

**Stock corporation's "Tosmare shipyard"
report for the 2011 year**

(audited)

**Liepaia
2012**

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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 2000, 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	
Ivica Galich	Chairman of the board,
Igor Komarovs	Member of the board,
Boris Galkovich	Member of the board,
Names, surnames and held positions of members of the council	
Vasilijs Melniks	Chairman of the council,
Sergejs Golcin	Vice-chairman of the council
Anatolijs Ustinovs	Member of the council,
Larisa Artemenko	Member of the council,
Irina Meļņika	Member of the council,
Period of account	1 January 2011 - 31.December 2011
Name and address of the auditor	Ēvalds Figurnovs Certified auditor (LZRA certificate No.38) Profesors,ekonom. habil. Doctor Auditorfirma "Sarguns" Malnavas, 13 LV - 1011, Rīga Latvia

The Explanatory Note to the Annual report for 2011 year.

The enterprise turnover was 4.992.286 Ls in 2011 which was 17% or 1.036.731 Ls less than the turnover in the previous 2010. The reason for such a result was the continuation of the influence of consequences of the economic crisis in shiprepairing industry.

So, the number of facilities under repair in 2011 was 53 units and it was 13 % (or 6 units) more, than in 2010. The number of small orders grew 2.4 times and made 33 units while it had been only 14 in 2010.

The enterprise turnover in the accounting year 2011 was comprised of

- 91% repair services for ships
- 3,9 % shipbuilding orders
- 5,1 % minor repair orders.

However, the growth of number of facilities under repair in the accounting year 2011 did not give growth in volume of the turnover because the quality of repair work has changed. The contracts on repairs include the minimum amount of work as shipowners have faced deficiency of work for the commercial vessels.

Despite this the enterprise still had wide market of repair services - Cyprus, Russia, Germany, Lithuania, the Netherlands, etc.

The export volume made 98 % in the accounting year 2011.

In the conditions of the decrease of loading of the enterprise the payment fund was lowered. In comparison with the last year of 2010 it was lowered by 31,666 Ls in the accounting year 2011.

In connection with insufficient loading of the production capacity of the enterprise with external orders, the Board made a decision to mobilize internal resources and to modernize the production basis restructuring production capacity towards the expansion of volume of ship-building works.

The largest works

- renovation of Floating Dock with increase in its capacity.

Investments in this object made almost 300,000 Ls.

- major repair of the buildings connected with building of metal blocks of the ships and carrying out the accompanying ship-building works (Hull Shop, Ship Block Assembly Shop).
- the necessary missing equipment was purchased.

In total, 547,000 Ls were invested in the production basis of the enterprise in the accounting year 2011.

The undertaken works have already given results.

As a consequence, the construction of new vessels income made a considerably big share in the turnover in the accounting year 2011. So, if the share of shipbuilding income had made 1,2 % (or 74,761 Ls) in 2010 and only 1 vessel had been manufactured, the share of shipbuilding income made almost 4 % (or 192,310 Ls) and 3 new orders were completed in 2011.

Besides, orders are received and works are started at present

- on construction of 2 pleasure boats,
- on construction of 2 catamarans.

More offers on shipbuildings for 2012 are at the stage of negotiations.

In spite of difficulties with money flow at the enterprise, the financial position was stable in 2011.

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 circumstance the annual results and company's financial standing.

During the 2011 the company managed to maintain the financial condition is stable.

The Joint-stock Company is planning to cover the annual reports loss from the last years undivided profits and will continue their economical activity also next year.

25 April of year 2012.

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 2011, corresponding methods of accounting were used, their application was consequent, reasonable and cautious decisions were made. Management confirms that corresponding International regulation 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

