

“Riga shipyard” JSC /Rīgas Kuģu Būvētava A/S/

***“RIGA SHIPYARD” JSC
2003 annual report***

Riga, 2004

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Information on the company

Name of the company	Joint stock company “Riga shipyard”
Legal status	Joint stock company
Incorporation number, place and date	000304589, 5 December 1991, Riga
Registered office	2 Gales street, Riga, LV-1015
Stock capital of the enterprise	Ls 11 672 107
Core business of the enterprise	- building and repair of ships, yachts, catamarans, roll trailers and technological equipment -Port services -Wood processing, manufacturing of furniture designed for various functional purposes etc.
Branch	Kattegat Dredging Shipping Ltd
Address	Malta
Partnership	100%
Associate enterprise	“Tosmare Shipyard” JSC
Address	42/44 Generala Baloza Street, Liepaya
Partnership	49,72%
Name, surnames and positions of members of the board of directors	
Vasilijs Melniks	Chairman of the board of directors, p. ID310867-10726
Aivars Stolders	Member of the board of directors, p. ID 060569-10634 (since 21.08.2003)
Igors Komarovs	Member of the board of directors, p. ID 040756-10902
Sergejs Goliciens	Member of the board of directors; p. ID 250154-10952 (till 21.08.2003)
Name, surnames and positions of members of the board	
Janis Davidovics	Chairman of the board, p. ID 060363-11507
Anatolijs Ustinovs	Member of the board, p. ID 010146-10964
Sergejs Goliciens	Member of the board, p. ID 250154-10952
Gundars Stagis	Member of the board, p. ID 090461 11752 (till 18.05.2004)
Larisa Artemenko	Member of the board, p. ID 030349-12926
Chief accountant	Larisa Artemenko, phone 7353411
Annual report	1 January – 31 December 2003
Tax authority	SRS Riga regional institution Ziemulu district division
Name and address of an auditor	Natalija Zaiceva, p ID 140366-10722 A sworn auditor (LSAA certificate No 138)
	Sworn auditors firm KSIA “ORIENTS N” LSAA certificate No 28

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“Riga shipyard” JSC board and board of directors members’ partnership and business in other enterprises or in state institutions

Name, Surname	Position	Name of an enterprise	Incorporation No	Shares more than 10% of total amount of voices, in other enterprises (% out of total amount of voices)	
V. Melniks	Vice- president	Latvian Employers confederation	000800491		
	Chairman of the board	“Remars Riga” JSC	000319742	55%	
	President	“Gulbenes degviela” Ltd	460300064	99,04%	
	President	“Latelektrogulbene” Ltd	320300345	100%	
	Chairman of the board	“Tosmare shipyard” JSC	210302283		
	Vice-president	Latvian association of stevedore companies	000800328	100%	
	Managing director	“Eiroholdings” Ltd	000361334	36,27 %	
	Chairman of the board	“Ogre” JSC	000300818		
	Member of the board of directors	On Latvian interior security, Open social fund	000801916		
	Director	“Kolkas Udens” Ltd /Kolka Water/	000357989		
J. Davidovics	Member of the board	“Tosmare shipyard” JSC	210302283		
	Chairman of the board of directors	“Gulbenes Siltuma Serviss” Ltd /Gulbene Heat Service/	410302440		
	Member of the board	“Remars Riga” JSC	000319742		
	Member of the board of directors	“Multipakas-1” Ltd	000346910		
	President	“Ogre” JSC	000300818		
	President	“Baltijas Zivs” Ltd /Baltic Fish/	000346987		
	Vice-president	“International Shipping Agency” Ltd	000352704		
	Member of board of directors	Supporting fund for Latvian defence forces	000802113		
	S. Golcins	Executive director	“Vias” Ltd	000317377	33%
		Chairman deputy of the board of directors	“Remars Riga” JSC	000319742	
Chairman deputy of the board		“Tosmare shipyard” JSC	210302283		
A. Ustinovs	Member of the board Till 25.07.203	“Remars Riga” JSC	000319742		
	Member of the board of directors Since 25.07.2003				
	Director General	“Vias” Ltd	000317377	34%	
I. Komarovs	Member of the board	“Remars Riga” JSC	000319742		
	Commercial director	“Vias” Ltd	000317377	33%	
	Member of the board of directors	“Tosmare shipyard” JSC	210302283		
L. Artemenko	Member of the board	“Tosmare shipyard” JSC	210302283		
	Member of the board Till 19.02.2004	“Remars Riga” JSC	000319742		
A. Stolders	Chairman of the board of directors	“Baltic Re” JSC	40003611641		
	Executive director	“Financial and insurance brokers M7” Ltd	40003604989		

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“Riga shipyard” JSC directorate statement
on 2003 annual report

Dear shareholders!

“Riga shipyard” JSC business in 2003 was persistent, it continued the previous years set in course of development. As a result we can conclude that in comparison to previous years total turnover of the enterprise has been increased.

In the past 2003 “Riga shipyard” JSC’S total net turnover made up Ls 21 145 127 (compared to 2002 Ls 20 567 482). The enterprises’ gross profit made up Ls 880 225 (in 2002 – Ls 892 477), net gain in 2003 made up Ls 422 850, respectively in 2002 – Ls 545 824. Increase of net turnover compared to 2002 results in 2003 made up 2.8%, increase in shipbuilding made up 23.6%, but decrease in ship repair if compared to 2002 made up 5.9%.

