

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

***“RIGA SHIPYARD” JSC
2005 annual report project***

(25.07.2006. for approval at shareholders' meeting)

Riga, 2006

| <i>Content</i> | <i>Pages</i> |
|-----------------------------------|--------------|
| Information on the company | 3 |
| Directorship report | 4 |
| Profit & loss calculation | 6 |
| Balance sheet | 7 |
| Cash flow statement | 9 |
| Equity changes report | 10 |
| Notes to the financial statements | 11 |

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, 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 |
| Aivars Stolders | Member of the Board |
| Igors Komarovs | Member of the Board |
| Larisa Artemenko | Member of the Board |
| Janis Davidovics | Member of the Board (appointed on 27.05.2005 resigned on 25.06.2006) |
| Name, surnames and positions of members of the Council | |
| Janis Davidovics | Chairman of the Council (resigned on 26.05.2005) |
| Sergejs Golicins | Deputy Chairman of the Council (resigned on 29.07.2005) |
| Anatolijs Ustinovs | Member of the Council (resigned on 29.07.2005) |
| | Deputy Chairman of the Council (appointed on 29.07.2005) |
| Girts Stelbovics | Member of the Council |
| Aleksandrs Cernavskis | Member of the Council |
| Andris Kravalis | Member of the Council (appointed on 29.07.2005) |
| Chief accountant | Marina Pudova, phone 7080868 |
| Annual report | 1 January – 31 December 2005 |
| Tax authority | SRS Riga regional institution Ziemeļu district division |
| Name and address of an auditor | Natalija Zaiceva A sworn auditor (LSAA certificate No 138) Sworn auditors firm KSIA “ORIENTS N” LSAA certificate No 28 |
| Responsible person | Larisa Artemenko Member of the Board phone 7353411 e-mail:larisa@riga-shipyard.com |

**"Riga shipyard" JSC directorship statement
to 2005 annual report**

JSC "Riga shipyard" business in year 2005 was persistent, it continued the previous years set in course of development.

In the past 2005 "Riga shipyard" JSC'S total net turnover made up Ls 29189376 including ship building – Ls 9232733, ship repairing-Ls 19613494 (compared to 2004 Ls 22097052 including ship building -Ls 7222152, ship repairing-Ls 14450763). Gross profitable in the 2005 year is Ls 1556229 (2004 year - Ls 1415892). The net profit for 2005 year has made Ls 655471, accordingly in 2004 year - Ls 169518.

In year 2005 JSC "Riga shipyard" in total repaired 105 ships (in 2004 there had been repaired 102 ships), it has been made and launched on water 10 halls (in 2004 - 9).

"Riga shipyard" JSC'S products and services, as well as material's suppliers in year 2005 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 2005 JSC "Riga shipyard" invested into acquisition of new technological facilities and repair thousand Ls 1905 (in 2004 – approximately thousand Ls 1710), owing to which it was possible to increase quality of products and services and decrease the cost price of products. Last year has been bayed hydraulic cranes, welding facilities, air-dryers, turning machines, two milling machines, finished reconstruction of two compression stations, finished shipyard's gasification (reorganization to the natural gas). Significant means have been enclosed in repair of docks and other factory equipment, in an accomplishment of the factory territory.

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 boiler house reconstruction 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 board of directors instigates to pay off to the shareholders dividends for 2005 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 2005 shall be invested into the further development of the enterprise.

24th Jule 2006

"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 2005, 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. Meļņiks

24 July 2006

“Riga shipyard” JSC
2005 annual report

Profit & Loss calculation for 2005 and 2004

| | Remarks | 2005 Ls | 2004 Ls | 2005 EUR | 2004 EUR |
|--|---------|------------------|------------------|------------------|------------------|
| 1. Net turnover | 1 | 29 189 376 | 22 097 052 | 41 532 740 | 31 441 272 |
| 2. Sold production operating costs | 2 | 27 633 147 | 20 681 160 | 39 318 426 | 29 426 640 |
| 3. Gross profit or losses | | 1 556 229 | 1 415 892 | 2 214 314 | 2 014 632 |
| 4. Selling costs | 3 | 62 023 | 60 204 | 88 251 | 85 663 |
| 5. Administration costs | 4 | 766 374 | 644 928 | 1 090 452 | 917 650 |
| 6. Other enterprise's business activity's income | 5 | 1 516 760 | 1 563 238 | 2 158 155 | 2 224 287 |
| 7. Other enterprise's business activity's costs | 6 | 1 343 682 | 1 180 472 | 1 911 887 | 1 679 660 |
| 8. Profit & Loss commercial activities | | 900 910 | 1 093 526 | 1 281 879 | 1 555 946 |
| 9. Other percents and the like income | 7 | 79 789 | 108 219 | 113 530 | 153 982 |
| 10. Write-offs of the value of long-term financial investments and short-term securities | | | 720 909 | | 1 025 761 |
| 11. Payment off percents and the like costs | 8 | 130 894 | 99 265 | 186 245 | 141 241 |
| 12. Profit & Loss prior to extra ordinary items and taxes | | 849 805 | 381 571 | 1 209 164 | 542 926 |
| 13. Profit & loss prior to taxes | | 849 805 | 381 571 | 1 209 164 | 542 926 |
| 14. Income taxes of the enterprise for the year of account | 9(a) | 77 613 | 117 898 | 110 433 | 167 754 |
| 15. Deferred income | 9(a) | 66 518 | 46 673 | 94 646 | 66 410 |
| 16. Other taxes | 10 | 50 203 | 47 482 | 71 432 | 67 561 |
| 17. Year of account profit & loss (net income) | | 655 471 | 169 518 | 932 653 | 241 201 |