/Ivica Galich/

25 April of year 2012.

AS "Tosmare shipyard"
report for 2011 year

PROFIT OR LOSS STATEMENT
for years 2011 and 2010

	Appendix	LVL		EUR	
		2011	2010	2011	2010
Net turnover	(1)	4 992 287	6 029 018	7 103 384	8 578 520
Production costs of sold output	(2)	(4 678 589)	(5 737 757)	(6 657 032)	(8 164 093)
Gross profit or losses		313 698	291 261	446 352	414 427
Selling costs	(3)	(13 966)	(15 224)	(19 872)	(21 662)
Administration costs	(4)	(253 357)	(238 537)	(360 495)	(339 408)
Other company's economic activity incomes	(5)	116 909	256 826	166 347	365 430
Other company's economic activity costs	(6)	(92 116)	(177 325)	(131 069)	(252 311)
Incomes from membership in holding company's branch and associated companies					
Incomes from securities and loans that have formed the long-term investments					
Other interest incomes and similar incomes			4		6
Long-term financial investments and write off of short-term securities values					
Interest payments and similar costs	(7)	(65 898)	(61 315)	(93 764)	(87 243)
Profit or loss before extraordinary items and taxes		5 270	55 690	7 499	79 240
Extraordinary incomes					
Extraordinary costs					
Profit or loss before taxes		5 270	55 690	7 499	79 240
Company's income tax for the year of account		(2 282)	(15 978)	(3 247)	(22 735)
Deferred tax	(8)	1 344	5 894	1 912	8 386
Other taxes	(9)	(28 214)	(29 014)	(40 145)	(41 283)
Profit or loss of the year of account		(23 882)	16 592	(33 981)	23 608

Chairman of the board
25 April of year 2012.

/Ivica Galich/

AS "Tosmare shipyard"
report for 2011 year

BALANCE on 31. December 2011 and 2010		LVL		EUR	
	Appendix	2011	2010	2011	2010
ACTIVE					
Long-term investments					
I. Intangible investments					
Company's development costs					
Concessions, patents, licenses, trade marks and similar rights					
Other intangible investments					
		1 168	118	1 662	168
Intangible value of the company					
Advance payments for intangible investments					
Intangible investments total	(10)	1 168	118	1662	168
II. Fixed assets					
Lands, buildings, constructions, perennial plantations					
		1 739 329	1 698 990	2 474 842	2 417 445
Long-term investments in leased fixed assets					
Equipment and machines					
		905 202	672 242	1 287 986	956 514
Other fixed assets and inventory					
		35 303	38 570	50 233	54 880
Forming of fixed assets and costs of unfinished objects of construction					
		133 393	9 068	189 801	12 903
Advance payments for fixed assets					
Fixes assets total	(11)	2 813 227	2 418 870	4 002 862	3 441 742
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					
Other loans and other long-term debtors					
Own stocks and shares					
Loans to shareholders or participants and management					
Long-term financial investments total					
Long-term investments total		2 814 395	2 418 988	4 004 524	3 441 910
Current assets					
I. Stocks					
Raw materials, direct materials and auxiliary materials					
	(12)	989 708	703 884	1 408 228	1 001 537
Unfinished products					
Complete products and goods for sale					
Unfinished orders					
	(13)	500 731	355 888	712 476	506 383
Advance payments for goods					
	(14)	10 650	47	15 153	67
Stocks totally		1 501 089	1 059 819	2 135 857	1 507 987
II. For selling held long-term investments					
III. Debtors					
Debts of customers and clients					
	(15)	2 246 369	2 308 096	3 196 295	3 284 125
Accrued incomes					
Other debtors					
	(16)	94 305	106 159	134 183	151 050
Undeposited shares in company's capital					
Short - term loans to joint owners and management					
Next periods costs					
	(17)	8 138	6 085	11 580	8 658
Debtors total		2 348 812	2 420 340	3 342 058	3 443 833
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					
V. Cash assets	(18)	10 825	12 465	15 403	17 736
Current assets total		3 860 726	3 492 624	5 493 318	4 969 556
Actives total		6 675 121	5 911 612	9 497 842	8 411 466

Chairman of the board
25 April of year 2012.