In 2003 “Riga shipyard” JSC in total repaired 114 ships (in 2002 there had been repaired 120 ships), there had been built and launched 16 ship hulls.

“Riga shipyard” JSC’S products and services, as well as ship chandlers in 2003 did not change essentially, traditionally main customer for ships repair were Eastern European, Russian, Estonian and Latvian ship owners, but shipbuilding customers are from Scandinavian states. “Riga shipyard” JSC procures the stock mainly in Eastern Europe, Russia, the Ukraine, Lithuania, as well as in Latvia.

In 2003 “Riga shipyard” JSC invested into acquisition of new technological facilities and repair Ls 750 576 (in 2002 – approximately LVL 700 thousand), owing to which it was possible to increase quality of products and services. Last year there had been procured climatic, welding, ventilation equipment, hydraulic press, x-ray equipment, and a tugboat. Considerable means had been invested into repair of dock and other commercial equipment.

In 2003 a branch “Tosmare shipyard” JSC shares had been sold out partially, as a result “Tosmare shipyard” JSC was converted from a branch into an associated enterprise. In the passed 2003 total turnover of “Tosmare shipyard” JSC made up Ls 3 471 898 (compared to 2002 – Ls 3 900 353). Loss of the enterprise made up Ls 341 496 (compared to 2002 – profit Ls 29 861). Profit from the core in 2003 made up Ls 158 420 (compared to 2002 – profit made up Ls 146 374). But the final result is losses in amount of Ls 341496. It is connected with unpredictable costs on shipbuilding and were related to the implementation period – 2003, apart from the super normative costs in 2003 as a result the profit made up Ls 50 093.

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Since 2003 “Riga shipyard” JSC has not been a member of “Remars Riga” JSC holding company.

A shareholders meeting of the sister enterprise “Kattegat Dredging Shipping” JSC made a resolution on 17.11.2003 on commencement of the process of liquidation, there had been chosen a liquidator and submitted an application to Malta Enterprise register regarding liquidation of the company.

In 2003 “Riga shipyard” JSC consolidated its positions even more on ship repair market, attracting new customers, at the same time preserving also previous ones. If up to this moment in the service rendering range there dominated ship repair and ship hulls building, but in 2003 there were actively offered “ready to operate” shipbuilding. Latvian Republic Ministry of Defense alleges as one of the first possible customers.

In future “Riga shipyard” JSC shall pay the most attention to the enterprise’s technical provision, as well as actively participate in international tenders in order to attract even more new customers. Means shall be invested into further development so that in future it will be possible to compete successfully at the market of the Baltic region and worldwide.

Taking into consideration the aforesaid “Riga shipyard” JSC’S board of directors instigates to pay off to the shareholders dividends for 2003 in amount of LVL 233 442 (two hundred thirty three thousand four hundred and forty two lats), which makes up LVL 0.02 (two santims) per one share. The rest part of income for 2003 shall be invested into the further development of the enterprise.

28 July 2004

“Riga shipyard” JSC
Board of directors
Chairman

V. Melniks

Notification on liability of the board of directors

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

The board of directors endorses that, preparing this report for the period ended on 31 December 2003, there were used corresponding accounting methods, their application was consequent, there were made reasonable and prudent resolutions. The board of directors endorses that corresponding International Accounting standards are observed and financial reports are prepared in compliance with principle of continuation of business.

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

Chairman of the board of directors _____

27 July 2004

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Profit & Loss calculation for 2002 and 2003

	Remarks	2003 Ls	2002 Ls (recalculated comparative indices)	2002 Ls
1. Net turnover	(1)	21145127	20567482	20567482
2. Sold production operating costs	(2)	20264872	19675005	19675005
3. Gross profit or losses		880255	892477	892477
4. Selling costs	(3)	84751	50728	50728
5. Administration costs	(4)	599279	495187	495187
6. Other enterprise's business activity's income	(5)	2574356	1966317	1966317
7. Other enterprise's business activity's costs	(6)	1994055	1488770	1488770
8. Other percents and the like income	(7)	124659	139602	139602
9. Long term financial investments and short term equities value allocation	(8)	251723	106168	57045
10. Payment off percents and the like costs	(9)	99982	96173	96173
11. Profit & Loss prior to extra ordinary items and taxes		549480	761370	810493
12. Profit & loss prior to taxes		549480	761370	810493
13. Income taxes of the enterprise for the year of account	(10)	80550	115578	115578
14. Other taxes	(11)	46080	99968	99968
15. Year of account profit & loss (net income)		422850	545824	59497

