

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

***“RIGA SHIPYARD” JSC***  
***2004 annual report***

***Riga, 2005***

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*2004 annual report*

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**Information on the company**

Name of the company	<b>Joint stock company “Riga shipyard”</b>
Legal status	Joint stock company
Incorporation number, place and date	000304589, 5 December 1991, companies register, Riga 40003045892, 26 August 2004, commercial register, Riga
Registered office	2 Gales street, Riga, LV-1015
Stock capital of the enterprise	Ls 11 672 107
Core business of the enterprise	- building and repair of ships, yachts, catamarans, roll trailers and technological equipment -Port services -Wood processing, manufacturing of furniture designed for various functional purposes etc.
Associate enterprise	“Tosmare Shipyard” JSC
Address	42/44 Generala Baloza Street, Liepaya
Partnership	49,72%
Name, surnames and positions of members of the Board	
Vasilijs Melniks	Chairman of the Board, p. ID 310867-10726
Aivars Stolders	Member of the Board, p. ID 060569-10634
Igors Komarovs	Member of the Board, p. ID 040756-10902
Larisa Artemenko	Member of the Board, p. ID 030349-12926 (appointed on 26.08.2004)
Janis Davidovics	Member of the Board, p. ID 060363-11507 (appointed on 27.05.2005)
Name, surnames and positions of members of the Council	
Janis Davidovics	Chairman of the Council, p. ID 060363-11507(resigned on 26.05.2005)
Sergejs Golicins	Deputy Chairman of the Council, p. ID 250154-10952
Anatolijs Ustinovs	Member of the Council, p. ID 010146-10964
Gundars Stagis	Member of the Council, p. ID 090461 11752 (resigned on 18.05.2004)
Larisa Artemenko	Member of the Council, p. ID 030349-12926(resigned on 25.08.2004)
Girts Stelbovics	Member of the Council, p. ID 280566-10102(appointed on 26.08.2004)
Aleksandrs Cernavskis	Member of the Council, p. ID 230770-10102 (appointed on 26.08.2004)
Chief accountant	Larisa Artemenko, phone 7353411(resigned on 25.08.2004) Marina Pudova, phone 7080868 (appointed on 01.09.2004)
Annual report	1 January – 31 December 2004
Tax authority	SRS Riga regional institution Ziemeļu 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

**"Riga shipyard" JSC directorship statement  
to 2004 annual report**

Dear shareholders!

JSC "Riga shipyard" business in year 2004 was persistent, it continued the previous years set in course of development.

In the past 2004 "Riga shipyard" JSC'S total net turnover made up Ls 19 712 818 including ship building - 4 837 918 (compared to 2003 Ls 21 145 127 including ship building – Ls 7 113 841). Gross profit for the 2004 year is Ls 1 479 888 (2003 year - Ls 880 255). The net profit for 2004 year has made Ls 384 860, accordingly in 2003 year - Ls 422 850. In year 2004 it has been made and launched on water of 9 halls (in 2003 - 16). Customers have transferred terms of orders on later time for the reasons from us independent.

In year 2004 JSC "Riga shipyard" in total repaired 102 ships (in 2003 there had been repaired 114 ships).

"Riga shipyard" JSC'S products and services, as well as material's suppliers in year 2004 did not change essentially: Western Europe, Russia, Ukraine, Lithuania as well as Latvia. Traditionally main customers for ships repair were Western European, Russian, Lithuanian and Latvian ship owners, but shipbuilding customers are from Scandinavian states.

In year 2004 JSC "Riga shipyard" invested into acquisition of new technological facilities and repair Ls 1 710 157 (in 2003 - approximately LVL 750 576), owing to which it was possible to increase quality of products and services and decrease the cost price of products. In last year have been got the equipment for abrasive removal, screw compressors, the factory began transition to the natural gas centralized supply system. Significant means have been enclosed in repair of docks and other factory equipment, in an accomplishment of the factory territory.

25<sup>th</sup> of January 2005 the process of liquidations of related company "Kattegat Dredging Shipping" Ltd. has been finished, started in 2003 year.

In future "Riga shipyard" JSC shall pay the most attention to the enterprise's technical provision, especially in equipments and technological process with great expenditure of resources. In year 2006 will be mounted cogeneration equipment for possibility to produce cheaper electricity and warm supply. JSC "Riga shipyard" 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 the board offer to pay off to the shareholders dividends for 2004 in amount of LVL 233 442 (two hundred thirty three thousand four hundred and forty two LVL), which makes up LVL 0.02 (two centimes) per one share. The rest part of income for 2004 shall be invested into the further development of the enterprise.

27<sup>th</sup> June 2005

"Riga shipyard" JSC  
Chairmen of the Board

***V. Meļņiks***

***Notification on liability of the board***

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

The board endorses that, preparing this report for the period ended on 31 December 2004, there were used corresponding accounting methods, their application was consequent, there were made reasonable and prudent resolutions. The board endorses that corresponding International Accounting standards are observed and financial reports are prepared in compliance with principle of continuation of business.