/Ivica Galich/

AS "Tosmare shipyard"
report for 2011 year

BALANCE on 30.June 2011 and 2010	LVL		EUR		
	Appendix	2011	2010	2011	2010
PASSIVE					
I. Equity capital					
Stock or share capital (equity capital)	(19)	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		398 589	381 997	567 141	543 533
retained profit of the year of accountant		(23 882)	16 592	(33 981)	23 608
retained profit, amount		374 707	398 589	533 160	567 141
Equity capital total		3 578 104	3 601 986	5 091 183	5 125 164
II. Provisions					
Provision for pensions and similar obligations					
Provision for prospective taxes					
Other provisions	(20)	37 950	40 327	53 998	57 380
Provisions total		37 950	40 327	53 998	57 380
III. Creditors					
I. Long-term debts to creditors					
Borrowings from credit institutions					
Other borrowings					
Leasing liabilities					
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	(21)	177 133	178 477	252 038	253 950
Unpaid dividends		4	4	6	6
Next periods incomes					
Long-term debts to creditors total		177 137	178 481	252 044	253 956
II. Short-term debts to creditors					
Borrowings from credit institutions	(22)	1 396 956	1 352 865	1 987 689	1 924 953
Other borrowings					
Leasing liabilities					
From customers received borrowings	(23)	314 894	38 784	448 054	55 185
Debts to suppliers and contractors	(24)	747 524	608 230	1 063 631	865 433
Debts to related companies	(25)	289 291	540	411 624	768
Debts to associated companies					
Tax and social security payments	(26)	71 332	33 894	101 496	48 227
Other creditors	(27)	61 933	56 505	88 123	80 400
Next periods incomes					
Unpaid dividends					
Accrued liabilities					
Derivative financial instruments					
Short-term debts to creditors total:		2 881 930	2 090 818	4 100 617	2 974 966
Creditors total:		3 059 067	2 269 299	4 352 661	3 228 922
Passives total		6 675 121	5 911 612	9 497 842	8 411 466

Chairman of the board

/Ivica Galich/

25 April of year 2012.

CASH FLOW STATEMENT

for years 2011 and 2010 (according to direct method)

	LVL		EUR	
	2011	2010	2011	2010
I. Cash flow of basic activity				
Incomes from selling the products and rendering of services	5 528 707	5 983 234	7 866 641	8 513 375
Payments to suppliers, employees, other basic activity expenses	(5 390 095)	(5 803 050)	(7 669 414)	(8 256 996)
Other company's basic activity incomes or expenses				
Gross cash flow of basic activity	138 612	180 184	197 227	256 379
Expenses for interest payments	(62 460)	(59 905)	(88 873)	(85 237)
Expenses for company's income tax payments	(10 278)	(11 428)	(14 624)	(16 261)
Cash flow before extraordinary items	65 874	108 851	93 730	154 881
Cash flow from extraordinary items				
Net cash flow of basic activity	65 874	108 851	93 730	154 881
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	(111 605)	(53 614)	(158 800)	(76 286)
Incomes from selling fixed assets and intangible investments		4 500		6 403
Issued loans				
Incomes from repayment of loans				
Received interests				
Received dividends				
Net cash flow of investment action	(111 605)	(49 114)	(158 800)	(69 883)
III. Cash flow of financing action				
Incomes from shares and bonds or capital participation stock investments				
Received loans	44 091		62 736	
Received subsidies, grants, gifts or donations				
Expenses for repayment of loans		(49 512)		(70 449)
Expenses for ransom of leased fixed asset				
Paid dividends				
Net cash flow of financing action	44 091	(49 512)	62 736	(70 449)
IV. Result of foreign exchange rate fluctuations				
Net increase or decrease of cash and its equivalents	(1 640)	10 225	(2 334)	14 549
Cash and its equivalents residue at the beginning of the year of account	12 465	2 240	17 736	3 187
Cash and its equivalents residue at the end of the year of account	10 825	12 465	15 402	17 736

Chairman of the board
25 April of year 2012.