Chairman of the Board _____ V. Meļņiks

“Riga shipyard” JSC
2005 annual report

Balance as at 31 December 2005 and 2004

| ASSETS | Remarks | 31.12.2005 Ls | 31.12.2004 Ls | 31.12.2005 EUR | 31.12.2004 EUR |
|---|---------|-------------------|-------------------|-------------------|-------------------|
| Long-term investments | | | | | |
| I Intangible investments | | | | | |
| 1. Other intangible investments | | 46 089 | 24 611 | 65 579 | 35 018 |
| 2. Advance payments of intangible investments | | 72 421 | | 103 046 | |
| Intangible investments in total | 11 | 118 510 | 24 611 | 168 625 | 35 018 |
| II Fixed assets | | | | | |
| 1. Lands, buildings, constructions, perennial plants | | 2 638 941 | 2 270 797 | 3 754 875 | 3 231 053 |
| 2. Investments assets | | 414 632 | 29 674 | 589 968 | 42 222 |
| 3. Long-term investments into leased fixed assets | | 17 074 | 24 664 | 24 294 | 35 094 |
| 4. Equipment and machinery | | 3 525 352 | 3 262 486 | 5 016 124 | 4 642 099 |
| 5. Other fixed assets and stock | | 343 264 | 302 870 | 488 421 | 430 945 |
| 6. Up building of fixed assets and unfinished building objects costs | | 474 756 | 500 427 | 675 517 | 712 043 |
| 7. Advanced payments for fixed assets | | 27 017 | 11 877 | 38 442 | 16 899 |
| Fixed assets in total | 12 | 7 441 036 | 6 402 795 | 10 587 641 | 9 110 355 |
| III Long-term financial investments | | | | | |
| 1. Participation in capital of associated companies | 13 | 2 164 782 | 2 164 782 | 3 080 207 | 3 080 207 |
| 2. Other equities and investments | | | | | |
| 3. Other loans and other long-term debtors | 14 | 165 | 165 | 235 | 235 |
| 4. Loans to copartners of the enterprises and to the directorship | 15 | 595 828 | 525 450 | 847 787 | 747 648 |
| | 16 | 362 284 | 326 381 | 515 484 | 464 398 |
| Long-term financial investments in total | | 3 123 059 | 3 016 778 | 4 443 713 | 4 292 488 |
| Long-term investments in total | | 10 682 605 | 9 444 184 | 15 199 979 | 13 437 861 |
| Current assets | | | | | |
| I Reserves | | | | | |
| 1. Raw materials, direct materials and auxiliary materials | 17 | 3 214 493 | 2 955 377 | 4 573 811 | 4 205 124 |
| 2. Unfinished production | 18 | 2 692 | 77 800 | 3 830 | 110 699 |
| 3. Production and goods ready for sale | 19 | 552 219 | 437 388 | 785 737 | 622 347 |
| 4. Advance payments for goods | 20 | 43 268 | 367 637 | 61 565 | 523 100 |
| Reserves in total | | 3 812 672 | 3 838 202 | 5 424 943 | 5 461 270 |
| II Debts of debtors | | | | | |
| 1. Debts of buyers and customers | 21 | 2 174 067 | 1 737 974 | 3 093 419 | 2 472 914 |
| 2. Associated companies debts | 22 | 34 220 | 204 644 | 48 690 | 291 182 |
| 3. Other debtors | 23 | 550 037 | 1 047 247 | 782 632 | 1 490 099 |
| 4. Short-term loans to copartners of the enterprise's and to the directorship | 24 | 1 137 446 | 1 107 954 | 1 618 440 | 1 576 477 |
| 5. Next period costs | 25 | 48 556 | 55 636 | 69 090 | 79 163 |
| 6. Accrued proceeds | 26 | 4 463 302 | 2 384 234 | 6 350 705 | 3 392 460 |
| Debtors in total | | 8 407 628 | 6 537 689 | 11 962 976 | 9 302 295 |
| III Short-term financial investments | | | | | |
| Short-term financial investments in total | | | | | |
| Cash assets | 27 | 14 045 | 27 471 | 19 984 | 39 088 |
| Current assets in total | | 12 234 345 | 10 403 362 | 17 407 903 | 14 802 653 |
| Assets in total | | 22 916 950 | 19 847 546 | 32 607 882 | 28 240 514 |

Chairman of the Board _____ V. Meļņiks

“Riga shipyard” JSC
2005 annual report

| LIABILITIES | Remarks | 31.12.2005 Ls | 31.12.2004 Ls | 31.12.2005 EUR | 31.12.2004 EUR |
|--|---------|-------------------|-------------------|-------------------|-------------------|
| I Equity capital | | | | | |
| 1. Stock or share capital (equity capital) | | 11 672 107 | 11 672 107 | 16 607 912 | 16 607 912 |
| 2. Retained earnings | | | | | |
| a) previous years retained earnings | | 2 245 839 | 2 309 763 | 3 195 540 | 3 286 497 |
| b) year of account retained earnings | | 655 471 | 169 518 | 932 653 | 241 201 |
| <i>Retained earnings in total</i> | | <i>2 901 310</i> | <i>2 479 281</i> | <i>4 128 193</i> | <i>3 527 698</i> |
| Equity capital in total | 28 | 14 573 417 | 14 151 388 | 20 736 105 | 20 135 610 |
| II Reserves | | | | | |
| Reserves in total | | | | | |
| III Creditors | | | | | |
| I Long-term debts | | | | | |
| 1. Liability of leasing | | 8 660 | | 12 322 | |
| 2. Deferred taxation reserves liabilities | 9(b) | 319 634 | 253 116 | 454 798 | 360 152 |
| Long-term debts in total | | 328 294 | 253 116 | 467 120 | 360 152 |
| II Short-term debts | | | | | |
| 1. Loans from credit institutions | 29 | 1 811 834 | 1 410 300 | 2 578 007 | 2 006 676 |
| 2. Liability of leasing | 30 | 5 448 | | 7 752 | |
| 3. Advance payments received from buyers | 31 | 3 103 161 | 1 274 421 | 4 415 400 | 1 813 338 |
| 4. Debts to suppliers and contractors | 32 | 2 304 563 | 2 030 116 | 3 279 098 | 2 888 595 |
| 5. Debts to associated companies | 33 | 130 166 | | 185 209 | |
| 6. Taxes and social insurance payments | 34 | 168 980 | 195 129 | 240 437 | 277 644 |
| 7. Other creditors | 35 | 214 152 | 188 683 | 304 711 | 268 472 |
| 8. Next period income | | | 91 810 | | 130 634 |
| 9. Unpaid previous years dividends | 36 | 15 677 | 10 644 | 22 306 | 15 145 |
| 10. Accrued liabilities | 37 | 261 258 | 241 939 | 371 737 | 344 248 |
| Short-term creditors in total | | 8 015 239 | 5 443 042 | 11 404 657 | 7 744 752 |
| Creditors in total | | 8 343 533 | 5 696 158 | 11 871 777 | 8 104 904 |
| Liabilities total | | 22 916 950 | 19 847 546 | 32 607 882 | 28 240 514 |