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

Chairman of the Board \_\_\_\_\_ V. Melniks

27 June 2005

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Profit & Loss calculation for 2004 and 2003

	Remarks	2004 Ls	2003 Ls	2004 EUR	2003 EUR
1. Net turnover	(1)	19 712 818	21 145 127	28 040 993	30 078 417
2. Sold production operating costs	(2)	18 232 930	20 264 872	25 935 889	28 826 276
<b>3. Gross profit or losses</b>		<b>1 479 888</b>	<b>880 255</b>	<b>2 105 104</b>	<b>1 252 141</b>
4. Selling costs	(3)	60 204	84 751	85 639	120 556
5. Administration costs	(4)	643 890	599 279	915 918	852 459
6. Other enterprise's business activity's income	(5)	1 927 250	2 574 356	2 741 465	3 661 957
7. Other enterprise's business activity's costs	(6)	1 544 484	1 994 055	2 196 990	2 836 493
8. Income from investments in capital of related and associated companies	(7)	152 758	0	217 295	
9. Other percents and the like income	(8)	108 219	124 659	153 939	177 324
10. Write-offs of the value of long-term financial investments and short-term securities	(9)	770 032	251 723	1 095 351	358 070
11. Payment off percents and the like costs	(10)	99 265	99 982	141 202	142 222
<b>12. Profit &amp; Loss prior to extraordinary items and taxes</b>		<b>550 240</b>	<b>549 480</b>	<b>782 703</b>	<b>781 622</b>
13. Extraordinary income					
14. Extraordinary expense					
<b>15. Profit &amp; loss prior to taxes</b>		<b>550 240</b>	<b>549 480</b>	<b>782 703</b>	<b>781 622</b>
16. Income taxes of the enterprise for the year of account	(11)	117 898	80 550	167 707	114 580
17. Other taxes	(12)	47 482	46 080	67 542	65 548
<b>18. Year of account profit &amp; loss (net income)</b>		<b>384 860</b>	<b>422 850</b>	<b>547 454</b>	<b>601 494</b>

Chairman of the Board \_\_\_\_\_ V. Melniks

27 June 2005

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**Balance as at 31 December 2004 and 2003**

<b>ASSETS</b>	Remarks	31.12.2004 Ls	31.12.2003 Ls	31.12.2004 EUR	31.12.2003 EUR
<b>Long-term investments</b>					
<b>I Intangible investments</b>					
1. Research and development costs					
2. Concessions, patents, licences, trade-marks and similar right					
3. Other intangible investments		24 611		35 008	
4. Goodwill					
5. Advance payments of intangible investments					
<b>Intangible investments in total</b>	13	<b>24 611</b>		<b>35 008</b>	
<b>II Fixed assets</b>					
1. Lands, buildings, constructions, perennial plants		2 300 471	2 038 741	3 272 363	2 900 058
2. Long-term investments into leased fixed assets		24 664	15 535	35 084	22 098
3. Equipment and machinery		3 262 486	2 628 916	4 640 805	3 739 567
4. Other fixed assets and stock		302 870	261 659	430 825	372 203
5. Up building of fixed assets and unfinished building objects costs		500 427	144 533	711 845	205 595
6. Advanced payments for fixed assets		11 877	49 187	16 895	69 967
<b>Fixed assets in total</b>	(14)	<b>6 402 795</b>	<b>5 138 571</b>	<b>9 107 817</b>	<b>7 309 488</b>
<b>III Long-term financial investments</b>					
1. Participation in capital of related companies					
2. Participation in capital of associated companies	(15)	2 268 417	2 164 782	3 226 767	3 079 349
3. Other equities and investments	(16)	165	165	235	235
4. Other loans and other long-term debtors	(17)	525 450	400 312	747 440	569 434
5. Loans to copartners of the enterprises and to the directorship	(18)	326 381	497 000	464 269	706 970
<b>Long-term financial investments in total</b>		<b>3 120 413</b>	<b>3 062 259</b>	<b>4 438 711</b>	<b>4 355 988</b>
<b>Long-term investments in total</b>		<b>9 547 819</b>	<b>8 200 830</b>	<b>13 581 536</b>	<b>11 665 476</b>
<b>Current assets</b>					
<b>I Reserves</b>					
1. Raw materials, direct materials and auxiliary materials	(19)	2 955 377	2 046 888	4 203 950	2 911 647
2. Unfinished production	(20)	2 962 134	1 172 112	4 213 562	1 667 300
3. Production and goods ready for sale					
4. Advance payments for goods	(21)	367 637	220 084	522 954	313 064
<b>Reserves in total</b>		<b>6 285 148</b>	<b>3 439 084</b>	<b>8 940 466</b>	<b>4 892 011</b>
<b>II Debts of debtors</b>					
1. Debts of buyers and customers	(22)	1 737 974	2 664 072	2 472 225	3 789 576
2. Debts of related companies		-	-		
3. Associated companies debts	(23)	204 644		291 101	
4. Other debtors	(24)	1 047 247	1 418 009	1 489 683	2 017 083
5. Short-term loans to copartners of the enterprise's and to the directorship	(25)	1 107 954	1 056 104	1 576 037	1 502 282
6. Next period costs	(26)	55 636	60 030	79 141	85 391
<b>Debtors in total</b>		<b>4 153 455</b>	<b>5 198 215</b>	<b>5 908 187</b>	<b>7 394 332</b>
<b>III Short-term financial investments</b>					
Participation in capital of related companies	(27)		2 077 806		2 955 627
<b>Short-term financial investments in total</b>		<b>0</b>	<b>2 077 806</b>		<b>2 955 627</b>
<b>IV. Cash assets</b>	(28)	<b>27 471</b>	<b>464 160</b>	<b>39 077</b>	<b>660 256</b>
<b>Current assets in total</b>		<b>10 466 074</b>	<b>11 179 265</b>	<b>14 887 730</b>	<b>15 902 226</b>
<b>Assets in total</b>		<b>20 013 893</b>	<b>19 380 095</b>	<b>28 469 266</b>	<b>27 567 702</b>