/Ivica Galich/

EQUITY CAPITAL CHANGE REPORT

for years 2011 and 2010

Position Title	LVL		EUR	
	2011.12.31.	2010.12.31.	2011.12.31.	2010.12.31.
1. Stock capital (Core Capital)				
1.1. Sum Indicated in the Previous Year's Balance	3 203 397	3 203 397	4 558 023	4 558 023
1.2. Correction of the Sum Indicated in the Previous Year's Balance				
1.3. Stock Capital (Core Capital) Increase / Decrease				
1.8. Sum Indicated in the Accounting Year's Balance at the End of the Period	3 203 397	3 203 397	4 558 023	4 558 023
2. Emission of Shares addition				
2.1. Sum Indicated in the Previous Year's Balance				
2.2. Correction of the Sum Indicated in the Previous Year's Balance				
2.3. Emission of Shares Addition Increase / Decrease				
2.8. Sum Indicated in the Accounting Year's Balance at the End of the Period				
3. Long Term Investment's Adjustment Reserve				
3.1. Sum Indicated in the Previous Year's Balance				
3.2. Correction of the Sum Indicated in the Previous Year's Balance				
3.3. Long Term Investment's Adjustment Surplus Increase / Decrease				
3.8. Sum Indicated in the Accounting Year's Balance at the End of the Period				
4. Financial Instrument's Adjustment Reserve				
4.1. Sum Indicated in the Previous Year's Balance				
4.2. Correction of the Sum Indicated in the Previous Year's Balance				
4.3. Financial Instrument's Adjustment Reserve Surplus Increase /Decrease				
4.8. Sum Indicated in the Accounting Year's Balance at the End of the Period				
5. Reserves				
5.1. Sum Indicated in the Previous Year's Balance				
5.2. Correction of the Sum Indicated in the Previous Year's Balance				
5.3. reserves Surplus Increase /Decrease				
5.8. Sum Indicated in the Accounting Year's Balance at the End of the Period				
6. Retained Earnings				
6.1. Sum Indicated in the Previous Year's Balance	398 589	381 997	567 141	543 533
6.2. Correction of the Sum Indicated in the Previous Year's Balance				
6.3. Retained Earning Increase / Decrease	(23 882)	16 592	(33 981)	23 608
Earnings 2010		16 592		23 608
Losses 2011	(23 882)		(33 981)	
6.8. Sum Indicated in the Accounting Year's Balance at the End of the Period	374 707	398 589	533 160	567 141
7. Equity				
7.1. Sum Indicated in the Previous Year's Balance	3 601 986	3 585 394	5 125 164	5 101 556
7.2. Correction of the Sum Indicated in the Previous Year's Balance				
7.3. Equity increase /Decrease	(23 882)	16 592	(33 981)	23 608
7.8. Sum Indicated in the Accounting Year's Balance at the End of the Period	3 578 104	3 601 986	5 091 183	5 125 164

EPS on 31.12.2011. LVL (-23 882 : 3 203 397) = - 0,0075 LVL or - 0,0107 EUR;

EPS on 31.12.2010. LVL (16 592 : 3 203 397) = 0,0052 LVL or 0,0074 EUR;

Chairman of the board

/Ivica Galich/

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

25 April of year 2012.

APPENDIX

ACCOUNTING POLICY

(1) General principles

Annual report is prepared according to laws of the Republic of Latvia "About book-keeping", "About annual report" and by the Regulation of Ministry Cabinet issued 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 30.09.2011. direction Nr. 69 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.

(4) 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 t 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 of corresponding period in net value.

	31.12.2011.	31.12.2010.
	LVL	LVL
1 USD	0,544000	0,535000
1 EUR	0,702804	0,702804

(5) Intangible investments

Intangible investments are estimated according to their initial expense value, excepting the accrued depreciation. Depreciation is calculated according to linear method for 4 years.

(6) Fixed assets and low-grade inventory

Fixed assets are estimated according to their initial expense value or reestimated initial value, excluding accrued depreciation. Depreciation is calculated according to (linear) method, using the rates of fixed assets depreciation calculation, that are based on the evaluation of fixed assets useful service duration:

	Years	%
Buildings, constructions	33,3	3
Equipment and technical utilities	10	10
Rolling stock, seacraft transport, power plant	14,3	7
Furniture and office machines	10	10
Computers and facilities	4	25
Vehicles	5	20
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 100 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.

(7) Long-term investments in leased fixes assets

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

(8) 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 ariser

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

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

(10) 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 produces goods are included the costs of used raw materials and materials and other expenses that are directly connected with production of corresponding object.

(11) 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 contacts 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).

(12) Accrued incomes.

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

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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 2010 and in future sets a tax rate of 15%.

(18) 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.

(19) 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.

(20) 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.