Chairman of the Board _____ V. Meļņiks

24 July 2006

“Riga shipyard” JSC
2005 annual report

Cash flow statement for 12 months of the year 2005 and 2004

| | 2005 Ls | 2004 Ls | 2005 EUR | 2004 EUR |
|---|-------------------|------------------|-------------------|-------------------|
| A. Cash flow from primary activity | | | | |
| - Sales income | 28 784 813 | 20 859 635 | 40 957 098 | 29 680 587 |
| - Cash to suppliers, personnel and others primary activity costs | 27 407 775 | 19 847 118 | 38 997 750 | 28 239 905 |
| - Gross cash flow from primary activity | 1 377 038 | 1 012 517 | 1 959 348 | 1 440 682 |
| - Interest paid | 130 544 | 99 168 | 185 747 | 141 103 |
| - Corporate income tax | 100 815 | 70 865 | 143 447 | 100 832 |
| - Primary activity before extraordinary items | 1 145 679 | 842 484 | 1 630 154 | 1 198 747 |
| - Cash flow from extraordinary items | | | | |
| Net cash flow from primary activity | 1 145 679 | 842 484 | 1 630 154 | 1 198 747 |
| B. Cash flow from investment activity | | | | |
| - Selling out of shares | 7 500 | 21 000 | 10 671 | 29 880 |
| - Paid for fixed assets acquisition | 1 354 760 | 1 428 959 | 1 927 650 | 2 033 225 |
| - Received for the fixed assets sold | 27 956 | 51 971 | 39 778 | 73 948 |
| - Loans granted | 20 296 | 76 307 | 28 879 | 108 575 |
| - Repayment of loans | | 540 397 | | 768 915 |
| - Interest received | 1 994 | | 2 837 | |
| Net cash flow from investment activity | -1 337 606 | -891 898 | -1 903 243 | -1 269 057 |
| C. Cash flow from financial activities | | | | |
| - Loan received | 562 934 | | 800 983 | |
| - Loan repaid | 161 400 | 159 188 | 229 651 | 226 504 |
| - Dividend paid | 223 033 | 228 087 | 317 347 | 324 538 |
| Net cash flow from financial activities | 178 501 | -387 275 | 253 985 | -551 042 |
| Net cash flow and equivalent increase or decrease (A+B+C) | -13 426 | -436 689 | -19 104 | -621 352 |
| Cash and equivalent thereof at beginning of the period of accounts | 27 471 | 464 160 | 39 088 | 660 440 |
| Cash and equivalent thereof at the end of the period of account | 14 045 | 27 471 | 19 984 | 39 088 |

Chairman of the Board _____ V. Meļņiks

24 July 2006

| Changes in own capital report for 2005 and 2004 | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Types of changes | Stock or | | Retained | | Total | |
| | Share | | earnings | | | |
| | capital | | | | | |
| Balance as at 31.12.2003 before correction | LVL | EUR | LVL | EUR | LVL | EUR |
| | 11672107 | 16607912 | 2951511 | 4199622 | 14623618 | 20807534 |
| Accruals for vocations | | | (201863) | (287225) | (201863) | (287225) |
| Delayed tax liabilities | | | (206443) | (293742) | (206443) | (293742) |
| | LVL | EUR | LVL | EUR | LVL | EUR |
| Balance as at 31.12.2003 after correction | 11672107 | 16607912 | 2543205 | 3618655 | 14215312 | 20226567 |
| Dividends | | | (233442) | (332158) | (233442) | (332158) |
| Period of account net profit & loss | | | 169518 | 241201 | 169518 | 241201 |
| Balance as at 31.12.2004. | 11672107 | 16607912 | 2479281 | 3527698 | 14151388 | 20135610 |
| Dividends | | | (233442) | (332158) | (233442) | (332158) |
| Period of account net profit & loss | | | 655471 | 932653 | 655471 | 932653 |
| Balance as at 31.12.2005. | 11672107 | 16607912 | 2901310 | 4128193 | 14573417 | 20736105 |

EPS for 31.12.2005. LVL 655471:11672107=0,056 LVL or 0,080 EUR; EPS for 31.12.2004.- 0,014 LVL or 0,02 EUR

Chairman of the Board _____ V. Melņiks

24 July 2006

Notes: all sections of the financial reports are to be evaluated in EURO according to the rates of Bank of Latvia on 31.12.2005.

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. 152 dated 28 November 2005, there was conducted the balance items’ inventory.

(2) Agency continuation

Present financial report has been prepared with reference to uninterrupted operation of company that an active realization and repayment liability is proceeding in an ordinary way.

(3) 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.

(4) Revaluation of foreign currency in lats

All the company accounting is carried out into lats.

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.

Cash, debtors and creditors in currency at the end of the year was converted in Ls in accordance to the Bank of Latvia currency rate at the last day of year of the account. Net income or losses at the result of exchange rate fluctuations was reflected in profit-loss statement.

Currency rate for financial statements at December 31:

| | 31.12.2005 | 31.12.2004 |
|-------|------------|------------|
| | <u>Ls</u> | <u>Ls</u> |
| 1 USD | 0,593 | 0,516 |
| 1 EUR | 0,702804 | 0,703 |
| 1 NOK | 0,08750 | 0,085 |
| 1 GBP | 1,021 | 0,996 |
| 1 RUB | 0,0206 | 0,0186 |

(5) 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.

(6) Property deposit

There is some property that is hold in order to gain cost for the rent.

(7) Affiliated undertaking deposits.

Affiliated undertaking deposits are shown taking into account SGS Nr.27, 28, 36 as well as SFPS Nr.3 requirements. Though since year 2004 goodwill amortization and 36 SGS requirements were suspended.