Chairman of the board of directors _____ Chairman of the board _____

Executive director _____

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Balance as at 31 December 2003 and 2002 ASSETS	Remarks	2003 Ls	2002 Ls (recalculated comparative indices)	2002 Ls
Long-term investments				
I Incorporeal investments				
Incorporeal investments in total				
II Fixed assets		2038741	1965438	1965438
1. Land, buildings, constructions, perennial greenery				
2. Long-term investments into leased fixed assets		15535	-	-
3. Equipment and machinery		2628916	2709255	2709255
4. Other fixed assets and stock		261659	270031	270031
5. Up building of fixed assets and unfinished building objects costs		144533	136431	136431
6. Advanced payments for fixed assets		49187	31670	31670
Fixed assets in total	(12)	5138571	5112825	5112825
III Long-term financial investments		-	3410504	354592
1. Partnership in the capital of sister enterprises				
2. Partnership in the capital of associated enterprises	(13)	2164782	-	-
3. Other equities and investments	(14)	165	565	565
4. Other costs	(15)	400312	20850	20850
5. Loans to copartners of the enterprise and to the board of directors	(16)	497000	-	-
Long-term financial investments in total		3062259	3431919	3567007
Long-term investments in total		8200830	8544744	8679832
Current assets				
I Reserves				
1. Raw materials, direct materials and auxiliary materials	(17)	2046888	1869312	1869312
2. Unfinished production	(18)	1172112	1629718	1629718
3. Production and goods ready for sale	(19)	-	162680	162680
4. Advance payments for goods	(20)	220084	9661	9661
Reserves in total		3439084	3671371	3671371
II Debts of debtors				
1. Debts of buyers and customers	(21)	2664072	1542258	1542258
2. Debts of sister enterprises	(22)	-	1754612	1754612
3. Other debtors	(23)	1418009	1316533	1316533
4. Short-term loans of the enterprise's copartners and board of directors	(24)	1056104	-	-
5. Next period costs	(25)	60030	79400	79400
Debtors in total		5198215	4692803	4692803
III Equities and partnership in capital				
1. Partnership in capital of sister enterprises	(26)	2077806	2077806	2077806
Equities and partnership in capital in total		2077806	2077806	2077806
IV. Money means in total	(27)	464160	205299	205299
Current assets in total		11179265	10647279	10647279
Assets in total		19380095	19192023	19327111

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LIABILITIES	Remarks	2003 Ls	2002 Ls (recalculated comparative indices)	2002 Ls
Own funds				
1. Share capital (stock capital)	(28)	11672107	11672107	11672107
2. Retained earnings				
a) previous year retained earnings		2528661	2216279	2302244
b) year of account retained earnings		422850	545824	594947
Retained earnings in total		2951511	2762103	2897191
Own capital in total	(29)	14623618	14434210	14569298
II Reserves				
Reserves in total				
III Creditors				
I Long-term debts				
1. Next period income	(30)	91809	275429	275429
Long-term debts in total		91809	275429	275429
II Short-term debts				
1. Loans from credit institutions	(31)	1569488	508173	508173
2. Advance payments received from buyers	(32)	623635	1641553	1641533
3. Debts to suppliers and contractors	(33)	1634473	1817956	1817956
4. Debts to sister enterprises	(34)	243450	-	-
5. Debts to associated enterprises	(35)	65775	963	963
6. Taxes and social insurance payments	(36)	163493	155469	155469
7. Other creditors	(37)	175445	173273	173273
8. Next period income		183620	183620	183620
9. Unpaid previous year dividends	(38)	5289	1377	1377
Short-term creditors in total		4664668	4482384	4482384
Creditors in total		4756477	4757813	4757813
Total		19380095	19192023	19327111

Chairman of the board of directors _____ Chairman of the board _____

Executive director _____

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2003 money flow report

	2003 Ls	2002 Ls
I. Money flow from the core business		
- Received from buyers	20234435	21090975
- Received penalty	114	291
- Paid off to suppliers	-16428112	-15431451
- Paid off salary and related taxes	-3448388	-3641548
- Paid off percents	-99670	-96128
- Received percents	40803	58142
- Enterprise income tax	-174094	-295156
- Other taxes payments	-600673	-687793
- Paid off penalty	-312	-44
- Other income	-	-
Net money flow from the core business	-475897	100011
II Money flow from investment business		
- Paid off when acquiring fixed assets	-635158	-520055
- Received for sold fixed assets	67366	19305
- Paid off for long-term investments	-	-1137
- Serving out of loans	-546478	-1391115
- Repayment of loans	473881	278538
- Purchase of shares	-	-100000
- Selling out of shares	35190	245805
Net money flow from investment business	-605199	-1468659
III Money flow from financing		
- Received loans	1569488	508173
- Repaid loans	-	-
- Paid off dividends	-229531	-45
Net money flow from financing	1339957	508128
Net money flow and changes in its equivalents	258861	39480
Money flow and its equivalents as at the beginning of the year of account	205299	165819
Net money flow and its equivalents as at the end of the year of account	464160	205299

Executive director _____

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Changes in own capital report for 2003 and 2003							
Types of changes		Stock or Share capital	Statutory reserves	Long-term investments revaluation reserve	Other reserves	Retained earnings	Total
		Ls	Ls	Ls	Ls	Ls	Ls
Balance as at 31.12.2001		11672107		20739		2302244	13995090
Stock or share capital							0
Increase/ decrease							
Correction of the previous period due to changes in accounting policy						-85965	-85965
Increase/ decrease							
Increase/ decrease of reserves				-20739			-20739
Dividends							0
Period of account net profit & loss						545824	545824
Balance as at 31.12.2002		11672107	0	0	0	2762103	14434210
Stock or share capital							0
Increase/ decrease							0
Increase of price of shares emission							0
Increase/ decrease of reserves							0
Dividends						-233442	-233442
Period of account net profit & loss						422850	422850
Period of account net profit & loss		11672107	0	0	0	2951511	14623618

Chairman of the board of directors _____

Chairman of the board _____

Executive Director _____

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Supplement

Accounting policy

(1) General principles

The annual report has been prepared in compliance with LR laws “On accounting” and “On enterprises’ annual reports”, as well as in compliance with accounting principles in the Republic of Latvia.

