

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

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

***Riga, 2006***

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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,		
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)		
Name, surnames and positions of members of the Council			
Janis Davidovics	Chairman of the Council, (resigned on 26.05.2005)		
Sergejs Goliceins	Deputy Chairman of the Council, (resigned on 29.07.2005)		
Anatolijs Ustinovs	Chairman of the Council (appointed on 29.07.2005)		
Girts Stelbovics	Member of the Council, (resigned 29.07.2005)		
Aleksandrs Cernavskis	Deputy Chairman of the Council (appointed on 29.07.2005)		
Andris Kravalis	Member of the Council,		
	Member of the Council,		
	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 t.7353411 E-mail :larisa@riga-shipyard.com		

**"Riga shipyard" JSC directorate statement  
on 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 29201331 including ship building – Ls 9232733, ship repairing-Ls 19613494 (compared to 2004 Ls 22097052 including ship building -Ls 7222152, ship repairing-Ls 1445076). Gross profitable in the 2005 year is Ls 1558325 (2004 year - Ls 1417176). The net profit for 2005 year has made Ls 574854, accordingly in 2004 year - Ls 322148.

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.

28<sup>th</sup> February 2006

"Riga shipyard" JSC  
Chairman of the Board of Directors

*V. Melņiks*

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Profit & Loss calculation for 2005 and 2004

	Remarks	2005 Ls	2004 Ls	2005 EUR	2004 EUR
1. Net turnover	(1)	29 201 331	22 097 052	41 549 750	31 441 272
2. Sold production operating costs	(2)	27 643 006	20 679 876	39 332 454	29 424 813
<b>3. Gross profit or losses</b>		<b>1 558 325</b>	<b>1 417 176</b>	<b>2 217 296</b>	<b>2 016 459</b>
4. Selling costs	(3)	62 023	60 204	88 251	85 663
5. Administration costs	(4)	758 159	643 890	1 078 763	916 173
6. Other enterprise's business activity's income	(5)	1 947 633	1 927 250	2 771 232	2 742 230
7. Other enterprise's business activity's costs	(6)	1 809 683	1 544 484	2 574 947	2 197 603
<b>8. Profit &amp; Loss off business activity's</b>		<b>876 093</b>	<b>1 095 848</b>	<b>1 246 567</b>	<b>1 559 250</b>
9. Income from investments in capital of related and associated companies			152 758		217 355
10. Other percents and the like income	(7)	79 789	108 219	113 530	153 982
11. Write-offs of the value of long-term financial investments and short-term securities		49 123	770 032	69 896	1 095 657
12. Payment off percents and the like costs	(8)	130 894	99 265	186 245	141 241
<b>13. Profit &amp; Loss prior to extra ordinary items and taxes</b>		<b>775 865</b>	<b>487 528</b>	<b>1 103 956</b>	<b>693 689</b>
14. Extraordinary income					
15. Extraordinary expense					
<b>16. Profit &amp; loss prior to taxes</b>		<b>775 865</b>	<b>487 528</b>	<b>1 103 956</b>	<b>693 689</b>
17. Income taxes of the enterprise for the year of account		83 865	117 898	119 328	167 753
18. Deferred tax		66 942		95 250	
19. Other taxes	(9)	50 204	47 482	71 434	67 561
<b>20. Year of account profit &amp; loss (net income)</b>		<b>574 854</b>	<b>322 148</b>	<b>817 944</b>	<b>458 375</b>

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**Balance as at 31 December 2005**