(8) Other long-term investments.

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

(9) 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.

(10) Long-term contract

Initial and final dates of execution of the contract about creation of an active are in the different accounting periods.

Incomes of long-term contracts admit according to a degree of their readiness. The degree of readiness is determined surveying results of work personally and physically ascertaining the termination of a part of works of the named contracts.

(11) 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 2005.

(12) Accumulated income

The incomes from Riga Shipyard's customers are acknowledged respective to its executive degree.

(13) Cash and cash equivalents

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

(14) Reserves for unused vocations

Vocation cost reserves was calculated considering vocation days and average earnings for all workers.

(15) Income tax of the enterprise

Enterprise income tax was calculated according to Latvia Republic tax laws. Tax laws in 2005 and further fix 15% tax rate.

Deferred taxation was referable to all short-term distinctions, which appear as a result of making accountancy of earnings and expenses according to tax laws. Deferred taxation is liability, which was calculated using tax rates. The main short-term distinctions appear from distinctions of fixed assets and nonmaterial wealth depreciation norms in taxes and financial bookkeeping calculation.

Deferred taxation assets item was included in financial reports only when regain of assets is real.

(16) Taxes

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

(17) Bookkeeping arrangement

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

(18) Use of estimation

In financial reports enterprise management must make estimations, assumptions which influence presented assets and liabilities at the date of annual report processing. Real results can differ from estimations.

(19) Financial risks

In ordinary work enterprise was subjected to credit risk and currency risk.

(20) Credit risk

Financial plants potentially dangerous for enterprise are rest of money and its equivalents, account receivable, deposit.

(21) Percentage risk

Enterprise is subjected from credit interest rate changing risk.

(22) Currency risk

Enterprise is subjected from currency changing risk in marketing and purchases operations, borrowings in different currency. Financial risk is possible in relation of Ls to USD.

(23) Dividend

Dividend was reflex as fixed in announced period.

(24) Retraining

In comparative readings for year 2004 in necessary cases individual post classification is changed in order to meet post classification for year 2005.

Profit & Loss calculation supplement

Accordingly to “Information abbot segments” SGS 14 standard, leadership divides enterprise operations in modes of productions:

(1) Net turnover

| | 2005 year Ls | 2004 year Ls |
|--------------------------|--------------------------|--------------------------|
| On aspects of business | | |
| - Shipbuilding | 9 232 733 | 7 222 152 |
| - Ship repair | 19 495 800 | 14 450 763 |
| - Mechanical engineering | 365 017 | 351 770 |
| - Other works | 95 826 | 72 367 |
| Total | <u>29 189 376</u> | <u>22 097 052</u> |

(1a) Including net turnover allocation per geographical markets

| | | |
|-----------------------|--------------------------|--------------------------|
| - Latvia | 932 499 | 805 021 |
| - Russia | 1 528 125 | 797 444 |
| - Great Britain | 489 778 | 0 |
| - Georgia | 72 385 | 1 025 |
| - Estonia | 73 357 | 0 |
| - Italy | 173 325 | 0 |
| - Norway | 6 887 974 | 4 904 494 |
| - Cyprus | 556 060 | 1 503 517 |
| - Belize | 717 205 | 443 845 |
| - Singapore | 0 | 15 219 |
| - Malta | 1 895 682 | 2 849 842 |
| - Panama | 4 938 079 | 4 417 893 |
| - Liberia | 1 485 721 | 506 856 |
| - Sweden | 1 109 183 | 324 561 |
| - Finland | 1 018 669 | 697 160 |
| - Iceland | 599 677 | 87 149 |
| - Denmark | 2 698 780 | 1 559 148 |
| - Bahamas | 490 800 | 267 066 |
| - The Netherlands | 195 588 | 121 942 |
| - St Vincent | 377 387 | 429 233 |
| - Portugal | 0 | 315 989 |
| - Cambodia | 208 300 | 348 089 |
| - Antigua and Barbuda | 220 847 | 713 |
| - Gibraltar | 183 432 | 167 822 |
| - Lithuania | 528 962 | 452 694 |
| - Ukraine | 0 | 62 392 |
| - German | 2 917 | 169 050 |
| - Poland | 0 | 6 939 |
| - Isle of man | 0 | 417 254 |
| - Marshall Island | 897 699 | 422 878 |
| - China | 682 895 | 0 |
| - Comoros union | 20 620 | 0 |
| - Meixa | 6 535 | 0 |
| - Dominica | 196 895 | 1 817 |
| Total | <u>29 189 376</u> | <u>22 097 052</u> |

Profit & Loss calculation supplement

(2) Sold products operating costs

| | 2005 year Ls | 2004 year Ls |
|---|--------------------------|--------------------------|
| Material costs (raw materials and materials, value of goods, services from outside) | 21 260 964 | 14 183 367 |
| Salary | 4 177 949 | 3 794 836 |
| Social tax | 924 744 | 877 684 |
| Depreciation of fixed assets | 674 959 | 690 736 |
| Accruals for vocations | 13 448 | 1 284 |
| Other costs | 581 083 | 1 133 253 |
| Total | <u>27 633 147</u> | <u>20 681 160</u> |

| | 2005 year Ls | 2004 year Ls |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

(3) Selling costs

| | | |
|---------------|----------------------|----------------------|
| Advertisement | 62 023 | 60 204 |
| Total | <u>62 023</u> | <u>60 204</u> |

| | 2005 year Ls | 2004 year Ls |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

(4) Administration costs

| | | |
|------------------------------------|-----------------------|-----------------------|
| Liaison costs | 16 160 | 19 183 |
| Office maintenance costs | 6 398 | 7 618 |
| Annual report costs | 8 000 | 16 453 |
| Salary of administration | 182 130 | 199 656 |
| Accrual for vocation | 5 877 | 1 038 |
| Remuneration of the board | 175 235 | 127 629 |
| Remuneration of the council | 133 244 | 83 151 |
| Social insurance costs | 88 202 | 78 522 |
| Depreciation of fixed assets | 53 969 | 44 938 |
| Transport costs, travel allowances | 42 406 | 26 774 |
| Legal services | 26 478 | 18 180 |
| Representation costs | 28 275 | 21 786 |
| Total | <u>766 374</u> | <u>644 928</u> |

