

“RIGA SHIPYARD” JSC /AS “RĪGAS KUĢU BŪVĒTAVA /

***“RIGA SHIPYARD” JSC  
2010 annual report***

***(audited)***

***Riga, 2011***

***Content***

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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 Address Partnership	“Tosmare Shipyard” JSC Reg.No. 42103022837 42/44 Generala Baloza Street, Liepaya 49,72%	
Associate enterprise Address Partnership	“Remars Granula” SIA Reg.Nr.54103022521 2 Gales street, Riga, LV-1015 49,80%	
Name, surnames and positions of members of the Board		
Vasilijs Melniks	Chairman of the Board,	p. ID 310867 – 10726
Igors Komarovs	Member of the Board,	p. ID 040756 – 10902
Larisa Artemenko	Member of the Board,	p. ID 030349 – 12926
Irina Rudzate	Member of the Board,	p. ID 091066 – 11012
Einars Buks	Member of the Board	p. ID 270764 – 12854 (appointed no 29.01.2010)
Name, surnames and positions of members of the Council		
Sergejs Golicins	Chairman of the Council,	p.ID 250154 – 10952
Anatolijs Ustinovs	Deputy Chairman of the Council,	p.ID 010146 – 10964
Aleksandrs Cernavskis	Member of the Council,	p.ID 230770 – 10656
Juris Kaksitis	Member of the Council,	p.ID 270443 – 10124
Gaidis Andrejs Zeibots	Member of the Council,	p.ID 260645 – 10807
Chief accountant	Marina Pudova	Phone 67080868
Annual report	<b>1 January – 31 December 2010</b>	
Tax authority	SRS Large tax payers department	
Name and address of an auditor	Natalija Zaiceva, p ID 140366-10722 LACA certificate. No. 138  Sworn auditors firm KSIA “ UHYORIENTS N” LSAA certificate No 28	
Responsible person	Larisa Artemenko Member of the Board t. 67353411, E-mail: larisa@riga-shipyard.com	

**“Riga Shipyard” JSC directorship statement to**

**2010 annual report**

In the past of year 2010 JSC’s “Riga Shipyard” total net turnover made up 31 174 503 LVL, including shipbuilding – 18 730 796 LVL, ship repairing – 12 365 165 LVL (compared to the year 2009 – 21 351 135 LVL, including ship building – 7 942 809 LVL, ship repairing – 13 142 676 LVL).

In total there were 84 ships repaired in 2010 (compared to year 2009 – 72 ships were repaired) and 6 hulls were built and launched (if compared to year 2009 there were 10 hulls).

The total profit of JSC “Riga Shipyard” made up 755 814 LVL (685 413 LVL gross loss in the year 2009). Profit in the financial year 2010 made up 159 519 LVL (loss 266 547 LVL in the year 2009).

Company’s operating results were influenced by the global economic crisis, which still is in effect. The number of orders, as it was before the crisis, for ship repair still has not been reached.

There were no significant changes in list of suppliers for products and services, as well as for raw material suppliers in the year 2010 and mostly remain the same traditional countries of origin, such as: Western Europe, Russia, Ukraine, Lithuania as well as Latvia.

Traditionally, the main ship repair customers were Western European, Russian, Lithuanian and Latvian ship owners, however shipbuilding customers have been mainly from the Scandinavian countries.

JSC „Riga Shipyard” is still looking for new ways of activities, which brings us restarting the stevedoring services by the end of year 2010. The sustainability of processes like: improvement of enterprises managerial structure, as well as production effectiveness is still taking place. In order to save energy it has been sustained the optimization for use of production areas and equipment.

During the year 2010 “Riga Shipyard” JSC has invested 1mln. 372 thousand LVL into purchase of and repairs of fixed assets (compared to 934, 5 thousand LVL in the year 2009). It was established the section of aluminum structures. Water transit to floating docks No. 1 and No.2, has been equipped. The modernization of Argon and CO2 gas mixing device has been performed. The enterprise has also purchased: climatic system MA 3000, the crane Essemko and self going –

loader Fuchs 380, as well as new welding equipment. The overhauls of workshops, floating docks, portal crane, etc. are still going on.