	Remarks	31.12.2005 Ls	31.12.2004 Ls	31.12.2005 EUR	31.12.2004 EUR
<b>ASSETS</b>					
<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	(10)	46 089	24 611	65 579	35 018
4. Goodwill					
5. Advance payments of intangible investments		66 034		93 958	
<b>Intangible investments in total</b>		<b>112 123</b>	<b>24 611</b>	<b>159 537</b>	<b>35 018</b>
<b>II Fixed assets</b>					
1. Lands, buildings, constructions, perennial plants		3 053 573	2 300 471	4 344 843	3 273 275
2. Long-term investments into leased fixed assets		17 074	24 664	24 294	35 094
3. Equipment and machinery		3 525 352	3 262 486	5 016 124	4 642 099
4. Other fixed assets and stock		343 264	302 870	488 421	430 945
5. Investment property					
6. Up building of fixed assets and unfinished building objects costs		481 143	500 427	684 605	712 043
7. Advanced payments for fixed assets		27 017	11 877	38 442	16 899
<b>Fixed assets in total</b>	(11)	<b>7 447 423</b>	<b>6 402 795</b>	<b>10 596 729</b>	<b>9 110 355</b>
<b>III Long-term financial investments</b>					
1. Participation in capital of related companies	(12)	2 219 294	2 268 417	3 157 771	3 227 667
2. Participation in capital of associated companies					
3. Other equities and investments	(13)	165	165	235	235
4. Other loans and other long-term debtors	(14)	595 828	525 450	847 787	747 648
5. Loans to copartners of the enterprises and to the directorship	(15)	362 284	326 381	515 484	464 398
<b>Long-term financial investments in total</b>		<b>3 177 571</b>	<b>3 120 413</b>	<b>4 521 277</b>	<b>4 439 948</b>
<b>Long-term investments in total</b>		<b>10 737 117</b>	<b>9 547 819</b>	<b>15 277 543</b>	<b>13 585 321</b>
<b>Current assets</b>					
<b>I Reserves</b>					
1. Raw materials, direct materials and auxiliary materials	(16)	3 237 320	2 955 377	4 606 291	4 205 124
2. Unfinished orders	(17)	553 388	515 188	787 400	733 047
3. Advance payments for goods	(18)	46 684	367 637	66 425	523 100
<b>Reserves in total</b>		<b>3 837 392</b>	<b>3 838 202</b>	<b>5 460 116</b>	<b>5 461 271</b>
<b>II Debts of debtors</b>					
1. Debts of buyers and customers	(19)	2 120 531	1 737 974	3 017 243	2 472 914
2. Debts of related companies					
3. Associated companies debts	(20)	34 220	204 644	48 690	291 182
4. Other debtors	(21)	538 633	1 047 247	766 405	1 490 098
5. Short-term loans to copartners of the enterprise's and to the directorship	(22)	1 137 446	1 107 954	1 618 440	1 576 477
6. Next period costs	(23)	48 557	55 636	69 090	79 163
7. Recognized incomes		4 463 302	2 384 234	6 350 705	3 392 460
<b>Debtors in total</b>		<b>8 342 689</b>	<b>6 537 689</b>	<b>11 870 573</b>	<b>9 302 294</b>
<b>III Short-term financial investments</b>					
1. Participation in capital of related companies					
<b>Short-term financial investments in total</b>					
<b>IV. Cash assets</b>	(24)	<b>14 045</b>	<b>27 471</b>	<b>19 984</b>	<b>39 088</b>
<b>Current assets in total</b>		<b>12 194 126</b>	<b>10 403 362</b>	<b>17 350 673</b>	<b>14 802 653</b>
<b>Assets in total</b>		<b>22 931 243</b>	<b>19 951 181</b>	<b>32 628 216</b>	<b>28 387 974</b>