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

Money flow report has been prepared as per third method.

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

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

Pursuant to the company’s order No. 145 dated 26 November 2003, there was conducted the balance items’ inventory.

(2) Net turnover

Net turnover is a total sum of value of production sold within the year and services rendered, but for trade and etc. discounts granted and the value added tax.

(3) Revaluation of foreign currency in lats

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

All monetary assets in foreign currency were revaluated in lats in the end of the year of account pursuant to the currency exchange rate officially established by the Bank of Latvia on 31 December and the differences of respective currency rates are reflected in the profit & loss calculation.

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

	31.12.2003	31.12.2002
	<u>Ls</u>	<u>Ls</u>
1 USD	0,5410	0,5940
1 EUR	0,6740	0,6100
1 NOK	0,0798	0,0840
1 GBP	0,9600	0,9460
1 RUB	0,0184	0,0187

(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 RKB order No 4 dated 8 January 2002. Calculation of depreciation of the fixed assets was commenced starting with the first date of the month next to commissioning and was finished on the first date of the month next to their exclusion from the fixed assets’ number.

In compliance with conduction of the inventory of the fixed funds the production commission stated that the floating docks were in a good condition and offered to prolong the time of their exploitation, designating 5% of depreciation norm, which was endorsed by the board of directors of the company.

To calculate enterprise’s income tax the depreciation of the fixed assets was estimated pursuant to rates and requirements under article 13 of LR law “On enterprises’ income tax”.

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

(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 lowest costs.

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

Supplement

Accounting policy

(6) Debtors

Debtors' debts in the balance sheet have been shown at the net value. Debtors' actual sum complies with contracts and other accounting basic documents. There has been made reconciliation of debtors' debts as at 31 December 2003.

(7) Partnership in capitals of associated enterprises.

In the year of account there was changed the accounting policy in respect to reflection of investments into associated enterprises. Taking into account that the issue of accounting of the incorporeal assets resulted from acquisition of the enterprise's share capital was not clarified in LR accounting regulated documents we acted in compliance with the international accounting standards. Pursuant to 22 SGS costs' exceed over the acquired partnership at the true value of definable assets and liabilities at which they were acquired on the day of the transaction, are to be characterized as incorporeal assets. Pursuant to the resolution of the board of directors the depreciation of positive incorporeal assets has been estimated as per the linear method, proceeding from a 20-year time of the provided appropriate exploitation. Depreciation deductions have been reflected in the profit & loss calculation item "Long-term financial investments' writing off." These changes in the accounting policy have been accounted subject to retroaction. In 2002 comparative indices were recalculated in order to comply with the changed policy. Consequences of the change resulted in decrease of profit in 2003 for a part of incorporeal assets' depreciation by Ls 49123, decrease of profit in 2002 by Ls 49123. Initial retained turnover of 2002 has been decreased by Ls 85965 or by the correction sum that related to previous period. Distribution of the previous years profit decreased sum per periods is as following: 2001 – Ls 49123, 2000 – Ls 36842.

Changes in the accounting policy don't affect the estimated amount of taxes.

Investments into associated enterprises have been evaluated as per own capital methods.

(8) Other long-term investments.

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

(9) Taxes

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

Enterprise's income tax has been calculated out of income liable to taxes in compliance with Latvian tax legislation.

(10) Relative information

Comparing to previous period of account, methods of evaluation and accounting, applied in the company, have been changed, on which the revaluation of relative indices has been submitted.

Due to the fact that the company has ceased to be a part of the holding company, in the year of account a qualification of respective items was changed.

(11) 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, using a program developed in the company.

(12) Reclassifying

There has been changed classification of separate items for 2002 comparative indices deem to be necessary so that to comply with classification of items used in 2003.

Supplement

General remarks

(1) Year average number of employees

	2003	2002
	Ls	Ls
Average number of employees	1098	1109

(2) Personnel payments

Personnel payments		
- Salary	<u>4021381</u>	<u>3871978</u>
- Social tax	<u>912643</u>	<u>952531</u>
Total:	<u>4934024</u>	<u>4824509</u>

Including:

Salary of employees working in production (core business)

- salary	<u>3630817</u>	<u>3554925</u>
- social tax	<u>840262</u>	<u>893252</u>
Total:	<u>4471079</u>	<u>4448177</u>

Payment for work of Administration

- salary	<u>174492</u>	<u>172559</u>
- social tax	<u>44704</u>	<u>30481</u>
Total	<u>219196</u>	<u>203040</u>

Remuneration of the board of directors

- remuneration	<u>80496</u>	<u>52681</u>
- social tax	<u>10088</u>	<u>8123</u>
Total	<u>90584</u>	<u>60804</u>

Remuneration of the board

- remuneration	<u>131023</u>	<u>87000</u>
- social tax	<u>16537</u>	<u>19041</u>
Total	<u>147560</u>	<u>106041</u>