JSC’s “Riga Shipyard” work and procedures are made according to the international quality management system standards – EN ISO 9001:2008. The quality assurance certificate has been received in 2001 already. Quality management system is continuously improved.

The measures are taken each year to reduce environment pollution.

It has been planed to proceed with the development, to invest in modernization of production equipment, as well as the process, which leads us to improve competitiveness of enterprise in its own market share.

It has been started the equipment of Large sized metal construction production workshop.

In the period of time since the Report’s last day till the day of signing the report by the board, no any exceptional or significant circumstances affecting annual results or the Company’s financial statement happened.

The Board has decided that the profit Ls 159 519 gained during year 2010 must be spent on further development of the company.

**JSC “Riga Shipyard”  
Chairman of the Board**

/signature/

**V. Melniks**

April 28th, 2011

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

The Board of JSC “Riga Shipyard” (The Company) endorses that, according to information available at the time of preparing this report, Financial statements give a true picture of the Company’s financial situation on 31st December, 2010 and its performance and cash flow in all significant aspects. The above mentioned financial statements are as per requirements of legislation of Latvian Republic.

The board endorses that, preparing this report:

- there were used corresponding accounting methods, their application was consequent;
- there were made reasonable and prudent resolutions;
- it was guided by business continuation principle.

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, and ensures the financial report has been prepared complying with Latvian Legislation.

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.

**JSC “Riga Shipyard”  
Chairman of the Board**

/signature/

**V. Melniks**

April 28th, 2011

**Profit or Loss statement**  
**For the years ending 31st of December 2010 and 31st of December 2009**

		2010.g.	2009.g.	2010.g.	2009.g.
		Ls	Ls	EUR	EUR
Net turnover	1	31174503	21351135	44357322	30379928
Sold production operating costs	2	30418689	22036548	43281895	31355183
<b>Gross profit or losses</b>		<b>755814</b>	<b>-685413</b>	<b>1075427</b>	<b>-975255</b>
Selling costs	3	34509	40927	49102	58234
Administration costs	4	737522	759782	1049399	1081073
Other enterprise's business activity's income	5	1679105	1440407	2389151	2049515
Other enterprise's business activity's costs	6	1333287	814236	1897098	1158553
<b>Profit &amp; Losses of business activity's</b>		<b>329601</b>	<b>(859951)</b>	<b>468979</b>	<b>(1223600)</b>
Income from other capital participation, securities and loans forming part of the fixed assets			89		127
Other percents and the like income	7	267272	903414	380294	1285442
Payment of interest and the like costs	8	361146	157914	513864	224691
<b>Profit &amp; Losses prior to extra ordinary items and taxes</b>		<b>235727</b>	<b>(114362)</b>	<b>335409</b>	<b>(162722)</b>
<b>Profit &amp; loss prior to taxes</b>		<b>235727</b>	<b>(114362)</b>	<b>335409</b>	<b>(162722)</b>
Income taxes of the enterprise		0	0	0	0
Deferred income	9(a)	(28500)	56512	(40552)	80409
Other taxes	10	104708	95673	148986	136131
<b>Year of account profit &amp; loss (net income)</b>		<b>159519</b>	<b>(266547)</b>	<b>226975</b>	<b>(379262)</b>

