of the board _____ /A.Pomerancis/

JSC "Tosmare Shipyard"
Financial statement for 6 months in 2006

Cash flow report for 2006 6 months and 2005 year 6 months (direct method)		2006 6 months Ls	2005 6 months Ls	2006 6 months EUR	2005 6 months EUR
I	Cash flow from primary activity				
	Sales income	1 904 960	2 653 502	2 710 514	3 775 593
	Cash to suppliers, personnel and others primary activity costs	1 896 809	2 553 891	2 698 916	3 633 859
	Gross cash flow from primary activity	8 151	99 611	11 598	141 734
	Interest paid	22619	19 273	32 184	27 423
	Corporate income tax				
	Cash flow before extraordinary items	(14 468)	80 338	(20 586)	114 311
	Cash flow from extraordinary items				
	Net cash flow from primary activity	(14 468)	80 338	(20 586)	114 311
II	Cash flow from investment activity				
	Acquisition of shares of related or associated companies				
	Income from derivation of shares of related or associated companies				
	Paid for fixed assets acquisition	74 040	135 693	105 349	193 074
	Received from the fixed assets sold	485063	12 500	690 182	17 786
	Loans granted				
	Repayment of loans				
	Received percents				
	Received dividends				
	Net cash flow from investment activity	411 023	(123 193)	584 833	(175 288)
III	Cash flow from financial activities				
	Income from investments in shares and bonds or participation in capital shares				
	Loan received		54 520		77 575
	Financial aids, subsidies, grants or donations received				
	Loan repaid	382 746		544 598	
	Redemption costs for leased fixed assets				
	Paid off dividends				
	Net cash flow from financing	(382 746)	54 520	(544 599)	77 575
IV	Result of foreign currency rate fluctuations				
	Net cash flow and equivalent increase or decrease	13 809	11 665	19 648	16 597
	Cash and equivalent thereof at beginning of the period of accounts	8 994	3 759	12 797	5 349
	Cash and equivalent thereof at the end of the period of accounts	22 803	15 424	32 445	21 946

Chairman of the board _____ /A.Pomerancis/
August 31st 2006

Equity changes report for 2006 and 2005 years 6 months

Types of changes	Stock or Share capital		Retained earnings		Total	
	Ls	EUR	Ls	EUR	Ls	EUR
Balance as at 31.12.2004.	3 203 397	4 558 023	(147 698)	(210 155)	3 055 699	4 347 868
Stock or Share capital						
Increase/decrease						
Approved benefit due to revaluation of fixed asserts increase						
Approved benefit due to revaluation of fixed asserts decrease						
Dividends						
Period of account net profit & loss			190 384	270 892	190 384	270 892
Balance as at 30.06.2005.	3 203 397	4 558 023	42 686	60 737	3 246 083	4 618 760
Balance as at 31.12.2005.	3 203 397	4 558 023	109 093	155 225	3 312 490	4 713 248
Stock or Share capital						
Increase/decrease						
Approved benefit due to revaluation of fixed asserts increase						
Approved benefit due to revaluation of fixed asserts decrease						
Dividends						
Period of account net profit & loss			38 125	54 247	38 125	54 247
Balance as at 30.06.2006.	3 203 397	4 558 023	147 218	209 472	3 350 615	4 767 495

EPS to 30.06.2006. LVL(38 125 :3 203 397)

=0,0119 LVL or 0,0169 EUR ;

EPS to 30.06.2005 LVL (190 384: 3 203397)=0,0594 LVL or 0,0845 EUR

Chairman of the board _____

/A.Pomerancis/

August 31st 2006

Note: All sections of the financial reports are evaluated in EURO according to the rates of Bank of Latvia on 30.06.2006.

Appendixes on pages 10-17 are an integral part of this year of account

2006 and 2005 years 6 months of account appendixes.

Accounting policy

(1) General principles

The report has been prepared in compliance with International accounting standard (IAS).

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

Cash flow statement has been prepared as per third method.

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

(2) Net turnover

Net turnover is a total sum of services rendered and sold within the six months and services free from VAT and granted trade discounts.

(3) Revaluation of foreign currency in lats

All the company accounting is carried out into lats.

All transactions made in foreign currency have been converted into lats pursuant to the currency exchange rate established by the Bank of Latvia on a respective day of a transaction.

Foreign currency exchange rate as at the end of the period of account within last two years was as following:

	30.06.2006. Ls	30.06.2005. Ls
1 USD	0,560	0,583
1 NOK	0,0889	0,0884
1 EUR	0,702804	0,702804

(4) Fixed assets and low-grade stock

Fixed assets have been evaluated as per initial costs value, deducting accumulated depreciation. Depreciation has been calculated as per linear method, considering the rate established by the JSC "TKB" order No 1 dated 1st January 2002.