Financial statement appendixes
Appendixes to profit or loss statement

(1) Net turnover	LVL		EUR	
	2011	2010	2011	2010
Incomes from ship building	192 311	74 762	273 633	106 377
Incomes from ship repair services	4 541 280	5 839 266	6 461 659	8 308 527
Other incomes	258 696	114 990	368 092	163 616
Total	4 992 287	6 029 018	7 103 384	8 578 520

Per geographic regions

Incomes from service selling in local market	395 514	181 735	562 766	258 586
Incomes from service selling to				
Russia	1 136 795	1 183 634	1 617 514	1 684 159
Norvegia		52 817		75 152
Marshala's island	29 296		41 684	
Virldinia island	112 727		160 396	
Malta	9 667	279 724	13 755	398 011
Saint Vincent	133 058	883 320	189 324	1 256 851
Kipra	1 160 810	577 851	1 651 684	822 208
Lithuania	573 212	1 328 055	815 607	1 889 652
Netherlands	196 958	19 845	280 246	28 237
Belize	192 310	288 553	273 632	410 574
Belgia	14 261	450	20 292	640
Antigua Burbuda	104 094	117 748	148 112	167 540
Dania	689		980	
England		5 622		7 999
St.Kit Nevy		13 503		19 213
Faros island	27 450	74 761	39 058	106 375
Francia	5 673		8 072	
Bahama's islands	137 557		195 726	
Panama		405 434		576 881
USA	56 503	45 823	80 397	65 200
Sweden	16 720		23 790	
Germany	602 514	570 143	857 300	811 240
Greece	86 479		123 049	
Total	4 992 287	6 029 018	7 103 384	8 578 520

(2) **Production costs of sold goods**

Material purchase costs	1 000 276	1 243 669	1 423 265	1 769 581
Employees salary	714 130	808 537	1 016 115	1 150 445
Social insurance costs	167 049	188 580	237 689	268 325
Electricity costs	286 778	315 875	408 048	449 450
Depreciation of fixed assets	274 139	329 156	390 065	468 347
Contagent's services	1 945 571	2 481 783	2 768 298	3 531 258
Running repairs of equipment	73 638	56 127	104 777	79 862
Running repairs of buildings	9 085	99 631	12 927	141 762
Security staff	58 401	62 517	83 097	88 954
Lease payment	37 878	37 732	53 896	53 688
Services from outside	104 077	108 529	148 088	154 423
Other costs	7 567	5 621	10 767	7 998
Total	4 678 589	5 737 757	6 657 032	8 164 093

Appendixes to profit or loss statement (continuation)

	LVL		EUR	
	2011	2010	2011	2010
(3) Selling costs				
Media advertising expenditures	7 262	7 299	10 333	10 385
Business trips	6 682	7 725	9 508	10 992
Other costs	22	200	31	285
Total	13 966	15 224	19 872	21 662
(4) Administration costs				
Communication costs	3 293	3 382	4 686	4 812
Annual report's costs	2 500	2 500	3 557	3 557
Reward for the board	69 378	66 216	98 716	94 217
Reward for the council	102 000	91 875	145 133	130 727
Social insurance costs	40 047	37 205	56 982	52 938
Office maintenance costs	2 317	3 088	3 297	4 394
Stock exchange costs	5 625	4 375	8 004	6 225
Lawyer's services	8 315	11 164	11 831	15 885
Transport costs, business trips	8 006	7 719	11 392	10 983
Bank services	8 051	6 577	11 455	9 358
Representation expenses	3 825	4 436	5 442	6 312
Total	253 357	238 537	360 495	339 408
(5) Other incomes from company's economic activity				
Incomes from realization of materials	16 140	113 380	22 965	161 325
Incomes from selling the fixed assets	900	3 719	1 281	5 292
Incomes from rent	47 693	54 227	67 861	77 158
Incomes from exchange rate fluctuations	2 422	22 747	3 446	32 366
Incomes from tugboat's services	41 870	42 772	59 576	60 859
Other incomes	7 884	19 981	11 218	28 430
Total	116 909	256 826	166 347	365 430
(6) Other expenses from company's economic activity				
Written off bad debtors	23 414	35 927	33 315	51 119
Accrued liabilities (holiday reserves)	(2 377)	(2 233)	(3 382)	(3 177)
Fixed assets exclusion expenses	2 551	5 602	3 629	7 971
Material purchase expenses	1 266	89 174	1 801	126 883
Personnel expenses (material assistance)	770	430	1 096	612
Tugboat's services expenses	56 140	46 577	79 880	66 273
Dotations	1 980	518	2 817	737
Gifts to employees	7 148	265	10 171	377
Maintenance expenses of leased fixed assets	1 224	1 065	1 742	1 515
Total	92 116	177 325	131 069	252 310
(7) Interest payments and similar expenses				
Paid interests	62 460	59 905	88 872	85 237
Paid fines	3 438	1 410	4 892	2 006
Total	65 898	61 315	93 764	87 243
(8) Liability calculation of deferred tax:				
Deferred tax liabilities:				
Difference between fixed assets remained value in financial accounting and tax needs	1 218 835	1 230 172	1 734 246	1 750 377
Deferred tax actives:				
Accruals for holidays	(37 950)	(40 327)	(53 998)	(57 380)
Accruals for provisions				
Other interim differences				
Accrued tax losses				0
Total interim differences	1 180 885	1 189 845	1 680 248	1 692 997
Deferred tax liabilities/(active), rate 15%	177 133	178 477	252 037	253 950
Unapproved active of deferred tax	(1 344)		(1 912)	
Deferred tax liabilities	177 133	178 477	252 037	253 950
(9) Other taxes				
Immovable property tax for land	11 924	12 587	16 966	17 910
Immovable property tax for buildings and constructions	16 290	16 427	23 179	23 373
Total	28 214	29 014	40 145	41 283