Salary of employees, which are not involved into commercial activity

- salary	<u>4553</u>	<u>4813</u>
- social tax	<u>1052</u>	<u>1634</u>
Total	<u>5605</u>	<u>6447</u>

Profit & Loss calculation supplement

(1) Net turnover

	2003 Ls	2002 Ls
On aspects of business		
- shipbuilding	7113841	5756799
- ship repair	13747837	14603490
- mechanical engineering	273418	199433
- other works	<u>10031</u>	<u>7760</u>
Total	<u>21145127</u>	<u>20567482</u>

(1a) Including net turnover allocation per geographical markets

- Latvia	685193	690723
- Russia	2060764	2231459
- Georgia	75518	21337
- Estonia	582731	29363
- Italy	1129394	561600
- Bolivia	-	67562
- Norway	4194182	5591179
- Cyprus	1461015	1755233
- Belize	92213	-
- Singapore	361865	-
- Malta	1009780	2104976
- Panama	673101	307235
- Liberia	924500	2097220
- Sweden	892375	29180
- Finland	1109519	154070
- Germany	-	2500163
- Iceland	2518805	-
- Denmark	1711040	1166501
- Honduras	222516	-
- Bahamas	39344	361147
- The Netherlands	43549	26786
- St Vincent	303660	104697
- Philippines	-	103409
- Portugal	496815	-
- Cambodia	127756	159000
- Greece	-	177351
- Antigua and Barbuda	425336	-
- Burma	-	52075
- United Kingdom of Dauglas	-	217244
- Jamaica	-	6136
- Cayman Islands	-	30394
- Gibraltar	4156	21442

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Profit & Loss calculation supplement

(2) Sold products operating costs

	2003	2002
	Ls	Ls
Material costs (raw materials and materials, value of goods, services from outside)	13903550	13727692
Salary	3713776	3507258
Social tax	860602	881696
Depreciation of fixed assets	554934	830829
Other costs	1232010	727530
Total	<u>20264872</u>	<u>19675005</u>
	2003	2002
	Ls	Ls

(3) Selling costs

Advertisement	84751	50728
Total	<u>84751</u>	<u>50728</u>
	2003	2002
	Ls	Ls

(4) Administration costs

Liaison costs	16348	17049
Office maintenance costs	3908	3690
Annual report costs	6500	7800
Bank services	-	665
Salary of administration	174492	172559
Remuneration of the board of directors	80496	52681
Remuneration of the board	131023	87000
Social insurance costs	71329	57645
Depreciation of fixed assets	35185	30686
Transport costs, travel allowances	28263	25167
Legal services	18481	10868
Representation costs	33254	29377
Total	<u>5992979</u>	<u>465810</u>

Profit & Loss calculation supplement

(5) Other enterprise’s income generated by economic activities

	2003	2002
	Ls	Ls
Income generated by transport services rendering	3594	4376
Income generated by leased FA payments and public services	588940	395950
Tugboat services income	82242	87587
Selling out of raw materials and materials	980943	612666
Income generated by fluctuation of currency rate	586919	416282
Educational services	1566	1701
Income generated by chemical analyses	1908	1612
Income generated by selling out of oxygen	2387	2013
Income generated by realization of fixed assets	78735	19305
Income generated by difference between face value of certificates and costs on their acquisition	183620	183620
Increase of reserves due to inventory	1079	1528
Previous year income	18541	1528
Reimbursement of losses	41491	56712
Decrease in reserves	-	162680
Other income	1844	9615
Total	2574356	1966317

(6) Other costs due to the enterprise’s economic activities

	2003	2002
	Ls	Ls
Material purchase costs	927919	549190
Losses due to currency rate fluctuation	571419	518290
Losses incurred by currency selling out	69943	41229
Compressed air purchase costs	957	815
Social infrastructure objects costs (medical services)	6192	6513
Costs on tugboat services	19265	20035
Charity to Latvian culture funds	17150	35000
Other charities	-	10000
Material benefits	13300	11204
Burial costs	3423	2734
Costs incurred by fixed assets’ exclusion	92944	10708
Representation costs	22682	20943
Costs on maintenance of leased FA	244830	110059
Special reserved sum provided for unsecured debts	-	141626
Other costs	4031	424
Total	1994055	1488770

"Riga shipyard" JSC
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Profit & Loss calculation supplement

(7) Other interests income and the like income

	2003	2002
	Ls	Ls
Bank interests	459	1920
Interests income for loans	124086	137391
Received penalty payments	114	291
Total	124659	139602

(8) Writing off long-term financial investments and short-term equities value

	2003	2002
	Ls	Ls
Incorporeal assets writing off	49123	(recalculated) 49123
Losses incurred by partnership in capital of associated enterprises	202600	-
Losses incurred by selling out of Labrador Dredging Shipping Ltd shares	-	57045
Total	251723	106168

(9) Interests payments and the like payments

	2003	2002
	Ls	Ls
Paid off penalty	312	45
Paid off interests	50132	41309
Guarantee maintenance	49538	54819
Total	99982	96173