Chairman of the Board /signature/

**V. MELNIKS**

Member of the Board /signature/

**L.ARTEMENKO**

April 28th, 2011

**Balance Sheet at 31 December 2010**

ASSETS	Remarks	31.12.2010 Ls	31.12.2009 Ls	31.12.2010 EUR	31.12.2009 EUR
<i>Long-term investments</i>					
<b>I Intangible investments</b>					
Other intangible investments		5999	15951	8537	22697
Advance payments of intangible investments		167895	167895	238894	238894
<b>Intangible investments in total</b>	11	<b>173894</b>	<b>183846</b>	<b>247431</b>	<b>261591</b>
<b>II Fixed assets</b>					
Lands, buildings, constructions, perennial plants		4025639	3 993 652	5727968	5682455
Long-term investments into leased fixed assets		363	560	516	796
Equipment and machinery		14302319	13878783	20350365	19747728
Other fixed assets and stock		280598	341020	399255	485228
Up building of fixed assets and unfinished building objects costs		227462	174008	323648	247590
Advanced payments for fixed assets		4758		6770	
<b>Fixed assets in total</b>		<b>18841139</b>	<b>18388023</b>	<b>26808522</b>	<b>26163797</b>
<b>III Property deposit</b>					
<b>Fixed assets and property deposit in total</b>	12	<b>19277419</b>	<b>18837077</b>	<b>27429292</b>	<b>26802743</b>
<b>IV Long-term financial investments</b>					
Participation in capital of related companies	13	3394958	3394958	4830590	4830590
Participation in capital of associated companies					
Other equities and investments	14	165	165	235	235
Other loans and other long-term debtors	15	534528	543104	760562	772767
Loans to copartners of the enterprises and to the directorship	16	312284	322284	444340	458569
Long-term deposit	17	1447776	5727853	2060000	8150000
<b>Long-term financial investments in total</b>		<b>5689711</b>	<b>9988364</b>	<b>8095727</b>	<b>14212161</b>
<b>Long-term investments in total</b>		<b>25141024</b>	<b>29009287</b>	<b>35222067</b>	<b>40726112</b>
<i>Current assets</i>					
<b>I Reserves</b>					
Raw materials, direct materials and auxiliary materials	18	4310807	2771314	6133727	3943225
Unfinished production	19	252823	1204253	359735	1713498
Unfinished order	20	170212	324095	242193	461146
Advance payments for goods	21	5158963	6610164	7340543	9405416
<b>Reserves in total</b>		<b>9892805</b>	<b>10909826</b>	<b>14076198</b>	<b>15523285</b>
<b>II Debts of debtors</b>					
Debts of buyers and customers	22	3321108	4085877	4725511	5813679
Associated companies debts	23	327094	513627	465413	730825
Other debtors	24	604940	241709	860752	343921
Short-term loans to copartners of the enterprise's and to the directorship	25	10000	223429	14229	317911
Next period costs	26	34260	64913	48748	92364
Accrued proceeds	27	14132897	2816466	20109301	4007471
<b>Debtors in total</b>		<b>18430299</b>	<b>7946021</b>	<b>26223954</b>	<b>11306171</b>
<b>III Short-term financial investments</b>					
Short-term deposit		1855473		2640100	
Cash assets		6720676	7185966	9562661	10224708
<b>Short-term deposit and cash assets in total</b>	28	<b>8576149</b>	<b>7185966</b>	<b>12202761</b>	<b>10224708</b>
<b>Current assets in total</b>		<b>36899253</b>	<b>26041813</b>	<b>52502913</b>	<b>37054164</b>
<b>Assets in total</b>		<b>62040277</b>	<b>55051100</b>	<b>88275363</b>	<b>78330659</b>