Profit & Loss calculation supplement

(5) Other enterprise’s business activity’s income

| | 2005 year Ls | 2004 year Ls |
|--|-------------------------|-------------------------|
| Income generated by transport services rendering | 6 269 | 6 927 |
| Income generated by leased FA payments and public services | 406 136 | 372 521 |
| Tugboat services income | 93 010 | 49 007 |
| Selling out of raw materials and materials | 808 123 | 857 060 |
| Income generated by fluctuation of currency rate | | |
| Educational services | 9 443 | 6 836 |
| Income generated by chemical analyses | 8 867 | 1 619 |
| Income generated by selling out of oxygen | 0 | 975 |
| Income generated by realization of fixed assets | 27 956 | 51 971 |
| Income generated by difference between face value of certificates and costs on their acquisition | 91 810 | 183 620 |
| Increase of reserves due to inventory | 12 004 | 1 247 |
| Previous year income | 17 374 | 16 617 |
| Reimbursement of losses | 6 944 | 3 995 |
| Education expenses recovery | 0 | 5 592 |
| Incomes from writing off accounts payable to limit expiration. | 9 657 | 0 |
| Currency selling income | 0 | 2 568 |
| Compensation instrument lost | 1 601 | 0 |
| Other income | 17 566 | 2 683 |
| Total | <u>1 516 760</u> | <u>1 563 238</u> |

(6) Other enterprise’s business activity’s costs

| | 2005 year Ls | 2004 year Ls |
|--|-------------------------|-------------------------|
| Material purchase costs | 754 117 | 752 692 |
| Losses due to currency rate fluctuation | 34 338 | 61 361 |
| Losses incurred by currency selling out | 108 541 | 87 196 |
| Compressed air purchase costs | 0 | 465 |
| Social infrastructure objects costs (medical services) | 7 157 | 6 974 |
| Costs on tugboat services | 43 940 | 20 065 |
| The donations | 29 564 | 6 812 |
| Material benefits | 10 490 | 20 915 |
| Burial costs | 3 390 | 6 201 |
| Costs incurred by fixed assets’ exclusion | 10 358 | 22 193 |
| Representation costs | 19 641 | 16 049 |
| Costs on maintenance of leased FA | 221 066 | 128 479 |
| Special reserved sum provided for unsecured debts | 87 891 | 43 851 |
| Other costs | 13 189 | 7 219 |
| Total | <u>1 343 682</u> | <u>1 180 472</u> |

Profit & Loss calculation supplement

(7) Other percents and the like income

| | 2005 year Ls | 2004 year Ls |
|----------------------------|-----------------|-----------------|
| Depositing percentage | 1 752 | 3 057 |
| Bank interests | 242 | 465 |
| Interests income for loans | 77 652 | 101 591 |
| Received penalty payments | 143 | 3 106 |
| Total | 79 789 | 108 219 |

(8) Payment off percents and the like costs

| | 2005 year Ls | 2004 year Ls |
|-----------------------|-----------------|-----------------|
| Paid off penalty | 350 | 412 |
| Paid off interests | 70 543 | 46 035 |
| Guarantee maintenance | 60 001 | 52 818 |
| Total | 130 894 | 99 265 |

(9) Income taxes of the enterprise for the year of account

| | 2005 year Ls |
|--|-----------------|
| The enterprise finished 2005 with income net of tax Ls 1021224. 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 | 54 140 |
| The donations | 29 564 |
| Material benefits | 10 490 |
| Burial costs | 4 745 |
| Other costs | 1 417 |
| Total | 100 356 |

(9)a Income tax important component parts

| | 2005 year Ls | 2004 year Ls |
|-------------------------------|-----------------|-----------------|
| Income tax | 77 613 | 117 898 |
| Increase of deferred taxation | 66 518 | 46 673 |
| Total | 144 131 | 164 571 |

“Riga shipyard” JSC
2005 annual report

Profit & Loss calculation supplement

| (9)b Deferred taxation calculation | 2005 | 2004 | 2003 |
|--|------------------|------------------|------------------|
| Deferred taxation liabilities: | Ls | Ls | Ls |
| Spread between capital assets residual value in financial accountancy and for tax collections | 2 354 404 | 1 891 627 | 1 578 147 |
| Deferred taxation assted: | | | |
| Reserves for vacations | 2 235 10 | 204 185 | 201 863 |
| Provisional distinctions total | 2 130 894 | 1 687 442 | 1 376 284 |
| Deferred taxation liabilities/(assets), rate 15% | 319 634 | 253 116 | 206 443 |
| Deferred taxation liabilities | 319 634 | 253 116 | 206 443 |

| Deferred taxation liability changes | 2005 year | 2004 year |
|--|----------------|----------------|
| Profit & loss calculation | Ls | Ls |
| Rest at the beginning of year of account | 253 116 | 206 443 |
| Deferred taxation increase | 66 518 | 46 673 |
| Deferred EIT income tax liabilities at the end of taxation year | 319 634 | 253 116 |

(10) Other taxes

| | 2005 year | 2004 year |
|---|---------------|---------------|
| | Ls | Ls |
| Buildings and constructions real estate tax | 26 313 | 23 592 |
| Real estate tax | 23 890 | 23 890 |
| Total | 50 203 | 47 482 |

“Riga shipyard” JSC
2005 annual report

Supplement to the balance sheet

(11) 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 |
|----------------------|--|--------------------------------|-------------------------|--------------------------------|--|------------------------------|
| Initial value | | | | | | |
| 01.01.2005 | | | 24 611 | | | 24 611 |
| Bought | | | 26 631 | | 72 421 | 99 052 |
| Written off | | | | | | 0 |
| Relocated | | | | | | 0 |
| Revaluated | | | | | | |
| 31.12.2005 | 0 | 0 | 51 242 | 0 | 72 421 | 123 663 |
| Depreciation | | | | | | |
| 01.01.2005 | | | | | | 0 |
| Estimated | | | 5 153 | | | 5 153 |
| Written off | | | | | | 0 |
| 31.12.2005 | | | 5 153 | 0 | 0 | 5 153 |
| Balance value | | | | | | |
| 01.01.2005 | | | 24 611 | 0 | 0 | 24 611 |
| Balance value | | | | | | |
| 31.12.2005 | | | 46 089 | 0 | 72 421 | 118 510 |