Calculation of depreciation of the fixed assets was commenced starting with the first date of the month next to the commissioning and was finished on the first date on the month next to their exclusion from the fixed assets' number.

Company capitalizes permanent assets with value more Ls 50 and time of valid usage is more than 1 year. Increased value of revaluing permanent assets is reflected as moving towards long-term investments revaluation reserve. It is attributed to the dissolution of permanent assets in the calculation of profits, incomes, losses.

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

(5) Reserves

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

Balance of reserves has been shown at the lower costs.

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

.

(6) Debtors

Debtors' debts in the balance sheet have been shown at the net value. Debtors' actual sum complies with standards and other accounting basic documents.

(7) Cash and cash equivalents

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

(8) Accumulation for holidays

Accumulations for payments on holidays are formed, taking into account quantity of days of holidays to all workers and defining the average salary of workers in a day.

(9) Taxes

There has been made reconciliation of taxes liabilities by data of SRS Kurzeme region Liepaja division.

(10) Bookkeeping arrangement

The bookkeeping has been arranged using a chart of accounts endorsed in the company.

The bookkeeping accountancy has been arranged with the help of computers.

(11) Comparative information

Comparing to the period of previous report, accounting and appraisal methods is changed in accordance to request of International accounting Standard.

**Appendixes (supplements) to
the report
Profit & Loss calculation supplement**

1. Net turnover	2006 6 months Ls	2005 6 months L
Ship building		807 455
Ship repair	2 260 120	2 706 459
Mechanical engineering	14 105	17 993
Total	2 274 225	3 531 907
	2006 6 months Ls	2005 6 months Ls
2. Sold production operating costs		
Material costs (raw materials and materials, value of goods, services from outside)	1 639 074	2 559 347
Remuneration of labour	331 406	355 636
Social insurance costs	76 118	82 198
Depreciation of fixed assets	134 481	128 694
Other costs	35 492	38 079
Total	2 216 571	3 163 954
	2006 6 months Ls	2005 6 months L
3. Selling costs		
Advertisement	12 612	3 996
Total	12 612	3 996
	2006 6 months Ls	2005 6 months Ls
4. Administration costs		
Liaison costs	3 307	1 004
Office maintenance costs	1 728	1 393
Salary of administration	7 597	6 720
Remuneration of the board	14 707	10 808
Remuneration of the council	13 959	2 400
Social insurance costs	8 733	4 799
Bank services	2 565	5 066
Transport expenses, business trips	5 292	3 251
Legal services	4 063	17 386
Representation costs	2 142	2 204
Stock market expenses	2 650	
Year of account expenses		1 200
Total	66 743	56 231

Appendixes (supplements) to balance sheet (continuation)

5. Other income of enterprise business activity	2006 6 months Ls	2005 6 months Ls
Income generated by transport services rendering		
Income generated by leased FA payments and public services	16 307	20 187
Tugboat services income	23 522	21 421
Selling out of raw materials and materials	7 310	14 066
Income generated by fluctuations of currency rate	54 639	28 402
Income generated by realization of fixed assets	538403	15 000
Other income	2 661	
Total	642 842	99 076
	2006 6 months Ls	2005 6 months Ls
6. Other costs of enterprise business activity		
Material purchase costs	1758	13 511
Losses due to currency rate fluctuations	8392	132 370
Losses incurred by currency selling out	21705	19 984
Costs on tugboat services	2 828	
The donations	1130	300
Material benefits	920	
Burial costs		
Costs incurred by fixed assets' exclusion	502758	5 116
Costs on maintenance of leased FA	261	1 642
Other costs		
Total	539 752	172 923
	2006 6 months Ls	2005 6 months Ls
7. Other percents and the like income		
Bank interests	22	26
Received penalty payments		
Total	22	26
	2006 6 monthsLs	2005 6 months Ls
8. Payment off percents and other like costs		
Paid off penalty	61	854
Paid off interests	22 619	21 772
Guarantee maintenance		
Total	22 680	22 626
	2006 6 monthsLs	2005 6 months Ls
9. Other taxes		
Buildings and constructions real estate tax	11 860	11 983
Real estate tax	8 746	8 912
Total	20 606	20 895

Appendixes (supplements) to balance sheet (continuation)

10. Fixed assets

	Land, buildings constructions	Long-term investments into leased FA	Equipment and machinery	Other FA	FA building	Unfinished construction	Advanced payment for FA	Total
Initial value								
01.01.2006.	2 417 485		1 726 684	62 785		50 168		4 257 122
Bought	69 737		61 894	17 792		71 130		220 553
Written off	635 949					119 198		755 147
Relocated								
30.06.2006.	1 851 273		1 788 578	80 577		2 100		3 722 528
Depreciation								
01.01.2006.	413 639		537 465	28 842				979 946
Estimated	33 466		88 048	6 808				128 322
Written off	133 191							133 191
30.06.2006.	313 914		625 513	35 650				975 077
Balance value	2 003 846		1 189 219	33 942		50 168		3 277 175
01.01.2006.								
Balance value	1 537 358		1 163 065	44 926		2 100		2 747 449
30.06.2006.								