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<b>LIABILITIES</b>	Remarks	31.12.2005 Ls	31.12.2004 Ls	31.12.2005 EUR	31.12.2004 EUR
<b>Equity capital</b>					
1. Stock or share capital (equity capital)	(25)	11 672 107	11 672 107	16 607 912	16 607 912
2. Retained earnings					
a) previous years retained earnings		2 350 148	2 261 442	3 343 959	3 217 742
b) year of account retained earnings		574 854	322 148	817 944	458 375
<b>Retained earnings in total</b>		<b>2 925 002</b>	<b>2 583 590</b>	<b>4 161 903</b>	<b>3 676 117</b>
<b>Equity capital in total</b>		<b>14 597 109</b>	<b>14 255 697</b>	<b>20 769 815</b>	<b>20 284 029</b>
<b>II Provision for liabilities and charges</b>					
1.Provision for pensions and similar obligations					
2.Provision for contingent tax					
3.Other provisions	(26)	223 510	204 185	318 026	290 529
<b>Provision for liabilities and charges in total</b>		<b>223 510</b>	<b>204 185</b>	<b>318 026</b>	<b>290 529</b>
<b>III Creditors</b>					
<b>I Long-term debts</b>					
1.Liability of leasing		8 660		12 322	
2. Next period income					
3. Deferred tax accrued liabilities		319 384	252 442	454 442	359 193
<b>Long-term debts in total</b>		<b>328 044</b>	<b>252 442</b>	<b>466 764</b>	<b>359 193</b>
<b>II Short-term debts</b>					
1.Loans from credit institutions	(27)	1 811 834	1 410 300	2 578 007	2 006 676
2.Other loans					
3.Liability of leasing	(28)	5 448		7 752	
4. Advance payments received from buyers	(29)	3 097 528	1 274 421	4 407 385	1 813 338
5. Debts to suppliers and contractors	(30)	2 305 605	2 030 116	3 280 580	2 888 595
6. Debts to related companies					
7. Debts to associated companies	(31)	130 166		185 209	
8. Taxes and social insurance payments	(32)	169 311	195 129	240 908	277 644
9. Other creditors	(33)	209 263	188 683	297 754	268 472
10. Next period income			91 810		130 634
11. Unpaid previous years dividends	(34)	15 677	10 644	22 306	15 145
12.Accrued liabilities		37 748	37 754	53 710	53 719
<b>Short-term creditors in total</b>		<b>7 782 580</b>	<b>5 238 857</b>	<b>11 073 611</b>	<b>7 454 223</b>
<b>Creditors in total</b>		<b>8 110 624</b>	<b>5 491 299</b>	<b>11 540 375</b>	<b>7 813 416</b>
<b>Total</b>		<b>22 931 243</b>	<b>19 951 181</b>	<b>32 628 216</b>	<b>28 387 974</b>

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Cash flow statement 2005, 2004 years (per third method)

	2005 year Ls	2004 year Ls	2005 year EUR	2004 year EUR
<b>I. Cash flow from primary activity</b>				
- Sales income	28 785 257	20 859 635	40 957 731	29 680 587
- Cash to suppliers, personnel and others primary activity costs	27 380 647	20 081 984	38 959 151	28 574 089
- Gross cash flow from primary activity	1 404 610	777 651	1 998 580	1 106 498
- 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	<b>1 173 251</b>	<b>607 618</b>	<b>1 669 386</b>	<b>864 563</b>
- Cash flow from extraordinary items				
<b>Net cash flow from primary activity</b>	<b>1 173 251</b>	<b>607 618</b>	<b>1 669 386</b>	<b>864 563</b>
<b>II. Cash flow from investment activity</b>				
- Selling out of shares	7 500	21 000	10 671	29 880
- Paid for fixed assets acquisition	1 382 332	1 194 093	1 966 882	1 699 041
- 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	
<b>Net cash flow from investment activity</b>	<b>-1 365 178</b>	<b>-657 032</b>	<b>-1 942 475</b>	<b>-934 873</b>
<b>III. Cash flow from financial activities</b>				
- 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
<b>Net cash flow from financial activities</b>	<b>178 501</b>	<b>-387 275</b>	<b>253 985</b>	<b>-551 042</b>
<b>Net cash flow and equivalent increase or decrease (I+II+III)</b>	<b>-13 426</b>	<b>-436 689</b>	<b>-19 104</b>	<b>-621 352</b>
<b>Cash and equivalent thereof at beginning of the period of accounts</b>	<b>27 471</b>	<b>464 160</b>	<b>39 088</b>	<b>660 440</b>
<b>Cash and equivalent thereof at the end of the period of account</b>	<b>14 045</b>	<b>27 471</b>	<b>19 984</b>	<b>39 088</b>

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

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Changes in own capital report for 2005 and 2004						
Types of changes	Stock or Share capital		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31.12.2003.</b>	<b>11672107</b>	<b>16607912</b>	<b>2494884</b>	<b>3549900</b>	<b>14166991</b>	<b>20157812</b>
Stock or share capital						
increase/decrease						
Increase/decrease of reserves						
Dividends			233442	332158	233442	<b>332158</b>
Period of account net profit & loss			322 148	458375	322148	458375
<b>Balance as at 31.12.2004.</b>	<b>11672107</b>	<b>16607912</b>	<b>2583590</b>	<b>3676117</b>	<b>14255697</b>	<b>20284029</b>
Stock or share capital						
increase/decrease						
Increase/decrease of reserves						
Dividends			233442	332158	233442	<b>332158</b>
Period of account net profit & loss			574854	817944	574854	817944
<b>Balance as at 31.12.2005.</b>	<b>11672107</b>	<b>16607912</b>	<b>2925002</b>	<b>4161903</b>	<b>14597109</b>	<b>20769815</b>