Chairman of the Board \_\_\_\_\_ V. Melniks

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<b>LIABILITIES</b>	Remarks	31.12.2004 Ls	31.12.2003 Ls	31.12.2004 EUR	31.12.2003 EUR
<b>Equity capital</b>					
1. Stock or share capital (equity capital)	(29)	11 672 107	11 672 107	16 603 282	16 603 282
2. Retained earnings					
a) previous years retained earnings		2 718 069	2 951 511	3 866 386	4 198 451
b) year of account retained earnings		384 860		547 454	
<b>Retained earnings in total</b>		<b>3 102 929</b>	<b>2 951 511</b>	<b>4 413 840</b>	<b>4 198 451</b>
<b>Equity capital in total</b>	(30)	<b>14 775 036</b>	<b>14 623 618</b>	<b>21 017 122</b>	<b>20 801 733</b>
<b>II Reserves</b>					
<b>Reserves in total</b>					
<b>III Creditors</b>					
<b>I Long-term debts</b>					
1. Next period income			91 809		130 596
<b>Long-term debts in total</b>		<b>0</b>	<b>91 809</b>		<b>130 596</b>
<b>II Short-term debts</b>					
1. Loans from credit institutions	(31)	1 410 300	1 569 488	2 006 117	2 232 558
2. Advance payments received from buyers	(32)	1 274 421	623 635	1 812 832	887 105
3. Debts to suppliers and contractors	(33)	2 063 622	1 634 473	2 935 451	2 324 997
4. Debts to related companies		-	243 450		346 301
5. Debts to associated companies		-	65 775		93 563
6. Taxes and social insurance payments	(34)	195 129	163 493	277 566	232 565
7. Other creditors	(35)	188 683	175 445	268 397	249 566
8. Next period income	(36)	91 810	183 620	130 597	261 195
9. Unpaid previous years dividends	(37)	10 644	5 289	15 141	7 523
10. Accrued liabilities		4 248		6 043	
<b>Short-term creditors in total</b>		<b>5 238 857</b>	<b>4 664 668</b>	<b>7 452 144</b>	<b>6 635 373</b>
<b>Creditors in total</b>		<b>5 238 857</b>	<b>4 756 477</b>	<b>7 452 144</b>	<b>6 765 969</b>
<b>Total</b>		<b>20 013 893</b>	<b>19 380 095</b>	<b>28 469 266</b>	<b>27 567 702</b>

Chairman of the Board \_\_\_\_\_ V. Melniks

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Cash flow statement for 12 months of the year 2004 and 2003

	2004 Ls	2003 Ls	2004 EUR	2003 EUR
<b>A. Cash flow from primary activity</b>				
- Sales income	20 859 635	20 275 352	29 672 312	28 841 183
- Cash to suppliers, personnel and others primary activity costs	20 081 984	20 477 485	28 566 122	29 128 713
- <b>Gross cash flow from primary activity</b>	<b>777 651</b>	<b>-202 133</b>	<b>1 106 190</b>	<b>-287 529</b>
- Interest paid	99 168	99 670	141 064	141 778
- Corporate income tax	70 865	174 094	100 804	247 645
- <b>Primary activity before extraordinary items</b>	<b>607 618</b>	<b>-475 897</b>	<b>864 322</b>	<b>-676 952</b>
- Cash flow from extraordinary items				
<b>Net cash flow from primary activity</b>	<b>607 618</b>	<b>-475 897</b>	<b>864 322</b>	<b>-676 952</b>
<b>B. Cash flow from investment activity</b>				
- Selling out of shares	21 000	35 190	29872	50 057
- Paid for fixed assets acquisition	1 194 093	635 158	1 698 568	903 496
- Received for the fixed assets sold	51 971	67 366	73 928	95 826
- Loans granted	76 307	546 478	108 545	777 352
- Repayment of loans	540 397	473 881	768 701	674 084
<b>Net cash flow from investment activity</b>	<b>-657 032</b>	<b>-605 199</b>	<b>-934 612</b>	<b>-860 881</b>
<b>C. Cash flow from financial activities</b>				
- Loan received		1 569 488		2 232 558
- Loan repaid	-159 188	-	-226 441	
- Dividend paid	228 087	229 531	324 448	326 502
<b>Net cash flow from financial activities</b>	<b>-387 275</b>	<b>1 339 957</b>	<b>-550 889</b>	<b>1 906 056</b>
<b>Net cash flow and equivalent increase or decrease (A+B+C)</b>	<b>-436 689</b>	<b>258 861</b>	<b>-621 179</b>	<b>368 223</b>
<b>Cash and equivalent thereof at beginning of the period of accounts</b>	<b>464 160</b>	<b>205 299</b>	<b>660 256</b>	<b>292 033</b>
<b>Cash and equivalent thereof at the end of the period of account</b>	<b>27 471</b>	<b>464 160</b>	<b>39 077</b>	<b>660 256</b>