(10) Enterprise's income tax

	2003
	Ls
The enterprise finished 2003 with income net of tax Ls 549480. Pursuant to LR law "On enterprises' income tax" declaration's line 0.3 – "Costs unrelated to economical activities" there have been reflected:	
Presents to employees	72407
Charity to the Latvian culture fund	17150
Material benefits	15050
Burial costs	3423
Other costs	467
Total	108497

(110) Other taxes

	2003	2002
	Ls	Ls
Buildings and constructions real estate tax	22198	22510
Real estate tax	23882	77458
Total	46080	99968

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Supplements to the balance sheet

(12) Report on long-term investments movement

	Land, buildings, constructions Ls	Long-term investments into leased FA Ls	Equipment and machinery Ls	Other fixed assets Ls	Building of fixed assets Ls	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
Initial value								
31.12.2002	3083555	-	7042460	474107	-	136431	31670	10768223
Bought	202653	21183	502779	45144	-	727008	49187	1547954
Written off	328	1412	159440	7601	-	750576	-	919357
Relocated	-	4236	-	-	-	+31670	-31670	4236
Revaluated	-	-	-	-	-	-	-	-
31.12.2003	3285880	15535	7385799	511650	-	144533	49187	11392584
Depreciation								
31.12.2002	1118117	-	4333205	204076	-	-	-	5655398
Estimated	129350	-	491177	52513	-	-	-	673040
Written off	328	-	67499	6598	-	-	-	74425
31.12.2003	1247139	-	4756883	249991	-	-	-	6254013
Balance value								
31.12.2002	1965438	-	2709255	270031	-	136431	31670	5112825
Balance value								
31.12.2003	2038741	15535	268916	261659	-	144533	49187	5138571

(12a) Depreciation of fixed assets per categories

	Initial value 31.12.2002 Ls	Balance value 31.12.2002 Ls	Acquired in 2003 Ls	Balance value Liquid. FA Ls	Value from which depr. was calculated Ls	Rate (x2) %	Depreciation 2003 Ls	Balance value for taxes Ls
I group	3021225	1650554	183805	-	1834359	5,0	183436	1650923
II group	4430031	1326338	45181	11841	1359678	10,0	271936	1087742
III group	230659	12262	28961	354	40869	35,0	28609	12260
IV group	2910709	570773	492629	807449	982653	20,0	393061	589592
Total	10592624	3559927	750576	92944	4217559		877042	3340517

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

	31.12.2003 Ls	31.12.2002 Ls
Initial value	167164	258524
Accumulated depreciation	74220	246803
Balance value	92944	11721
Income generated by selling of FA	78735	19305

Supplements to the balance sheet

(13) Partnership in capital of sister enterprises

	Ls
Branch enterprise “Tosmare shipyard” JSC investment value as at 31.12.2002	3410504
Decrease in investments due to selling of shares	(994000)
Writing off incorporeal assets	(49122)
Evaluation as per own capital method	<u>(202600)</u>
Investments value as at 31.12.2003	2164782

“Riga Shipyard” JSC owns 1592608 shares, with face value of the shares Ls 1, which makes up 49.72% out of the associated enterprise’s equity capital. The investments have been reflected as per own capital method.

(14) Other equities and investments

		31.12.2003	31.12.2002
		Ls	Ls
“Baltic International Bank” JSC	33 shares	165	165
“International Shipping Agency” Ltd	8 parts	-	400
Total		165	565

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Supplement to the balance sheet

(15) Other loans and demands

Name of enterprise	of 31.12.2002	Loans granted in 2003	Repaid debts 2003	Difference in currency rate	Debts transferred to a short-term	31/12/2003	Date of the contract	Term of payment (a year)
	Ls	Ls	Ls	Ls	Ls	Ls		
“SELLEKS” Ltd	3550				3550		09.04.2001	2004
N. Zorins	3811	483		-147		4147	06.11.1998	2018
V. Levkovskis	1268			-22		1246	06.11.1998	2018
K. Zuravskis	3811	483		-147		4147	06.11.1998	2018
N. Stankevics	2051			-33		2018	06.11.1998	2018
D. Marcenko	1643	455		-44		2054	03.08.2003	2020
A. Dorohovs	1847	455		-181		2121	03.09.2001	2021
O. Andrusko	1847	455		-181		2121	03.09.2001	2021
M. Zogolevs	511	892		-94		1309	01.09.2002	2022
V. Ozerskis	511	892		-94		1309	01.09.2002	2022
D. Komarovs		1134		-84		1050	01.09.2002	2022
I. Lazarevs		1134		-84		1050	01.09.2002	2022
S. Slusars		1134		-84		1050	01.09.2002	2022
S. Muiznieks		1134		-84		1050	01.09.2002	2022
V. Mikulovs		1134		-84		1050	01.09.2002	2022
J. Avanesovs		827		-91		736	01.09.2002	2022
A. Kotovics		375		-7		368	01.09.2003	2023
D. Lebedinecs		375		-7		368	01.09.2003	2023
N. Ahmedovs		375		-7		368	01.09.2003	2023
E. Bartulis		142000	4970		12780	124250	19.09.2003	2011
B. Galkovics		142000	4970		12780	124250	19.09.2003	2011
I. Galics		142000	4970		12780	124250	19.09.2003	2011
Total	20850	437737	14910	-1475	41890	400312		

Supplement to the balance sheet

(16) Long-term loans to the enterprise’s copartners and to the board of directors

		2003 Ls	2002 Ls
Long-term		497000	0
Total		497000	0
	Board of directors Ls	Copartners Ls	Total Ls
31.12.2002			
Granted loans	284000	284000	568000
Repaid loans			
Reclassified	35500	35500	71000
31.12.2003	248500	248500	497000

Part of the loan due to be paid off in five years makes up Ls 213000. “Riga Shipyard” JSC’S copartners are its board of directors as well.