11. Other loans and requirements

	30.06.2006 Ls	30.06.2005 Ls
Loans to students for acquiring education	7 460	5 224

12. Raw materials, direct materials and auxiliary materials

	2006 6 months Ls	2005 6monthsLs
1) Abrasive	44 289	63 375
2) Wood, timber products	3 155	1 250
3) Metal	524 212	244 173
4) Pipes	78 510	29 758
5) steel cables		
6) Nonferrous metals	31 642	31 759
7) Fuel	600	600
8) Spare parts	6 159	3 835
9) Cables	1 547	799
10) Varnishes and paints	4 370	4 252
11) Household goods	3 702	2 061
12) Technical rubber ware	26 154	20 642
13 Other	41 453	35 069
Total	765 793	437 573

**Appendixes (supplements) to balance sheet
(continuation)**

	2006	2005
	6 months Ls	6 monthsLs
13. Unfinished orders		
1) Shipbuilding orders	158 455	206 113
2) Mechanical engineering orders	983	
Total	159 439	206 113
14. Advance payments for goods		
For materials	5 381	9 623
Total	5 381	9 623
15. Debts of buyers and customers		
Buyers and customers accounting value	944 668	1 401 713
Generated reserves	(57 189)	(42 139)
Balance net value	887 479	1 359 574
16. Other debtors		
Accounted VAT	7 419	17 751
Overpaid taxes		
Value Added Tax	25 354	41 845
Enterprise income tax	5 044	
Total	37 817	59 596
17. Next period costs		
Enterprise's property insurance premium sum	754	3 419
Subscription to the press	272	199
Insurance of health	1 070	1 339
Expanses for the repair of the rented basic means		920
Riga stock market	2 350	2 350
Total	4 446	8 227
18. Cash assets		
Money at a cash department	325	1 314
Money on current accounts	22 478	14 110
Total	22 803	15 424

**Appendixes (supplements) to balance sheet
(continuation)**

19. Information on stock or share capital (equity capital)

KSC "Tosmare Shipyard" was founded in 2000 with the equity capital of Ls 1 603 397, which was comprised of 1603 397 shares,

face value of one share made up Ls 1.

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

Amendments to the Acts:

1. Growth of the equity capital up to Ls 2 603 397 on March 31st 2001.
2. Growth of the equity capital up to Ls 3,203,397 on December 27th 2002.

21. Loans from credit institutions (short-term)

	2006	2005
	6 months Ls	6 months Ls
SEB Unibanka. Liepaja branch	482 124	741 791
Total	482 124	741 791

Overdraft contract No.KD05171 with the overdraft limit 1 500 000 EUR.

Session contracts and contract of pledge were signed, for the amplifications of obligations.

21. Liability of leasing

	2006	2005
	6 months Ls	6 months Ls
NORD/LB leasing Short-term	23 274	
Total	23 274	

**22. Advanced payments received
from buyers**

	2006	2005
	6 months Ls	6 months Ls
For shipbuilding		
For ship repair		256 880
Other	129	
Total	129	256 880

23. Debts to suppliers and contractors

	2006	2005
	6 months Ls	6 months Ls
Debts for services	374 627	410 665
Debts for materials	152 827	369 631
Total	527 454	780 296

Appendixes (supplements) to balance sheet (continuation)

24. Taxes and social insurance payments

	2006 6 months Ls	2005 6 months Ls
Social insurance payments	23 896	20 006
Residents income tax	15 253	12 980
Enterprise income tax		
Risk tax	68	
Buildings and constructions real estate tax	8	
Natural resources tax	830	1 005
Total	40 055	33 991

25. Other creditors

	2006 6 months Ls	2005 6 months Ls
Salary	61 306	48 893
Payments for deduction from salary	2 057	2 057
Payments for return to personae		2
Payments for credit cards		785
Payments for debts to other enterprises	4 070	8 270
Total	67 433	60 007

26. Accrued liability

	2006 6months Ls	2005 6months Ls
Provision for leaves	30 380	

Chairman of the board _____ /A.Pomerancis/

August 31st 2006