EPS to 31.12.2005.  $574854 \text{ LVL} : 11672107 = 0,049 \text{ LVL}$  or  
 $0,070 \text{ EUR}$  to 31.12.2004. EPS  $-0,028 \text{ LVL}$  or  $0,039 \text{ EUR}$

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

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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 “International accounting standard

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

Cash flow statement has been prepared as per third method.

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) Net turnover

Net turnover is a total sum of services rendered and sold within the nine months 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.

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

	31.12.2005	31.12.2004
	Ls	Ls
1 USD	0,593	0,516
1 NOK	0,0875	0,0805
1 EUR	0,702804	0,703
1 GBP	1,021	0,996
1 RUB	0,0206	0,0186

#### (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.

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) 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.

**(9) 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.

**(10) Recognized incomes**

The recognized incomes of long-term contracts in conformity of a degree of their readiness.

**(11) Cash and cash equivalents**

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

**(12) Accumulation for holidays**

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

**(13) Taxes**

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

**(14) 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.

**(15) Comparative information**

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

## Profit & Loss calculation supplement

### (1) Net turnover

	2005 year Ls	2004 year Ls
On aspects of business		
- Shipbuilding	9232733	7222152
- Ship repair	19613494	14450763
- Mechanical engineering	259278	351770
- Other works	95826	72367
<b>Total</b>	<b>29201331</b>	<b>22097052</b>

### (2) Sold products operating costs

	2005 year Ls	2004 year Ls
Material costs (raw materials and materials, value of goods, services from outside)	21260964	14183367
Remuneration of labor	4177949	3794836
Social insurance costs	924744	877684
Depreciation of fixed assets	674959	690736
Other costs	604390	1133253
<b>Total</b>	<b>27643006</b>	<b>20679876</b>

### (3) Selling costs

	2005 year Ls	2004 year Ls
Advertisement	62 023	60 204
<b>Total</b>	<b>62 023</b>	<b>60 204</b>

### (4) Administration costs

	2005 year Ls	2004 year Ls
Liaison costs	16 160	19 183
Office maintenance costs	6 399	7 618
Annual report costs	8 000	16 453
Salary of administration	182 130	199 656
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	42 182	26 774
Legal services	26 478	18 180
Representation costs	26 160	21 786
<b>Total</b>	<b>758 159</b>	<b>643 890</b>

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

	2005 year Ls	2004 year Ls
Income generated by transport services rendering	6 269	6927
Income generated by leased FA payments and public services	390 953	372 671
Tugboat services income	93 010	49 007
Selling out of raw materials and materials	820 128	857 060
Income generated by fluctuation of currency rate	384 947	364 012
Educational services	9 443	6 836
Income generated by chemical analyses	8 867	1 619
Income generated by realization of fixed assets	27 956	51971
Income generated by difference between face value of certificates and costs on their acquisition	91 810	183620
Increase of reserves due to inventory		
Previous year income	17 374	16 617
Reimbursement of losses	52 870	3 995
Other income	44006	12 915
<b>Total</b>	<b>1 947 633</b>	<b>1 927 250</b>

**(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	392 369	425 373
Losses incurred by currency selling out	108 541	87 196
Compressed air purchase costs		
Social infrastructure objects costs (medical services)	6 513	6 974
Costs on tugboat services	43 940	20 065
The donations	29 764	6 812
Material benefits	10 490	20 915
Burial costs	3 390	6 201
Damage	45 926	-
Costs incurred by fixed assets’ exclusion	10 358	22 193
Representation costs	18 231	16 049
Costs on maintenance of leased FA	221 066	128 479
Special reserved sum provided for unsecured debts	152 014	43 851
Other costs	12 964	7 684
<b>Total</b>	<b>1 809 683</b>	<b>1 544 484</b>