Appendixes to balance sheet on 31.12.2011.

(10)	Intangible investments					Total Ls
	Concessions, Ls	Research work Ls	Other Ls	Company's intangible Ls	Advance payments for Ls	
Undepreciated value						
31.12.2010.			10 955			10 955
Purchased			1 475			1 475
Written off						0
Reestimated						0
31.12.2011.	0	0	12 430	0	0	12 430
Depreciation						
31.12.2010.			10 837			10 837
Calculated			425			425
Written off						0
31.12.2011.	0	0	11 262	0	0	11 262
Residual value 31.12.2010	0	0	118	0	0	118
Residual value 31.12.2011	0	0	1 168	0	0	1 168

	EUR	EUR	EUR	EUR	EUR	EUR
Undepreciated value						
31.12.2010.			15 587			15 587
Purchased			2 099			2 099
Written off						0
Reestimated						0
31.12.2011.	0	0	17 686	0	0	17 686
Depreciation						
31.12.2010.			15 420			15 420
Calculated			604			604
Written off						0
31.12.2011.	0	0	16 024	0	0	16 024
Residual value 31.12.2010	0	0	167	0	0	167
Residual value 31.12.2011	0	0	1 662	0	0	1 662

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(11) 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								
31.12.2010.	2 319 862	2 195 859		104 159			9 068	4 628 948
Purchased	117 364	421 519		6 700			612 550	1 158 133
Written off		8 323		1 410			488 225	497 958
Reestimated								0
31.12.2011.	2 437 226	2 609 055	0	109 449	0	0	133 393	5 289 123
Depreciation								
31.12.2010.	620 872	1 523 616		65 590				2 210 078
Calculated	77 025	186 194		9 780				272 999
Written off		5 957		1 224				7 181
31.12.2011.	697 897	1 703 853	0	74 146	0	0	0	2 475 896
Residual value 31.12.2010	1 698 990	672 243	0	38 569	0	0	9 068	2 418 870
Residual value 31.12.2011	1 739 329	905 202	0	35 303	0	0	133 393	2 813 227

	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Undepreciated value								
31.12.2010.	3 300 866	3 124 426		148 206			12 903	6 586 401
Purchased	166 994	599 768		9 533			871 580	1 647 875
Written off		11 842		2 006			694 682	708 530
Reestimated								0
31.12.2011.	3 467 860	3 712 352	0	155 733	0	0	189 801	7 525 746
Depreciation								
31.12.2010.	883 421	2 167 912		93 326				3 144 659
Calculated	109 597	264 930		13 917				388 444
Written off		8 476		1 743				10 219
31.12.2011.	993 018	2 424 366	0	105 500	0	0	0	3 522 884
Residual value 31.12.2010	2 417 445	956 514	0	54 880	0	0	12 903	3 441 742
Residual value 31.12.2011	2 474 842	1 287 986	0	50 233	0	0	189 801	4 002 862

Appendixes to balance sheet (continuation)