Chairman of the Board \_\_\_\_\_ V. Melniks

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Changes in own capital report for 2003 and 2004						
Types of changes	Stock or		Retained		Total	
	Share		earnings			
	capital					
	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31.12.2002</b>	<b>11672107</b>	<b>16603282</b>	<b>2762103</b>	<b>3929022</b>	<b>14434210</b>	<b>20532304</b>
Stock or share capital						
increase/decrease						
Increase/decrease of reserves						
Dividends for 2002 year			-233442	-332065	<b>-233442</b>	<b>-332065</b>
Period of account net profit & loss			422850	601494	<b>422850</b>	<b>601494</b>
<b>Balance as at 31.12.2003.</b>	<b>11672107</b>	<b>16603282</b>	<b>2951511</b>	<b>4198451</b>	<b>14623618</b>	<b>20801733</b>
Stock or share capital						
increase/decrease						
Increase/decrease of reserves						
Dividends for 2003 year			<b>-233442</b>	<b>-332065</b>	<b>-233442</b>	<b>-332065</b>
Period of account net profit & loss			<b>384860</b>	<b>547454</b>	<b>384860</b>	<b>547454</b>
<b>Balance as at 31.12.2004.</b>	<b>11672107</b>	<b>16603282</b>	<b>3102929</b>	<b>4413840</b>	<b>14775036</b>	<b>21017122</b>

Chairman of the Board \_\_\_\_\_ V. Melniks

27 June 2005

## Notes to the financial statements

### 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.

Cash flow statement 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. 158 dated 26 November 2004, there was conducted the balance items’ inventory.

#### (2) Net turnover

Net turnover is a total sum of services rendered and sold within the year and services free from tax and granted trade discounts.

#### (3) Revaluation of foreign currency in lats

All the company accounting is carried out into 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:

	31.12.2004	31.12.2003
	<u>Ls</u>	<u>Ls</u>
1 USD	0,516	0,541
1 EUR	0,703	0,674
1 NOK	0,085	0,084
1 GBP	0,996	0,96
1 RUB	0,0186	0,0184

**(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 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.

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. 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) Participation in capitals of associated companies.**

Associated enterprise investment is valued in accordance with own capital methods.

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."

**(6) Other long-term investments.**

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

**(7) 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.

**(8) 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 2004.

**(9) Cash and cash equivalents**

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

**(10) Income tax of the enterprise**

Income tax of the enterprise is calculated from the rate able income in accordance with Latvian tax law.

**(11) Taxes**

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

**(12) 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.

**(13) Comparative information**

Comparing to the period of previous report, company inventories and methods of valuation have not changed.

**Profit & Loss calculation supplement**

**(1) Net turnover**

	2004	2003
	Ls	Ls
On aspects of business		
- Shipbuilding	4 837 918	7 113 841
- Ship repair	14 450 763	13 747 837
- Mechanical engineering	351 770	273 418
- Other works	72 367	10 031
<b>Total</b>	<b><u>19 712 818</u></b>	<b><u>21 145 127</u></b>

**(1a) Including net turnover allocation per geographical markets**

- Latvia	805 021	685 193
- Russia	797 444	2 060 764
- Georgia	1 025	75 518
- Estonia	0	582 731
- Italy	0	1 129 394
- Norway	3 321 521	4 194 182
- Cyprus	1 503 517	1 461 015
- Belize	443 845	92 213
- Singapore	15 219	361 865
- Malta	2 849 842	1 009 780
- Panama	4 417 893	673 101
- Liberia	506 856	924 500
- Sweden	203 580	892 375
- Finland	697 160	1 109 519
- Iceland	87 149	2 518 805
- Denmark	878 868	1 711 040
- Honduras	0	222 516
- Bahamas	267 066	39 344
- The Netherlands	121 942	43 549
- St Vincent	429 233	303 660
- Portugal	315 989	496 815
- Cambodia	348 089	127 756
- Antigua and Barbuda	713	425 336
- Gibraltar	167 822	4 156
- Lithuania	452 694	-
- Ukraine	62 392	-
- German	169 050	-
- Poland	6 939	-
- Isle of man	417 254	-
- Marshall Island	422 878	-
- Dominica	1 817	-
<b>Total</b>	<b>19 712 818</b>	<b>21 145 127</b>

**Profit & Loss calculation supplement**

**(2) Sold products operating costs**

	2004 Ls	2003 Ls
Material costs (raw materials and materials, value of goods, services from outside)	12 505 120	13 903 550
Salary	3 345 812	3 713 776
Social tax	773 832	860 602
Depreciation of fixed assets	609 005	554 934
Other costs	999 161	1 232 010
<b>Total</b>	<b><u>18 232 930</u></b>	<b><u>20 264 872</u></b>

	2004 Ls	2003 Ls
<b>(3) Selling costs</b>		
Advertisement	60 204	84 751
<b>Total</b>	<b><u>60 204</u></b>	<b><u>84 751</u></b>