Chairman of the Board /signature/

**V. MELNIKS**

Member of the Board /signature/

**L.ARTEMENKO**



**Balance Sheet at 31 December 2010**

LIABILITIES	Remarks	31.12.2010 Ls	31.12.2009 Ls	31.12.2010 EUR	31.12.2009 EUR
<b>I Equity capital</b>					
Stock or share capital (equity capital)	29	11672107	11672107	16607912	16607912
Overrate reserved of financial fixed assets	30	8473199	8671089	12056273	12337846
Retained earnings					
a) previous years retained earnings		3406611	3673158	4847172	5226434
b) year of account retained earnings		159519	(266547)	226975	(379262)
<i>Retained earnings in total</i>		<i>3566130</i>	<i>30406611</i>	<i>5074147</i>	<i>4847172</i>
<b>Equity capital in total</b>		<b>23711436</b>	<b>23749807</b>	<b>33738332</b>	<b>33792930</b>
<b>II Reserves</b>					
<i>Reserves in total</i>					
<b>III Creditors</b>					
<b>I Long-term debts</b>					
Liability of Liability of leasing		111395	4139	158501	5889
Deferred taxation reserves liabilities	9b	1982722	2046144	2821159	2911400
<b>Long-term debts in total</b>		<b>2094117</b>	<b>2050283</b>	<b>2979660</b>	<b>2917289</b>
<b>II Short-term debts</b>					
Loans from credit institutions	31	3686407	4743208	5245285	6748977
Liability of leasing	32	42029	2703	59802	3846
Other credit	33	421682	0	600000	0
Advance payments received from buyers	34	29949028	22195009	42613628	31580653
Debts to suppliers and contractors	35	1331641	1401306	1894754	1993879
Debts to associated companies	36	182	0	259	0
Taxes and social insurance payments	37	2398	117330	3412	166946
Other creditors	38	212454	189195	302295	269200
Unpaid previous years dividends	39	24659	24789	35087	35272
Next period income	40	2834	4833	4033	6877
Accrued liabilities	41	561410	572637	798816	814790
<b>Short-term creditors in total</b>		<b>36234724</b>	<b>29251010</b>	<b>51557371</b>	<b>41620440</b>
<b>Creditors in total</b>		<b>38328841</b>	<b>31301293</b>	<b>54537031</b>	<b>44537729</b>
<b>Liabilities total</b>		<b>62040277</b>	<b>55051100</b>	<b>88275363</b>	<b>78330659</b>

Chairman of the Board     /signature/

**V. MELNIKS**

Member of the Board     /signature/

**L.ARTEMENKO**

April 28th, 2011

**Cash flow Statement for 12 months of the year 2010 and 2009**

	2010 Ls	2009 Ls	2010 EUR	2009 EUR
<b>A Cash flow from primary activity</b>				
Sales income	29526300	23835923	42012140	33915462
Cash to suppliers, personnel and others primary activity costs	31230840	25851854	44437482	36783874
<b>Gross cash flow from primary activity</b>	<b>-1704540</b>	<b>-2015931</b>	<b>-2425342</b>	<b>-2868412</b>
Interest paid	360647	156878	513154	223217
Corporate income tax		3747		5332
Primary activity before extraordinary items	-2065187	-2176556	-2938496	-3096961
Cash flow from extraordinary items	-2065187	-2176556	-2938496	-3096961
<b>Net cash flow from primary activity</b>	<b>-2065187</b>	<b>-2176556</b>	<b>-2938496</b>	<b>-3096961</b>
<b>B Cash flow from investment activity</b>				
Related and associated enterprises shares acquisition				
Selling out of shares	25000	25000	35572	35572
Paid for fixed assets acquisition	554206	590386	788564	840044
Received for the fixed assets sold	11306	3217	16087	4577
Loans granted	15033	7069	21390	10058
Deposit	0	1405608	0	2000000
Decrease of long-term deposit	2424603	0	3449900	0
Repayment of loans	33005	0	46962	0
Interest received	265112	894228	377220	1272372
Received dividend		89		127
<b>Net cash flow from financial activity</b>	<b>2189787</b>	<b>-1080529</b>	<b>3115787</b>	<b>-1537454</b>
<b>C Cash flow from financial activities</b>				
Loan repaid	421682		600000	
Loan received	1056812	1101245	1503708	1566930
Dividend paid	130	128	185	182
<b>Net cash flow from financial activities</b>	<b>-635260</b>	<b>-1101373</b>	<b>-903893</b>	<b>-1567112</b>
Result of currency exchange rates changing	45370	-90836	64555	-129248
<b>Net cash flow and equivalent increase or decrease (A+B+C)</b>	<b>-465290</b>	<b>-4449294</b>	<b>-662047</b>	<b>-6330775</b>
<b>Cash and equivalent thereof at beginning of the period of accounts</b>	<b>7185966</b>	<b>11635260</b>	<b>10224708</b>	<b>16555483</b>
<b>Cash and equivalent thereof at the end of the period of account</b>	<b>6720676</b>	<b>7185966</b>	<b>9562661</b>	<b>10224708</b>