(12) Raw materials, direct materials and auxiliary materials		LVL		EUR	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
1.	Metal	657 718	364 664	935 848	518 870
2.	Abrasive	13 515	41 983	19 230	59 737
3.	Pipes	143 124	130 396	203 647	185 537
4.	Non-ferrous metals	49 403	36 462	70 294	51 881
5.	Products of technical rubber	31 392	35 115	44 668	49 964
6.	Other expenses	94 556	95 264	134 541	135 548
Total		989 708	703 884	1 408 228	1 001 537
(13) Unfinished products					
	Ship building	427 486	126 377	608 258	179 818
	Ship repair services	43 184	229 511	61 445	326 565
	Other	30 061		42 773	
Total		500 731	355 888	712 476	506 383
(14) Advance payments for goods					
	Equipment	10 542		15 000	
	Goods	108	47	153	67
Total		10 650	47	15 153	67
(15) Accounting value of purchaser's and clients' debts					
Total					
	Accounting value of purchaser's and clients' debts	2 246 369	2 308 096	3 196 295	3 284 125
Net debts of purchasers and clients		2 246 369	2 308 096	3 196 295	3 284 125
(16) Other debtors					
Total					
	VAT accepted		26 244		37 341
	In budget overpaid taxes	57 661	63 177	82 044	89 893
	Income's tax advance payments	16 419		23 362	
	Advance payments for services	20 225	16 738	28 777	23 816
Total		94 305	106 159	134 183	151 050
(17) Expenses of next periods					
Total					
	Property insurance	7 542	3 852	10 732	5 481
	Subscription to press	596	549	848	781
	Employees insurance		1 684		2 396
Total		8 138	6 085	11 580	8 658
(18) Cash					
Total					
	Money in cash-desk	2 927	1 161	4 165	1 652
	Money in current accounts	7 898	11 304	11 238	16 084
Total		10 825	12 465	15 403	17 736
(19) Information about company's own shares and total stock					

"Tosmare Shipyard" JSC was established in 2000 with share capital LVL 1 603 397 that consist of 1 603 397 common shares, nominal value of share is LVL 1.

The join-stock company is public and its shares counts among the stock exchange. All shares give equal rights to receipt of dividends, receipt of liquidation quotas and right to vote in the shareholders meeting. One share gives the right to 1 vote in the shareholders meeting. The Company has no shares that are held by the Company itself or anyone else in its assignment.

Modifications in statuses :

1. Increase of share capital of the company to LVL 2 603 397 in 2001 year.
2. Increase of share capital of the company to LVL 3 203 397 in 2002 year.
3. In 2011, 2 562 660 shares were determined as registered shares, and 640 737 shares as bearer shares; all shares are non-certificated shares / book-entry shares.

Appendixes to balance sheet (continuation)

(20) Accrued liabilities

	LVL		EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Accruals for holiday grants	37 950	40 327	53 998	57 380
Total	37 950	40 327	53 998	57 380

(21) Deferred tax liabilities

	LVL		EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Deferred tax liabilities at the beginning of year	178 477	184 371	253 950	262 336
Deferred tax liability lost in the year of account	(1 344)	(5 894)	(1 912)	(8 386)
Total	177 133	178 477	252 038	253 950

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

	LVL	EUR
Total	1 396 956	1 987 689

The Company has EUR 2 000 000 credit facility / credit line with AS "SEB banka".

Tehnological equipment, floating dock and two dry docks owned by the company are pledged guarantee the liabilities.

(23) From customers received borrowing

	LVL		EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Ship building	230 428		327 870	
Ship repair services	42 168	38 784	60 000	55 185
Other	42 298		60 184	
Total	314 894	38 784	448 054	55 185

(24) Debts to suppliers and contractors

	LVL		EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Raw materials, direct materials and auxiliary materials	283 960	185 398	404 039	263 798
Services	102 734	123 559	146 177	175 809
Contraagent's services	356 633	287 338	507 443	408 844
Capital assets	4 197	11 935	5 972	16 982
Total	747 524	608 230	1 063 631	865 433

(25) Debts to related companies

	LVL		EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
ISC "Riga's shipyard"	289 291	540	411 624	768
Total	289 291	540	411 624	768

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(26) Movement of tax liabilities for 2011

	01.01.2011.	Calculated for 2011	Calculated fine and delay payment	(Paid)/repaid	Posted to/ (from) other taxes	31.12.2011.
	LVL	LVL	LVL	LVL	LVL	LVL
Value added tax	(33 289)	(355 277)	16	(50)	330 939	(57 661)
Population income tax	32 601	176 911	1 144	(33 520)	(144 340)	32 796
State social insurance compulsory payments	(3 804)	318 058	788	(64 050)	(222 209)	28 783
Company's income tax	(26 084)	1 752	31	(10 309)	36 849	2 239
Immovable property tax (land)		11 924	40	(8 983)		2 981
Immovable property tax (buildings)		16 290	55	(12 273)		4 072
Tax of natural resources	1 239	3 898	14	(3 501)	(1 239)	411
Risk duty of business	54	629		(633)		50
Total	(29 283)	174 185	2 088	(133 319)	0	13 671

incl.:

Debt to budget	33 894					71 332
Overpayment	(63 177)					(57 661)

	01.01.2011.	Calculated for 2011	Calculated fine and delay payment	(Paid)/repaid	Posted to/ (from) other taxes	31.12.2011.
	EUR	EUR	EUR	EUR	EUR	EUR
Value added tax	(47 366)	(505 514)	23	(71)	470 884	(82 044)
Population income tax	46 387	251 722	1 628	(47 695)	(205 377)	46 665
State social insurance compulsory payments	(5 413)	452 556	1 121	(91 135)	(316 175)	40 954
Company's income tax	(37 114)	2 493	44	(14 668)	52 431	3 186
Immovable property tax (land)		16 966	57	(12 782)		4 241
Immovable property tax (buildings)		23 179	78	(17 463)		5 794
Tax of natural resources	1 763	5 546	20	(4 981)	(1 763)	585
Risk duty of business	77	895		(901)		71
Total	(41 666)	247 843	2 971	(189 696)		19 452

incl.:

Debt to budget	48 227					101 496
Overpayment	(89 893)					(82 044)

(27) Other creditors

	LVL		EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Salary	58 586	52 239	83 360	74 329
Deductions from salary	763	832	1 086	1 184
Other creditors	2 584	3 434	3 677	4 886
Total	61 933	56 505	88 123	80 399

General remarks

	<u>Ls</u>		<u>EUR</u>	
(1) The annual average number of employed ones				
The average number of persons employed by the company in the year of account	219		221	
(2) Personnel expenses total	2011	2010	2011	2010
	1 153 836	1 191 877	1 641 761	1 695 888
- salary	935 476	967 143	1 331 063	1 376 121
- social tax	218 360	224 734	310 698	319 768
- including:				
Salary of persons engaged in production (basic activity)				
- salary	764 098	809 052	1 087 214	1 151 177
- social tax	178 313	187 529	253 717	266 830
- total	942 411	996 581	1 340 931	1 418 007
Reward to the board				
- reward	69 378	66 216	98 716	94 217
- social tax	16 713	15 952	23 780	22 698
- total	86 091	82 168	122 496	116 915
Reward to the council				
- reward	102 000	91 875	145 133	130 726
- social tax	23 334	21 253	33 201	30 240
- total	125 334	113 128	178 334	160 966
(3) Pledged assets, guaranties, off-balance liabilities.				
Assets are pledged to ensure the credit.				
No guaranties are issued. There are no off-balance liabilities.				

We confirm the annual report for the 2011 year from 1 to 20.

Chairman of the board	/Ivica Galich/
Member of the board	/Igor Komarov/
Member of the board	/Boris Galcovich/

25 April of year 2012.

SIA AUDITORFIRMA "SARGUNS"
Reģ. Nr. 41503013991, zvērinātu revidentu komercsabiedrības licence Nr. 18,
Malnavas iela, 13, Rīga, LV-1057

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AS TOSMARES KUĢUBŪVĒTAVA

Report on the Financial Statements

We have audited the accompanying financial statements on pages 5 to 20 of AS TOSMARES KUĢUBŪVĒTAVA ("the Company") which comprise the balance sheet as at December 31, 2011 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 requirements of the Annual Accounts Act of the Republic of Latvia. 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 as adopted by the Latvian Association of certified auditors. Those standards require that we comply with ethical requirements and plan and 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 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 the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 AS TOSMARES KUĢUBŪVĒTAVA as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia.

Report on the Management Report

We have read the Management Report set out on page 4 and did not identify material inconsistencies between the financial information contained in the Management Report and the contained in the financial statements for 2011.

Certified auditor's company SIA "SARGUNS"
Audit company license No. 18
Evalds Figurnovs, Latvian Certified auditor,
Certificate No. 38
Chairmen of the Board



Riga, Latvia,
April, 25th, 2012