	2004 Ls	2003 Ls
<b>(4) Administration costs</b>		
Liaison costs	19 183	16 348
Office maintenance costs	7 618	3 908
Annual report costs	16 453	6 500
Salary of administration	199 656	174 492
Remuneration of the board	127 629	80 496
Remuneration of the council	83 151	131 023
Social insurance costs	78 522	71 329
Depreciation of fixed assets	44 938	35 185
Transport costs, travel allowances	26 774	28 263
Legal services	18 180	18 481
Representation costs	<u>21 786</u>	<u>33 254</u>
<b>Total</b>	<b><u>643 890</u></b>	<b><u>599 279</u></b>



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

	2004	2003
	Ls	Ls
Income generated by transport services rendering	6 927	3 594
Income generated by leased FA payments and public services	372 521	588 940
Tugboat services income	49 007	82 242
Selling out of raw materials and materials	857 060	980 943
Income generated by fluctuation of currency rate	364 012	586 919
Educational services	6 836	1 566
Income generated by chemical analyses	1 619	1 908
Income generated by realization of fixed assets	51 971	78 735
Income generated by difference between face value of certificates and costs on their acquisition	183 620	183 620
Increase of reserves due to inventory	1 247	1 079
Previous year income	16 617	18 541
Reimbursement of losses	150	547
Decrease in reserves	3 995	41 491
Education expenses recovery	5 592	-
Currency selling income	2 568	-
Other income	3 508	4231
<b>Total</b>	<b><u>1 927 250</u></b>	<b><u>2 574 356</u></b>

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

	2004	2003
	Ls	Ls
Material purchase costs	752 692	927 919
Losses due to currency rate fluctuation	425 373	571 419
Losses incurred by currency selling out	87 196	69 943
Compressed air purchase costs	465	957
Social infrastructure objects costs (medical services)	6 974	6 192
Costs on tugboat services	20 065	19 265
The donations	5 000	17 150
Material benefits	20 915	13 300
Burial costs	6 201	3 423
Costs incurred by fixed assets' exclusion	22 193	929 44
Representation costs	16 049	22 682
Costs on maintenance of leased FA	128 479	244 830
Special reserved sum provided for unsecured debts	43 851	-
Other costs	9 031	4 031
<b>Total</b>	<b><u>1 544 484</u></b>	<b><u>1 994 055</u></b>

**(7) Income from investments in capital of related and associated companies**

	2004	2003
	Ls	Ls
Associated company participation income	152 758	0
<b>Total</b>	<b><u>152 758</u></b>	<b><u>0</u></b>

**(8) Other percents and the like income**

	2004 Ls	2003 Ls
Depositing percentage	3 057	
Bank interests	465	459
Interests income for loans	101 591	124 086
Received penalty payments	3 106	114
<b>Total</b>	<b>108 219</b>	<b>124 659</b>

**(9) Write-offs of the value of long-term financial investments and short-term securities**

	2004 Ls	2003 Ls
Incorporeal assets writing off	49 123	49 123
Losses incurred by partnership in capital of associated enterprises	0	202 600
Losses due to the Sister company liquidation	720 909	-
<b>Total</b>	<b>770 032</b>	<b>251 723</b>

**(10) Payment off percents and the like costs**

	2004 Ls	2003 Ls
Paid off penalty	412	312
Paid off interests	46 035	50 132
Guarantee maintenance	52 818	49 538
<b>Total</b>	<b>99 265</b>	<b>99 982</b>

**(11) Income taxes of the enterprise for the year of account**

	2004 Ls
The enterprise finished 2004 with income net of tax Ls 550240. 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	80 183
The donations	5 000
Material benefits	20 915
Burial costs	8 496
Other costs	1 812
<b>Total</b>	<b>116 406</b>

**(12) Other taxes**

	2004 Ls	2003 Ls
Buildings and constructions real estate tax	23 592	22 198
Real estate tax	23 890	23 882
<b>Total</b>	<b>47 482</b>	<b>46 080</b>

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**(13) Other intangible investments**

	Concessions, patents, licenses, trade-marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments total
<b>Initial value</b>						
01.01.2004			24611			24611
Bought						
Written off						
Relocated						
Revaluated						
<b>31.12.2004</b>	0	0	24611	0	0	24611
<b>Depreciation</b>						
01.01.2004						
Estimated						
Written off						
<b>31.12.2004</b>						
<b>Balance value</b>						
<b>01.01.2004</b>						
<b>Balance value</b>						
<b>31.12.2004</b>			24611			24611