Chairman of the Board     /signature/

**V. MELNIKS**

Member of the Board     /signature/

**L.ARTEMENKO**

April 28th, 2011

**Changes in own capital report for 2010 and 2009**

Types of changes	Stock or Share capital		Long-term asset reevaluation reserve		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31.12.2008</b>	<b>11672107</b>	<b>16607912</b>	<b>8868979</b>	<b>12619419</b>	<b>3673158</b>	<b>5226434</b>	<b>24214244</b>	<b>34453765</b>
Reevaluation reserve			*( 232813) ** 34923	(331264) 49691			(232813) 34923	(331264) 49691
Dividends								
Period of account net profit & loss					(266547)	(379262)	(266547)	(379262)
<b>Balance as at 31.12.2009</b>	<b>11672107</b>	<b>16607912</b>	<b>8671089</b>	<b>12337846</b>	<b>3406611</b>	<b>4847172</b>	<b>23749807</b>	<b>33792930</b>
Reevaluation reserve			*(232813) **34923	(331264) 49691			(232813) 34923	(331264) 49691
Dividends								
Period of account net profit & loss					159519	226975	159519	226975
<b>Balance as at 31.12.2010</b>	<b>11672107</b>	<b>16607912</b>	<b>8473199</b>	<b>12056273</b>	<b>3566130</b>	<b>5074147</b>	<b>23711436</b>	<b>33738332</b>

\* Decreasing long-term asset reevaluation reserve to the calculated depreciation amount

\*\* Increase in long-term asset reevaluation reserve to the deferred tax amount

EPS for 31.12.2010. *LVL 159 519 :11672107 =0,02 LVL or 0,03 EUR ;*  
EPS for 31.12.2009. *- 0,02 LVL or -0,03 EUR*

Chairman of the Board /signature/

**V. MELNIKS**

Member of the Board /signature/

**L.ARTEMENKO**

April 28th, 2011

Notes: all sections of the financial reports are to be evaluated in EURO according to the rates of Bank of Latvia on 31.12.2010.

*Notes mentioned on pages 12<sup>th</sup> - 37<sup>th</sup> are to be an integral part of this annual report.*

## **Notes to the financial statements**

### **Accounting policy**

#### **(1) General principles**

The annual report has been prepared in compliance with laws of Latvian Republic “Regarding accountancy” “Regarding Annual Reports” and Latvian Ministries of Finance standards on Accountancy, applicable in year of report. The amounts in Financial Statements are generated based on prior costs method. If compared to previous year, the methods of accountancy and valuation, used in the company have not been changed.

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

Cash flow statement has been prepared as per direct method.

Comparing to previous year of account methods of accountancy and evaluation applied in the Company have been changed.

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

Financial reports, which are applied to the given annual report, are made in the Latvian national currency - in an LVL.

Pursuant to the company’s order No. 100 dated 26 November 2010, 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 preceding in an ordinary way.

#### **(3) Income recognition and net sales**

Net sales contain the total value of goods and services sold during the year excluding discounts value added tax and and costs related to sales.

Income is recognized according to the following principles:

revenue from ship repair are recognised in the reporting period when the relevant services were provided;

sales of goods - after significant ownership risk and rewards have been passed to the buyer;

rendering of services - under the percentage of completion method (also see the remark 11 to policy of accountancy);

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

#### **(4) Segment Content**

**Operating Segment** is identifiable public (consuming goods and services) section, which is characterized by the risks and benefits that differs from the risks and benefits of other part of public. **Geographical Segment** is identifiable public that sells good and provides services in the particular economic environment and which is characterized by the risks and benefits that differs from the other part of public acting in the other economic environment.

#### **(5) Revaluation of foreign currency in lats**

##### **(a) Currency used in transactions and accounting**

Items of the Company financial reports are accounted for in the currency of the economic environment, in which the Company operates (accounting currency). Items of financial reports are expressed in Latvian Lats (Ls), which is the Company accounting currency and reporting currency.