(17) Surplus of raw materials, basic materials and auxiliary materials

	2003 Ls	2002 Ls
1. Metal ware	79752	71260
2. Timbering	429	1817
3. Metal	1085450	9429424
4. Pipes	176104	191809
5. Wire cables	5964	5545
6. Non-ferrous metals	110797	89577
7. Fuel	49440	50578
8. ‘Coveralls	5902	4023
9. Equipment	41552	38727
10. Spare parts	12793	17185
11. Cables	42516	41052
12. Varnish and paint	23008	28833
13. Building materials	40527	12736
14. Household goods	6857	7044
15. Tools	39723	44193
16. Technical rubber ware	39006	36164
17. Other	287068	279345
Total	2046888	1869312

Supplement to the balance sheet

(18) Unfinished production

	Ls
Unfinished production is shown in the balance sheet at production cost, excluding administration costs.	1172112
Main unfinished production objects are as following:	
1) Shipbuilding orders	755453
2) Ship repair orders	355356
Including:	
-m/v “Mika”	24599
-m/v “Lundenes”	92760
-m/v “Belgorod”	160881
-m/v “Novgorod”	22042
-m/v “Luctor”	13821
-The others	41253
3) Mechanical engineering orders	59800
4) Various	1503

(19) Finished production and goods for sale

	31.12.2003	31.12.2002
	Ls	Ls
M/V “Rodsher”	-	162680
Total	-	162680

(20) Advance payments for goods

	2003	2002
	Ls	Ls
For materials	220084-	9661
Total	220084-	9661

(21) Debts of buyers and customers

	31.12.2003	31.12.2002
	Ls	Ls
Buyers and customers accounting value	3266929	2145115
Generated reserves	(602857)	(602857)
Balance net value	2664072	1542258

Balance of debtors' debts in the balance sheet is shown at net value, deducting from the debts accounting value the generated reserves for insecure debts in amount of Ls 602857 (in 1996 – Ls 497378, in 2001 – 105479).

“Riga shipyard” JSC
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Supplement to the balance sheet

(22) Debts of sister enterprises

	31.12.2003	31.12.2002
	Ls	Ls
“Remars – Riga” JSC	-	1211190
Kattegat Dredging Shipping	-	267449
Labrador Dredging Shipping	-	-
“Remars – Granula” Ltd	-	252391
“Tosmare Shipyard” JSC	-	23573
Total	0	1754612

(23) Other debtors

	31.12.2003	31.12.2002
	Ls	Ls
Accounting value	1569635	1468159
Generated reserves	(151626)	(151626)
Balance net value	1418009	1316533

Other debtors debts are as following:

	31.12.2003	31.12.2002
	Ls	Ls
Payment of salary	799	273
Accounted VAT	20286	20243
Overpaid taxes		
- value added tax	76192	88122
- enterprise income tax	93530	197588
Payments personal debts	-	316
Short-term loans for “Tosmare Shipyard” JSC’S shares	38340	-
Short-term loans	1075748	931661
Account with other debtors	113114	78330
Total	1418009	1316533

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

	Board of directors	Copartners	Total
	Ls	Ls	Ls
31.12.2002	0	0	0
Loans granted		11480	11480
Calculated interests		54892	54892
Reclassified from sister enterprises’ debts		1138558	1138558
Reclassified from long-term	35500	35500	71000
Repaid loans	9940	112271	122211
Difference in currency rate		-97615	-97615
31.12.2003	25560	1030544	1056104

Supplement to the balance sheet

(25) Next period payments

	31.12.2003 Ls	31.12.2002 Ls
Enterprise’s property insurance premium sum	19517	33630
Inviting of specialists	35770	39950
Subscription to the press	507	701
Advertising	-	5119
Repair costs on leased fixed assets	4236	-
Total	60030	79400

(26) Partnership in sister enterprises’ capital

	Ls	Proportion of investments
Kattegat Dredging Shipping Ltd	2077806	100%
Total	2077806	

On 17.11.2003 the Shareholders meeting of Kattegat Dredging Shipping Ltd, taking into account that assets belonged to the enterprise had been sold, made a resolution on commencement of the liquidation process, about which there was submitted an application to the Malta Enterprises register and to appoint the enterprise’s liquidator. In the liquidation balance sheet drawn up on 03.12.2003 the assets were composed out of the debtors debts. Taking into account that the debtors did not apply, all money received from the debtors due to solely holder of shares “Riga Shipyard” JSC.

As at the moment of signing of the annual report the part of collected debts have been accrued to the current account of “RKB” JSC.