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

	2005 year Ls	2004 year Ls
Depositing percentage	1752	3057
Bank interests	242	465
Interests income for loans	77652	101591
Received penalty payments	143	3106
<b>Total</b>	<b>79789</b>	<b>108219</b>

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

	2005 year Ls	2004 year Ls
Paid off penalty	350	412
Paid off interests	70543	46035
Guarantee maintenance	60001	52818
<b>Total</b>	<b>130894</b>	<b>99265</b>

**(9) Other taxes**

	2005year Ls	2004 year Ls
Buildings and constructions real estate tax	26314	23592
Real estate tax	23890	23890
<b>Total</b>	<b>50204</b>	<b>47482</b>

**(10) 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>						
01.01.2005			24611			24611
Bought			26631		66034	92665
Written off						
Relocated						
Revaluated						
31.12.2005.	0	0	51242		66034	117276
<b>Depreciation</b>						
01.01.2005						
Estimated			5153			5153
Written off						
31.12.2005			5153			5153
<b>Balance value</b>						
01.01.2005			24611			24611
<b>Balance value</b>						
31.12.2005			46089		66034	112123

**(11) 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>								
01.01.2005	3 677 077	24 664	8 502 694	607 116	-	500 427	11 877	13 323 855
Bought	902714		870217	105660	-	1859307	784608	4522506
Written off		7590	78918	4293	-	1878591	769468	2738860
Relocated					-			
31.12.2005	4579791	17074	9293993	708483	-	481143	27017	15107501
<b>Depreciation</b>								
01.01.2005	1376606		5240208	304246	-			6921060
Estimated	149612		597460	64799	-			811871
Written off			69027	3826	-			72853
31.12.2005	1526218		5768641	365219	-			7660078
<b>Balance value</b>								
01.01.2005	2300471	24664	3262486	302870	-	500427	11877	6402795
<b>Balance value</b>								
31.12.2005	3053573	17074	3525352	343264	-	481143	27017	7447423

**Supplements to the balance sheet**

**(12) Participation in capital of associated companies**

	31.12.2005	31.12.2004
	Ls	Ls
Branch enterprise “Tosmare shipyard” JSC investment value	2219294	2268417
<b>Total</b>	<b>2219294</b>	<b>2268417</b>

**(13) Other equities and investments**

	31.12.2005	31.12.2004
	Ls	Ls
“Baltic International Bank” JSC                      33 shares	165	165
	-	-
<b>Total</b>	<b>165</b>	<b>165</b>

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

	31.12.2005	31.12.2004
	Ls	Ls
Student loan payout	52402	34881
Shares loan payout	543426	490569
<b>Total</b>	<b>595828</b>	<b>525450</b>

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

	31.12.2005	31.12.2004
	Ls	Ls
Long-term loans	362284	326381
<b>Total</b>	<b>362284</b>	<b>326381</b>



**Supplement to the balance sheet**

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

	31.12.2005	31.12.2004
	Ls	Ls
1. Metal ware	82422	76590
2. Timbering	12890	6632
3. Metal	2109714	1848483
4. Pipes	265181	217405
5. Wire cables	5081	5227
6. Non-ferrous metals	174405	102096
7. Fuel	30553	50458
8. Coveralls	2835	4839
9. Equipment	19776	120528
10. Spare parts	8197	11672
11. Cables	31148	37597
12. Varnish and paint	38523	24368
13. Building materials	38264	69362
14. Household goods	5080	5322
15. Tools	27440	30809
16. Technical rubber ware	31331	34204
17. Other	354480	309785
<b>Total</b>	<b>3237320</b>	<b>2955377</b>

**(17) Unfinished orders**

	31.12.2005	31.12.2004
	Ls	Ls
1) Shipbuilding orders	1169	77800
2) Ship repair orders	485662	405058
3) Mechanical engineering orders	65478	29377
4) Various	1079	2953
<b>Total</b>	<b>553388</b>	<b>515188</b>

**(18) Advance payments for goods**

	31.12.2005	31.12.2004
	Ls	Ls
For materials	46684	367637
<b>Total</b>	<b>46684</b>	<b>367637</b>

**Supplement to the balance sheet**

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

	31.12.2005	31.12.2004
	Ls	Ls
Buyers and customers accounting value	2855130	2384682
Generated reserves	(734599)	(646708)
<b>Balance net value</b>	<b>2120531</b>	<b>1737974</b>