(12) Report on long-term investments movement

| | Land, buildings, constructions Ls | Investments assets | Long-term investments into leased FA Ls | Equipment and machinery Ls | Other fixed assets Ls | Unfinished construction Ls | Advance Payment for FA Ls | Total Ls |
|----------------------|--------------------------------------|--------------------|--|-------------------------------|--------------------------|-------------------------------|------------------------------|-----------------|
| Initial value | | | | | | | | |
| 01.01.2005 | 3558108 | 118969 | 24664 | 8502694 | 607116 | 500427 | 11877 | 13323855 |
| Bought | 508911 | 393803 | | 870217 | 105660 | 1852919 | 784608 | 4516118 |
| Written off | - | | 7590 | 78918 | 4293 | 1878590 | 769468 | 2738859 |
| Relocated | - | | | - | - | - | - | 0 |
| 31.12.2005 | 4067019 | 512772 | 17074 | 9293993 | 708483 | 474756 | 27017 | 15101114 |
| Depreciation | | | | | | | | |
| 01.01.2005 | 1287311 | 89295 | - | 5240208 | 304246 | - | - | 6921060 |
| Estimated | 140767 | 8845 | - | 597460 | 64799 | - | - | 811871 |
| Written off | | | - | 69027 | 3826 | - | - | 72853 |
| 31.12.2005 | 1428078 | 98140 | - | 5768641 | 365219 | - | - | 7660078 |
| Balance value | | | | | | | | |
| 01.01.2005 | 2270797 | 29674 | 24664 | 3262486 | 302870 | 500427 | 11877 | 6402795 |
| Balance value | | | | | | | | |
| 31.12.2005 | 2638941 | 414632 | 17074 | 3525352 | 343264 | 474756 | 27017 | 7441036 |

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

| | 2005 year Ls | 2004 year Ls |
|-----------------------------------|-----------------|-----------------|
| Initial value | 83 211 | 81 988 |
| Accumulated depreciation | 72 853 | 59 796 |
| Balance value | 10 358 | 22 192 |
| Permanent assets liquidation loss | 10 358 | 22 192 |

“Riga shipyard” JSC
2005 annual report

Supplement to the balance sheet

(13) Partnership in capital of associated companies

| | 31.12.2005 Ls | Share capital (%) | 31.12.2004 Ls | Share capital (%) |
|--|------------------|-------------------------|------------------|-------------------------|
| Branch enterprise “Tosmare shipyard” JSC investment value | 2 164 782 | 49,72% | 2 164 782 | 49,72% |
| Investments | 2 164 782 | | 2 164 782 | |

| | Own capital 31.12.2005 Ls | Own capital 31.12.2004 Ls | Year of account profit 31.12.2005 Ls | Year of account profit 31.12.2004 Ls |
|---|------------------------------|------------------------------|--|--|
| Information about associated enterprises | 3 312 490 | 2 998 420 | 314 070 | 307 236 |

(14) Other equities and investments

| Name enterprise | Parts or shares | Parts or shares value | | 31.12.2005 | | 31.12.2004 | |
|---------------------------------|--------------------|-----------------------|------|------------|-----|------------|-----|
| | | 2005 | 2004 | Quantity | Ls | Quantity | Ls |
| “Baltic International Bank” JSC | 33 | 5 | 5 | 33 | 165 | 33 | 165 |
| Total | 33 | 5 | 5 | 33 | 165 | 33 | 165 |

(15) Other loans and other long-term debtors

| Name enterprise | 31.12.2004 | Loans granted in 2005 | Repaid debts 2005 | Difference in currency rate | 31/12/2005 | Term of payment |
|------------------------|---------------|-----------------------------|-------------------------|-----------------------------------|---------------|--------------------|
| | Ls | Ls | Ls | Ls | Ls | |
| Student loan payout | 34881 | 12112 | 0 | 5409 | 52402 | 2018-2024 |
| Shares loan payout | 490569 | 52857 | 0 | 0 | 543426 | 2011-2012 |
| Total | 525450 | 64969 | 0 | 5409 | 595828 | |

Amount to be pay back after 5 years – 535 828 Ls.

Supplement to the balance sheet

(16) Loans to copartners of the enterprises and to the directorship

| | 2005 year Ls | 2004 year Ls |
|-----------------|-----------------|-----------------|
| Long-term loans | 362 284 | 326 381 |
| Total | 362 284 | 326 381 |

| | Copartners Ls |
|------------------------------|------------------|
| 31.12.2004 | 326 381 |
| Reclassified from short-term | 35 903 |
| 31.12.2005 | 362 284 |
| Including: Long-term | 362 284 |
| Short-term | 10 000 |

Leadership dept for “Tosmare shipyard” JSC shares. Amount to be pay back after 5 years – 322 284 Lats.

(17) Raw materials, direct materials and auxiliary materials

| | 2005 year Ls | 2004 year Ls |
|---------------------------|------------------|------------------|
| 1. Metal ware | 82 422 | 76 590 |
| 2. Timbering | 12 890 | 6 632 |
| 3. Metal | 2 109 714 | 1 848 483 |
| 4. Pipes | 265 181 | 217 405 |
| 5. Wire cables | 5 081 | 5 227 |
| 6. Non-ferrous metals | 174 405 | 102 096 |
| 7. Fuel | 30 553 | 50 458 |
| 8. Coveralls | 2 835 | 4 839 |
| 9. Equipment | 19 776 | 120 528 |
| 10. Spare parts | 8 197 | 11 672 |
| 11. Cables | 31 148 | 37 597 |
| 12. Varnish and paint | 38 523 | 24 368 |
| 13. Building materials | 38 264 | 69 362 |
| 14. Household goods | 5 080 | 5 322 |
| 15. Tools | 27 440 | 30 809 |
| 16. Technical rubber ware | 31 331 | 34 204 |
| 17. Other | 331 653 | 309 785 |
| Total | 3 214 493 | 2 955 377 |