**(14) 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
<b>Initial value</b>								
01.01.2004	3285880	15535	7385799	511650	-	144533	49187	11392584
Bought	413123	16773	1175433	96990	-	2066051	618485	4386855
Written off	21926	7644	58538	1524	-	1710157	655795	2455584
Relocated	-	-	-	-	-	-	-	0
<b>31.12.2004</b>	<b>3677077</b>	<b>24664</b>	<b>8502694</b>	<b>607116</b>	<b>-</b>	<b>500427</b>	<b>11877</b>	<b>13323855</b>
<b>Depreciation</b>								
01.01.2004	1247139	-	4756883	249991	-	-	-	6254013
Estimated	138559	-	532620	55664	-	-	-	726843
Written off	9092	-	49295	1409	-	-	-	59796
<b>31.12.2004</b>	<b>1376606</b>	<b>-</b>	<b>5240208</b>	<b>304246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6921060</b>
<b>Balance value</b>								
<b>01.01.2004</b>	<b>2038741</b>	<b>15535</b>	<b>2628916</b>	<b>261659</b>	<b>-</b>	<b>144533</b>	<b>49187</b>	<b>5138571</b>
<b>Balance value</b>								
<b>31.12.2004</b>	<b>2300471</b>	<b>24664</b>	<b>3262486</b>	<b>302870</b>	<b>-</b>	<b>500427</b>	<b>11877</b>	<b>6402795</b>

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

	31.12.2004 Ls	31.12.2003 Ls
Initial value	81988	167164
Accumulated depreciation	59796	74220
Balance value	22192	92944
Permanent assets liquidation loss	22192	92944

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**Supplements to the balance sheet**

**(15) Partnership in capital of associated companies**

	31.12.2004 Ls	31.12.2003 Ls
Branch enterprise “Tosmare shipyard” JSC investment value		
Decrease in investments due to selling of shares	<b>2164782</b>	<b>3410504</b>
Writing off incorporeal assets	<b>0</b>	<b>-994000</b>
Evaluation as per own capital method		<b>-202600</b>
Associated company participation income	<b>152758</b>	<b>0</b>
Incorporeal assets writing off	<b>-49123</b>	<b>-49122</b>
Investments value as at 31.12.2004	<b>2268417</b>	<b>2164782</b>

**(16) Other equities and investments**

		31.12.2004	31.12.2003
		Ls	Ls
“Baltic International Bank” JSC	33 shares	165	165
		-	-
<b>Total</b>		165	165

**(17) Other loans and other long-term debtors**

Name enterprise	Of 31.12.2003	Loans granted in 2004	Repaid debts 2004	Difference in currency rate	Debts transferred to a short-term	31/12/2004	Date of the contract	Term of payment (a year)
	Ls	Ls	Ls	Ls	Ls	Ls		
Student loan payout	27562	10448	2018	-1111		34881		2018-2024
Shares loan payout	372750	297266	132650		46797	490569		2011-2012
<b>Total</b>	400312	307714	134668	-1111	46797	525450		

**Supplement to the balance sheet**

**(18) Loans to copartners of the enterprises and to the directorship**

	2004 Ls	2003 Ls
Long-term loans	326 381	497 000
<b>Total</b>	<b>326 381</b>	<b>497 000</b>

	<b>Copartners Ls</b>
31.12.2003	<b>497 000</b>
Repaid loans	124 250
Reclassified	46 369
31.12.2004	326 381

**(19) Raw materials, direct materials and auxiliary materials**

	2004 Ls	2003 Ls
1. Metal ware	76 590	79 752
2. Timbering	6 632	429
3. Metal	1 848 483	1 085 450
4. Pipes	217 405	176 104
5. Wire cables	5 227	5 964
6. Non-ferrous metals	102 096	110 797
7. Fuel	50 458	49 440
8. Coveralls	4 839	5 902
9. Equipment	120 528	41 552
10. Spare parts	11 672	12 793
11. Cables	37 597	42 516
12. Varnish and paint	24 368	23 008
13. Building materials	69 362	40 527
14. Household goods	5 322	6 857
15. Tools	30 809	39 723
16. Technical rubber ware	34 204	39 006
17. Other	309 785	287 068
<b>Total</b>	<b>2 955 377</b>	<b>2 046 888</b>

**Supplement to the balance sheet**

**(20) Unfinished production**

	2004g Ls	2003g. Ls
Unfinished production is shown in the balance sheet at production cost, excluding administration costs.		
Main unfinished production objects are as following:		
1) Shipbuilding orders	2 524 746	755 453
2) Ship repair orders	405 058	355 356
Including:		
-m/v “Imandra”	199 660	
-m/v “Traveberg”	78 837	
-m/v “Podolyan”	20 943	
-m/v “Sally”	79 332	
-m/v “Baltik Meridian”	5 815	
-The others	20 471	
3) Mechanical engineering orders	29 377	59 800
4) Various	2 953	1 503
<b>Total</b>	<b>2 962 134</b>	<b>1 172 112</b>

**(21) Advance payments for goods**

	2004 Ls	2003 Ls
For materials	367 637	220 084
<b>Total</b>	<b>367 637</b>	<b>220 084</b>

**(22) Debts of buyers and customers**

	31.12.2004 Ls	31.12.2003 Ls
Buyers and customers accounting value	2 384 682	3 266 929
Generated reserves	-646 708	-602 857
<b>Balance net value</b>	<b>1 737 974</b>	<b>2 664 072</b>

Loan lost provisions to the tune of Ls 43 851 are created

**Changes in provisions**

	Debts of buyers and customers	Other debtors	Total
<b>Savings 31.12.2003</b>	602 857	151 626	754 483
Increase of savings	0	234	234
Decrease of savings	43 851	0	43 851
<b>Savings 31.12.2004</b>	646 708	151 392	798 100