**(20) Associated companies debts**

	31.12.2005	31.12.2004
	Ls	Ls
“Tosmare shipyard” JSC	34220	204644
<b>Total</b>	<b>34220</b>	<b>204644</b>

**(21) Other debtors**

	31.12.2005	31.12.2004
	Ls	Ls
Accounting value	754148	1198639
Generated reserves	(215515)	(151392)
<b>Balance net value</b>	<b>538633</b>	<b>1047247</b>

Other debtors debts are as following:

	31.12.2005	31.12.2004
	Ls	Ls
Accounted VAT	23343	21626
Overpaid taxes		
- Value added tax	146927	240501
- Enterprise income tax	47198	
Payments personal debts	4307	1303
Payment of salary	271	281
Short-term loans for “Tosmare Shipyard” JSC’S shares	15000	72358
Short-term loans	260328	211092
Other debtors	41259	500086
<b>Total</b>	<b>538633</b>	<b>1047247</b>

**Supplement to the balance sheet**

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

	31.12.2005 Ls	31.12.2005 Ls
<b>Total</b>	<b>1137446</b>	<b>1107954</b>

**(23) Next period costs**

	31.12.2005 Ls	31.12.2004 Ls
Enterprise’s property insurance premium sum	14429	7893
Subscription to the press	175	70
Inviting of specialists	9831	29890
Insurance of health	5850	5490
Check of floating means	8411	4701
Expenses for repair of the rented basic means	7590	7592
Advertisement	885	0
Other	1386	0
<b>Total</b>	<b>48557</b>	<b>55636</b>

**(24) Cash assets**

	31.12.2005 Ls	31.12.2004 Ls
Money at a cash department	4131	6774
Money on current accounts	9914	20697
<b>Total</b>	<b>14045</b>	<b>27471</b>

**(25) 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 30 December 1998.
2. Growth of the equity capital up to Ls 11 672 107 on 30 December 1999.

**(26) Other provisions**

	31.12.2005 Ls	31.12.2004 Ls
Provision for leaves	223510	204185
<b>Total</b>	<b>223510</b>	<b>204185</b>

**Supplement to the balance sheet**

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

	31.12.2005	31.12.2004
	Ls	Ls
Nordea Bank Finland Plc. Latvian branch	1811834	1410300
<b>Total</b>	<b>1811834</b>	<b>1410300</b>

**(28) Liability of leasing**

	31.12.2005	31.12.2004
	Ls	Ls
Hanza leasing including:		
Long (- term)	8660	0
Short (-term)	5448	0
<b>Total</b>	<b>14108</b>	<b>0</b>

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

	31.12.2005	31.12.2004
		Ls
For shipbuilding	2963105	1262546
For ship repair	129255	10249
Others	5168	1626
<b>Total</b>	<b>3097528</b>	<b>1274421</b>

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

	31.12.2005	31.12.2004
	Ls	Ls
Debts for services	41525	53252
Debts for materials	712677	328379
Debts subcontractors	1551403	1648485
<b>Total</b>	<b>2305605</b>	<b>2030116</b>

**(31) Debts to associated companies**

	31.12.2005 Ls	31.12.2004 Ls
“Tosmare shipyard” JSC	130166	0
<b>Total</b>	<b>130166</b>	<b>0</b>

**(32) Taxes and social insurance payments**

	31.12.2005 Ls	31.12.2004 Ls
Social insurance payments	98246	102011
Residents income tax	67465	71461
Enterprise income tax	0	18457
Risk tax	350	392
Real estate tax	1291	1399
Natural resources tax	1959	1409
<b>Total</b>	<b>169311</b>	<b>195129</b>

**(33) Other creditors**

	31.12.2005 Ls	31.12.2004 Ls
Salary	165550	156865
Payments for deductions from salary	1958	2342
Payments by return to personae	2606	1235
Payments for credit cards	1952	418
Payments for debts to other enterprises	37197	27823
<b>Total</b>	<b>209263</b>	<b>188683</b>

**(34) Unpaid previous years dividends**

<b>31.12.2004</b>	10644
Calculated	233442
Paid off	228409
<b>31.12.2005</b>	<b>15677</b>

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

28February 2006