Supplement to the balance sheet

(18) Unfinished production

| | 2005 year Ls | 2004 year Ls |
|---|-----------------|-----------------|
| Unfinished production is shown in the balance sheet at production cost, excluding administration costs. | | |
| Shipbuilding orders | 2 692 | 77 800 |
| Total | 2 692 | 77 800 |

(19) Unfinished orders

| | 2005 year Ls | 2004 year Ls |
|----------------------------------|-----------------|-----------------|
| 1) Ship repair orders | 485 662 | 405 058 |
| Including: | | |
| -m/v “Alka” | 207 666 | |
| -m/v “Omega af Donso” | 199 530 | |
| -m/v “Forseti” | 18 838 | |
| The others | 59 628 | |
| 2) Mechanical engineering orders | 65 478 | 29 377 |
| 3) Various | 1 079 | 2 953 |
| Total | 552 219 | 437 388 |

(20) Advance payments for goods

| | 2005 year Ls | 2004 year Ls |
|---------------|-----------------|-----------------|
| For materials | 43 268 | 367 637 |
| Total | 43 268 | 367 637 |

(21) Debts of buyers and customers

| | 2005 year Ls | 2004 year Ls |
|---------------------------------------|------------------|------------------|
| Buyers and customers accounting value | 2 839 183 | 2 384 682 |
| Generated reserves | -665 116 | -646 708 |
| Balance net value | 2 174 067 | 1 737 974 |

Changes in provisions

| | Debts of buyers and customers | Other debtors | Total |
|---------------------------|-------------------------------|----------------|----------------|
| Savings 31.12.2004 | 646 708 | 151 392 | 798 100 |
| Increase of savings | 0 | -69 483 | -69 483 |
| Decrease of savings | 18 408 | 69 483 | 87 891 |
| Savings 31.12.2005 | 665 116 | 151 392 | 816 508 |

Supplement to the balance sheet

(22) Associated companies debts

| | 2005 year Ls | 2004 year Ls |
|------------------------|-----------------|-----------------|
| “Tosmare shipyard” JSC | 34 220 | 204 644 |
| Total | 34 220 | 204 644 |

Dept for services

(23) Other debtors

| | 2005 year Ls | 2004 year Ls |
|--|-----------------|------------------|
| Accounting value | 701 429 | 1 198 639 |
| Generated reserves | -151 392 | -151 392 |
| Balance net value | 550 037 | 1 047 247 |
| Other debtors debts are as following: | 2005 year | 2004 year |
| | Ls | Ls |
| Accounted VAT | 29 967 | 21 626 |
| Overpaid taxes | | |
| - Value added tax | 146 927 | 240 501 |
| - Enterprise income tax | 53 451 | 0 |
| Payments personal debts | 3 562 | 1 303 |
| Payment of salary | 271 | 281 |
| Short-term loans for “Tosmare Shipyard” JSC’S shares | 15 000 | 72 358 |
| Short-term loans | 260 328 | 211 092 |
| Advance payment of service | 26 735 | 0 |
| Account with other debtors | 13 796 | 500 086 |
| Total | 550 037 | 1 047 247 |

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

| | Directorship, copartners Ls |
|---|-----------------------------------|
| Loan JSC “Remars Riga” leaders debt for shares 31.12.2005 | 1 127 446 |
| | 10 000 |
| | 1 137 446 |

* According to credit contract fixed 5% interest rate from principal amount

(25) Next period costs

| | 2005 year Ls | 2004 year Ls |
|---|-----------------|-----------------|
| Enterprise’s property insurance premium sum | 14 429 | 7 893 |
| Subscription to the press | 175 | 70 |
| Inviting of specialists | 9 831 | 29 890 |
| Insurance of health | 5 850 | 5 490 |
| Check of floating means | 8 411 | 4 701 |
| Expenses for repair of the rented basic means | 7 590 | 7 592 |
| Advertisements | 885 | 0 |
| Others | 1 386 | 0 |
| Total | 48 557 | 55 636 |

Supplement to the balance sheet

(26) Accrued proceeds

| | 2005 year Ls | 2004 year Ls |
|---------------|------------------|------------------|
| Ship building | 4 463 302 | 2 384 234 |
| Total | 4 463 302 | 2 384 234 |

(27) Cash assets

| | 2005 year Ls | 2004 year Ls |
|----------------------------|-----------------|-----------------|
| Money at a cash department | 4 131 | 6 774 |
| Money on current accounts | 9 914 | 20 697 |
| Total | 14 045 | 27 471 |

(28) Stock or share capital (equity capital)

“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.

| | 31.12.2005 Ls | % | 31.12.2004 Ls | % |
|-------------------------|-------------------|------------|-------------------|------------|
| “Remars-Riga” JSC | 5 819 194 | 49,86 | 5 819 194 | 49,86 |
| Other limited companies | 3 352 981 | 28,73 | 3 533 622 | 30,27 |
| Private personae | 2 499 932 | 21,41 | 2 319 291 | 19,87 |
| Total | 11 672 107 | 100 | 11 672 107 | 100 |

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

| | 2005 year Ls | 2004 year Ls |
|---|------------------|------------------|
| Nordea Bank Finland Plc. Latvian branch | 1 811 834 | 1 410 300 |
| Total | 1 811 834 | 1 410 300 |

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 2 500 000 Mortgage, session contracts and contract of pledge were signed, for the amplification of obligations.