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**Supplement to the balance sheet**  
**(23) Associated companies debts**

	31.12.2004	31.12.2003
	Ls	Ls
“Tosmare shipyard” JSC	204 644	0
<b>Total</b>	<b>204 644</b>	<b>0</b>

**(24) Other debtors**

	31.12.2004	31.12.2003
	Ls	Ls
Accounting value	1 198 639	1 569 635
Generated reserves	-151 392	-151 626
<b>Balance net value</b>	<b>1 047 247</b>	<b>1 418 009</b>

**Loan provisions to other debtor are diminished to the tune of Ls 234**

Other debtors debts are as following:	<u>31.12.2004</u>	<u>31.12.2003</u>
	Ls	Ls
Accounted VAT	21 626	20 286
Overpaid taxes		
- Value added tax	240 501	76 192
- Enterprise income tax	0	93 530
Payments personal debts	1 303	-
Payment of salary	281	799
Short-term loans for “Tosmare Shipyard” JSC’S shares	72 358	38 340
Short-term loans	211 092	1 075 748
“Remars-Riga” Ltd. stricken debt	424 074	0
Account with other debtors	76 012	113 114
<b>Total</b>	<b>1 047 247</b>	<b>1 418 009</b>

**(25) Short-term loans to the enterprise’s copartners and directorship**

		Ls
31.12.2003		<b>1 056 104</b>
	Calculated interests	<b>51 373</b>
	Reclassified from sister enterprises’ debts	36 815
	Reclassified from long-term	46 721
	Repaid loans	10 383
31.12.2004		<b>1 107 954</b>

**(26) Next period costs**

	31.12.2004	31.12.2003
	Ls	Ls
Enterprise’s property insurance premium sum	7 893	19 517
Subscription to the press	70	507
Inviting of specialists	29 890	35 770
Insurance of health	5 490	-
Check of floating means	4 701	-
Expenses for repair of the rented basic means	7 592	4 236
<b>Total</b>	<b>55 636</b>	<b>60 030</b>

**Supplement to the balance sheet**

**(27) Securities and participation in capital**

Please be informed that 25.01.2005 the process of company Kattedgat Dredging Shipping Ltd. Liquidation which had been started in 2003 year was finished. Due to the fact that were aware of this process in course of the preparation of balance for 2004, the results of the Liquidation is included in above year 2004 balance.

<b>Partnership in system enterprise capital</b>	<b>01.01.2004</b>	<b>2 077 806</b>
Money received		932 823
Debtors` stricken debt		424 074
Enterprise liquidation losses		720 909
<b>Partnership in system enterprise capital</b>	<b>31.12.2004</b>	<b>0</b>

**(28) Cash assets**

	31.12.2004	31.12.2003
	Ls	Ls
Money at a cash department	6 774	1 786
Money on current accounts	20 697	125 374
Short-term deposit	0	337 000
<b>Total</b>	<b>27 471</b>	<b>464 160</b>

**(29) Stock or share capital (equity capital)**

“Riga shipyard” JSC was founded in 1995 with the equity capital of Ls 10 000000, which was comprised of 10 000000 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 000000 on 31 December 1998.
2. Growth of the equity capital up to Ls 11 672 107 on 30 December 1999.

	31.12.2004	%	31.12.2003	%
	Ls		Ls	
“Remars-Riga” JSC	5 819 194	49,86	5 819 194	49,86
Other limited companies	3 533 622	30,27	1 883 844	16,14
Private personae	2 319 291	19,87	3 969 069	34,00
<b>Total</b>	<b>11 672 107</b>	<b>100</b>	<b>11 672 107</b>	<b>100</b>



**Supplement to the balance sheet**

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

	31.12.2004	31.12.2003
	Ls	Ls
Nordea Bank Finland Plc. Latvian branch	1 410 300	1 569 488
<b>Total</b>	<b>1 410 300</b>	<b>1 569 488</b>

Overdraft and guarantee contract No 2003/4/OD/GA with the overdraft limit 5 500 000 Ls also overdraft – 1 500 000 EUR, overdraft contract No 2003/59/OD with the overdraft limit USD 2500 000 Mortgage, session contracts and contract of pledge were signed, for the amplification of obligations.

**(32) Advance payments received from buyers**

	2004	2003
	Ls	Ls
For shipbuilding	12 625 46	617 638
Others	11 875	5 997
<b>Total</b>	<b>1 274 421</b>	<b>623 635</b>

**(33) Debts to suppliers and contractors**

	2004	2003
	Ls	Ls
Debts for services	86 758	34 543
Debts for materials	328 379	234 562
Debts subcontractors	1 648 485	1 365 368
<b>Total</b>	<b>2 063 622</b>	<b>1 634 473</b>

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**Supplement to the balance sheet**

**(34) Movement of tax liabilities in 2004**

	Balance as at 01.01.2004 Ls	Calculated In 2004 Ls	Paid off In 2004 Ls	Return overpayment	Deflected to other taxes Ls	Balance as at 31.12..2004 Ls
Social insurance payments	96502	1274954	1253232	-16213		102011
Residents income tax	65180	841717	835436			71461
VAT	-76192	-1384249			1219940	-240501
Real estate tax	379	47482	46462			1399
Enterprise income tax	-93530	124336	74803		62454	18457
Risk tax	864	4842	5314			392
Customs duty on import		5089	5089			
Natural resources tax	568	6428	5587			1409
<b>Total</b>	<b>-6229</b>	<b>920599</b>	<b>2225923</b>	<b>-16213</b>	<b>1282394</b>	<b>-45372</b>
Ink. Overpay tax	169 722					240 501
Debt tax	163 493					195 129