(27) Money

	31.12.2003 Ls	31.12.2002 Ls
Short-term deposit	337000	36600
Money on current accounts	125374	163383
Money at a cash department	1786	5316
Total	464160	205299

Supplement to the balance sheet

(28) Character of the share stock

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

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

Amendments to the Acts:

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

(28 a) Allocation of the equity capital per types of owners

	31.12.2003 Ls	%	31.12.2002 Ls	%
“Remars-Riga” JSC	5819194	49,86	5899194	50,18
Other limited companies	1883844	16,14	2535670	21,46
Private personae	3969069	34,00	3237243	28,36
Total	11672107	100	11672107	100

(30) Next period income

	31.12.2003 Ls	31.12.2002 Ls
Income generated by difference between face value of certificates invested into PE “Tosmare” and costs on purchase of these certificates. The sum in amount of Ls 183620 is included into income generated by economic activities in 2003		
- Long-term section	91809	275429
- Short-term section	183620	183620
Total	275429	459049

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

	31.12.2003 Ls	31.12.2002 Ls
Nordea Bank Finland Plc. Latvian branch	1569488	508173
Total	1569488	508173

Overdraft and guarantee contract No 2003/4/OD/GA, overdraft contract No 2003/59/OD with the overdraft limit USD 3500000. On 21.10.2003 there were made pawn, mortgage and cession contracts to secure liabilities.

“Riga shipyard” JSC
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Supplement to the balance sheet

(32) Advance payments received from buyers

	2003	2002
	Ls	Ls
For shipbuilding	617638	1633700
Others	5997	7853
Total	623635	1641553

(33) Debts to suppliers and contractors

	2003	2002
	Ls	Ls
Debts for services	1399911	1361267
Debts for materials	234562	456689
Total	1634473	1817956

(34) Debts to sister enterprises

	2003	2002
	Ls	Ls
Kattegat Dredging Shipping Ltd	243450	-
Total	243450	

(35) Debts to associated enterprises

	2003	2002
	Ls	Ls
“Baltijas Holdings” JSC	-	963
“Tosmare Shipyard” JSC	65775	-
Total	65775	963

"Riga shipyard" JSC
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Supplement to the balance sheet

(36) Movement of tax liabilities in 2003

	Balance as at 01.01.2003 Ls	Calculated In 2003 Ls	Paid off In 2003 Ls	Deflected to other taxes Ls	Balance as at 31.12.2003 Ls
Social insurance payments	94269	1252948	1250715		96502
Residents income tax	58688	824369	817877		65180
VAT	-88122	-1152676	190	1164796	-76192
Real estate tax	1761	46080	47080		379
Enterprise income tax	-197588	80564	149225	172719	-93530
Natural resources tax	751	7181	7364		568
Risk tax		10442	9578		864
Customs duty on import		14865	14865		
Total	-130241	1083773	2297276	1337515	-6229
Including:					
Overpayment of taxes	285710				169722
Unsettled tax payments	155469				163493

(37) Other creditors

	2003 (Ls)	2002 (Ls)
Salary for December	123570	127131
Payments for deductions from salary	2051	2302
Payments by return to personae	1346	2202
Payments for credit cards	4410	5040
Payments for debts to other enterprises	44068	36598
Total	175445	173273

(37) Unpaid previous years dividends

	2003 (Ls)	2002 (Ls)
31.12.2002	1377	1422
Calculated	233442	-
Paid off	229530	45
31.12.2003	5289	1377

Chairman of the board of directors _____

Chairman of the board _____

Executive director _____

27 July 2004

/emblem/ KSIA "ORIENTS N" LTD

**AUDITORS' REPORT
TO "RIGA SHIPYARD" JSC
Shareholders**

We have conducted "Riga Shipyard" JSC (Inc. No. with ER 000304589) 2003 annual report's audit so that it would comply with LR law "On enterprises' annual reports". The annual report includes the balance as at 31.12.2003, profit & loss calculation, money flow report, changes to own capital report, the supplement and the directorate's report. The company's director is liable for preparation of a financial report. Proceeding from results of the financial report our liability is to pronounce an independent resolution on it.

We have conducted the audit in compliance with International Audit standards. We have planned the audit so that to get efficient affirmation that the financial report doesn't have essential errors. During auditing at selective checks we have made necessary audit of documentary endorsements of figures included into the annual report, application of accounting principles whilst preparation of the annual report, as well as for evaluation of all submitted instruments. During auditing there has been checked if the accounting arrangement complies with demands of Latvian republic laws regulating bookkeeping, also there has been appraised the report of the company's directorate. We think that the audit conducted is efficient to substantiate our report on "Riga Shipyard" JSC 2003 annual financial report.

In our opinion:

"Riga Shipyard" JSC 2003 annual financial report, prepared in compliance with existent accounting principles in force in the Republic of Latvia, all essential aspects render a true and clear conception on the company's means, liabilities and financial situation as at the end of the year of account, as well as 2003 profit & loss calculation, report on money flow and changes in own capital.

"Riga Shipyard" JSC 2003 annual financial report complies with demands of LR law "On enterprises' annual reports".

Whilst not pronouncing a remark we shall pay attention to the explanation of the supplement 26 to the financial report.

Riga
28 July 204

/signature/ /seal/
Natalija Zaiceva
personal ID code 140366-10722
LSAA certificate No 28
K SIA "Orient N" Ltd managing director
Commercial company's license No. 28

"ORIENTS N" Ltd
/requisites/