(30) Liability of leasing

| | 2005 year Ls | 2004 year Ls |
|----------------------------------|-----------------|-----------------|
| Liability of leasing short stake | 5 448 | 0 |
| Liability of leasing long stake | 8 660 | 0 |
| Total | 14 108 | 0 |

Supplement to the balance sheet

(31) Advance payments received from buyers

| | 2005 year | 2004 year |
|------------------|------------------|------------------|
| | Ls | Ls |
| For shipbuilding | 2 958 199 | 1 262 546 |
| For ship repair | 129 537 | 0 |
| Others | 15 425 | 11 875 |
| Total | 3 103 161 | 1 274 421 |

(32) Debts to suppliers and contractors

| | 2005 year | 2004 year |
|----------------------|------------------|------------------|
| | Ls | Ls |
| Debts for services | 35 109 | 53 252 |
| Debts for materials | 722 516 | 328 379 |
| Debts subcontractors | 1 546 938 | 1 648 485 |
| Total | 2 304 563 | 2 030 116 |

(33) Debts to associated companies

| | 2005 year | 2004 year |
|------------------------|----------------|-----------|
| | Ls | Ls |
| “Tosmare shipyard” JSC | 130 166 | |
| Total | 130 166 | |

Supplement to the balance sheet

(34) Movement of tax liabilities in 2005

| | Balance as at 01.01.2005 Ls | Calculated In 2005 Ls | Paid off In 2005 Ls | Return Overpayment | Deflected to other taxes Ls | Balance as at 31.12.2005 Ls |
|---------------------------|-----------------------------------|-----------------------------|---------------------------|-----------------------|-----------------------------------|-----------------------------------|
| Social insurance payments | 102011 | 1399223 | 140861 | 17374 | 1244753 | 98246 |
| Residents income tax | 71461 | 923735 | 552003 | | 375728 | 67465 |
| VAT | -240501 | -1582387 | 487 | | -1676448 | -146927 |
| Real estate tax | 1399 | 50203 | 50311 | | | 1291 |
| Enterprise income tax | 18457 | 77613 | 93554 | | 55967 | -53451 |
| EIT for nonresident | | 7260 | 7260 | | | |
| Risk tax | 392 | 4618 | 4660 | | | 350 |
| Customs duty on import | | 5043 | 5043 | | | |
| Natural resources tax | 1409 | 6638 | 6419 | | | 1628 |
| Total | -45372 | 891946 | 860598 | 17374 | 0 | -31398 |

Ink. Overpay tax 240 501
Debt tax 195 129

200 378
168 980

(35) Other creditors

| | 2005 year Ls | 2004 year Ls |
|---|-----------------|-----------------|
| Salary | 165 550 | 156 865 |
| Payments for deductions from salary | 1 958 | 2 342 |
| Payments by return to personae | 2 246 | 1 235 |
| Payments for credit cards | 1 952 | 418 |
| Payments for debts to other enterprises | 42 446 | 27 823 |
| Total | 214 152 | 188 683 |

(36) Unpaid previous years dividends

| | 2005 year Ls |
|-------------------|-----------------|
| 31.12.2004 | 10 644 |
| Calculated | 233 442 |
| Paid off | 228 409 |
| 31.12.2005 | 15 677 |

(37) Accrued liabilities

| | 2005 year Ls | 2004 year Ls |
|------------------------|-----------------|-----------------|
| For services | 37 748 | 37 754 |
| Accruals for vocations | 223 510 | 204 185 |
| Total | 261 258 | 241 939 |

Off-balance obligations

We announce that 26 April 2006. “Rigas Shipyard” JSC was released from an obligations with JSC “HVB Bank Latvia” (guarantee agreement Nr.RKB 21.06.2004.GA, ”Eiro Steel” Ltd security obligation).

On February, 10, 2006 from JSC "SEB Latvijas Unibanka " the hypothec contract of a pledge as an additional guarantee of performance of obligations of Company "Remars Granula", following of the credit contract № KD 05091 from 02.05.2005 has been made by a pledge of premises of shop of granules with the following provisions:

1. After signing The hypothec contract of a pledge the guarantee on a total sum of 100 thousand LVL will be extinguished.
2. Validity of the hypothec contract of a pledge Oktober,1, 2008.

General remarks

| | 2005 year Ls | 2004 year Ls |
|--|-------------------------|-------------------------|
| (1) Year average number of employees | | |
| Average number of employees | 1 061 | 1 117 |
| (2) Personnel payments | <u>5 510 546</u> | <u>5 017 535</u> |
| - Salary | 4 492 102 | 4 089 315 |
| - Social tax | 1 018 444 | 928 220 |
| Total: | | |
| Including: | | |
| Salary of employees working in production (core business) | | |
| - Salary | 3 996 304 | 3 674 013 |
| - Social tax | 928 601 | 848 220 |
| Total: | <u>4 924 905</u> | <u>4 522 233</u> |
| Payment for work of Administration | | |
| - Salary | 182 130 | 199 656 |
| - Social tax | 42 648 | 46 706 |
| Total | <u>224 778</u> | <u>246 362</u> |
| Remuneration of the board | | |
| - Remuneration | 175 235 | 127 629 |
| - Social tax | 23 970 | 16 452 |
| Total | <u>199 205</u> | <u>144 081</u> |
| Remuneration of the council | | |
| - Remuneration | 133 244 | 83 151 |
| - Social tax | 21 584 | 15 364 |
| Total | <u>154 828</u> | <u>98 515</u> |
| Salary of employees, which are not involved into commercial activity | | |
| - Salary | 5 189 | 4 866 |
| - Social tax | 1 641 | 1 478 |
| Total | <u>6 830</u> | <u>6 344</u> |
| Chairman of the Board | V. Meļņiks | |
| Member of the Board | I.Komarovs | |
| Member of the Board | A.Stolders | |
| Member of the Board | L.Artemenko | |

24 July 2006

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

We have audited the accompanying financial statements of A/S Rīgas kuģu būvētava (Reg. No. UR 40003045892) for the year ended 31 December 2005, which are presented on pages 3 to 28. The audited financial statements include the balance sheet of A/S Rīgas kuģu būvētava as of 31 December 2005, and the related statements of profit or loss, cash flows and changes in equity 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 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. 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 of 31 December 2005, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards.

We have read the management report for the year ended 31 December 2005 as shown on page 4 of the annual report and we have not identified any material discrepancies between the financial information presented in the management report and financial statements for the year ended 31 December 2005.

Natālija Zaiceva
Sworn Auditor
Association of Sworn Auditors of Latvia
Certificate No.138
Managing Director of LTD *Orients N*
Commercial Company License No.28

Riga, Latvia
24 July 2006