**(35) Other creditors**

	<b>2004 (Ls)</b>	<b>2003 (Ls)</b>
Salary	156 865	123 570
Payments for deductions from salary	2 342	2 051
Payments by return to personae	1 235	1 346
Payments for credit cards	418	4 410
Payments for debts to other enterprises	27 823	44 068
<b>Total</b>	<b>188 683</b>	<b>175 445</b>

**(36) Next period income**

Income generated by difference between face value of Certificates invested into PE “Tosmare” and cost on purchase of these certificates. The sum in amount of Ls 183 620 is included into income generated by economic activities in 2004

	<b>2004 (Ls)</b>	<b>2003 (Ls)</b>
-Long-term section		91 809
-Short-term section	91 810	183 620
<b>Total</b>	<b>91 810</b>	<b>275 429</b>

**(37) Unpaid previous years dividends**

<b>31.12.2003</b>	5 289	1 377
Calculated	233 442	233 442
Paid off	228 087	229 530
<b>31.12.2004</b>	<b>10 644</b>	<b>5 289</b>

**Off-balance obligations**

Warranty contract Nr. RKB 21.06.2004/GA on the execution of “Eiro Steel” Ltd. (Reg. Nr 40003631296) obligations for “Vereinsbank Riga” (Reg. Nr. 40003323953), that emerge from the Credit facility contract Nr. ES 21.06.2004/CL signed on 21.06.2004 by “Vereinsbank Riga” and “Eiro Steel” Ltd on total amount 4500000 USD.

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**Supplement**

**General remarks**

**(1) Year average number of employees**

	2004	2003
	Ls	Ls
Average number of employees	<b>1 117</b>	<b>1 098</b>

**(2) Personnel payments**

Personnel payments	<u><b>5 017 535</b></u>	<u><b>4 934 024</b></u>
- Salary	<u>4 089 315</u>	<u>4 021 381</u>
- Social tax	<u>928 220</u>	<u>912 643</u>
Total:		

Including:

Salary of employees working in production (core business)

- Salary	<u>3 674 013</u>	<u>3 630 817</u>
- Social tax	<u>848 220</u>	<u>840 262</u>
Total:	<u>4 522 233</u>	<u>4 471 079</u>

Payment for work of Administration

- Salary	<u>199 656</u>	<u>174 492</u>
- Social tax	<u>46 706</u>	<u>44 704</u>
Total	<u>246 362</u>	<u>219 196</u>

Remuneration of the board

- remuneration	<u>127 629</u>	<u>80 496</u>
- social tax	<u>16 452</u>	<u>10 088</u>
Total	<u>144 081</u>	<u>90 584</u>

Remuneration of the council

- Remuneration	<u>83 151</u>	<u>131 023</u>
- Social tax	<u>15 364</u>	<u>16 537</u>
Total	<u>98 515</u>	<u>147 560</u>

Salary of employees, which are not involved into commercial activity

- Salary	<u>4 866</u>	<u>4 553</u>
- Social tax	<u>1 478</u>	<u>1 052</u>
Total	<u>6 344</u>	<u>5 605</u>

Chairman of the Board	V.Melniks
Member of the Board	J.Davidovics
Member of the Board	I.Komarovs
Member of the Board	A.Stolders
Member of the Board	L.Artemenko
Deputy Chairman of the Council	S.Golicins

**AUDITOR'S REPORT  
TO SHAREHOLDERS OF  
A/S "RĪGAS KUĢU BŪVĒTAVA"**

We have audited the financial statements on pages 1 to 27 of A/S "Rīgas kuģu būvētava" (Reg. No. UR 40003045892) for the year ended 31 December 2004. The audited financial statements include the balance sheet of A/S "Rīgas kuģu būvētava" as at 31 December 2004, the related profit or loss account, statement of changes in equity, cash flow statement for the year, and notes to the financial statements. The management of A/S "Rīgas kuģu būvētava" is responsible for the preparation of financial statements. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the company's management, as well as evaluating the overall financial statement presentation. During our audit, we found that the Management Report on page 4 of the Annual Report including the audited financial statements in all material aspects corresponds to the audited financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- ⌘ The financial statements give a true and fair view of the financial position of A/S "Rīgas kuģu būvētava" as at 31 December 2004, and the results of its operations and cash flows for the year then ended in accordance with requirements of the Republic of Latvia law *On Annual Reports of Enterprises*.

Without qualifying our opinion, we draw attention to the fact that the company has not made provisions for the deferred company income tax of LVL 283,078.

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**Natālija Zaiceva**  
Identity No. 140366-10722  
**Sworn Auditor**  
Association of Sworn Auditors of Latvia  
Certificate Nr.138  
**Managing Director of LTD *Orients***  
Commercial Company License No.28

27 June 2005, Riga