##### **(b) Transactions and balances**

All transactions in foreign currencies are converted to the accounting currency based upon the currency exchange rate of the relevant transaction date. Profit or loss obtained in the result of converting these transactions and monetary assets and liabilities in foreign currencies into Lats based upon the year-end currency exchange rate are reflected in the Profit/ Loss Statement.

Year-end exchange rates of most often used currencies were as follows:

	<b>31.12.2010.</b>	<b>30.12.2009.</b>
	<b>Ls</b>	<b>Ls</b>
1 USD	0,535	0,489
1 EUR	0,702804	0,702804
1 NOK	0,09	0,0844
1 GBP	0,824	0,783
1 RUB	0,0176	0,0164

#### **(6) Fixed assets and low-grade stock**

Intangible and fixed assets are initially defined at the purchase cost. Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	<b>Depreciation % per annum</b>
Buildings	2-15
Other buildings and constructions	3,5 - 20
Technological equipment	5-50
Other fixed assets and stock	10-40

Wear of basic means begins to count from the first date of the next month after its delivery to exploitation and is finished by the first date of the next after its exclusion from the basic means.

Company capitalizes permanent assets with value more than Ls 100 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.

In case of the obvious evident that as a result of fixed asset's repair and reconstruction in the future the economical achieved effect would be higher than the primary defined output, then such investments are capitalized as an additional cost of fixed assets staff. With capitalization of the spare parts installation expense the remaining cost of exchange spare parts is written off to the profit or losses account.

Net profit or losses from fixed assets disposal is calculated as the difference between fixed assets balanced value and income received from the sales and defined in the income or loss calculation of the period where they had occurred from.

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.

#### **(7) Property deposits**

Investment property is buildings, constructions and their parts that the Company owns (as owner or renter acc. to financial leasing) to get rent or to wait prices rising (appreciation), but not to use for production of goods, providing a services, for administrative purposes or to sell in course of economic activity.

**(8) Affiliated undertaking deposits.**

Affiliated undertaking deposits are accounted complying with “cost” method. Accordingly to this method the value of the investment is created by value of affiliated purchase and the costs related to the purchase.

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

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

**(10) 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 as costs related to employees, purchase of raw materials and services, excluding administration costs.

**(11) Long-term contract**

Due to the character to the contract on establishing an asset and performed activities the dates of starting and completing the contract performance falls within different reporting periods. Revenues and costs related to the contract are recognised as revenues and expenditure, accordingly, taking into account the percentage volume of completion of contract works as on the Balance Sheet date. In compliance to the above method the Company determines the degree of completion of the work by relating the costs related to the contract and incurred until the Balance Sheet date to the total estimated contract costs and expressing this relation as percentage or by assessing the physical level of completion of the work, depending on which of the above methods is more suitable. Expected loss from a long-term contract are recognised as expenditure immediately. Costs incurred during the reporting period and related to future operation of the contract are excluded from costs related to the contract when the degree of completion of the work is calculated. They are presented as raw materials and materials or other assets depending on their character. The orders of Shipbuilding with the completion level up to 10% (zero cycle) are not valued under level of completion and are shown like unfinished production.

**(12) Debtors**

Debtors’ debts in the balance sheet have been shown at the net value, obtained deducting provisions for doubtful debts from the total amount of Debtor’s debts. Debtors’ actual sum complies with contracts and other accounting basic documents. Provisions for doubtful debts. are calculated by individual evaluation of every Debtor. Provisions for doubtful debts. reflect evaluation of estimated loss on the date of balance. Hopeless debts are to be written off when its recovery is admitted as impossible. Debtor’s debt check has been executed on December 31<sup>st</sup> 2010.

**(13) Accumulated income**

Riga Shipyard’s new building incomes are acknowledged respective to its executive degree (see remark 11 “Long - term contracts”).

**(14) Cash and cash equivalents**

In the report of cash flow consist of the money in cash-box, remnants of active bank cont and demand deposits in the credit institutions with term to 90 days.

**(15) Equity capital and dividends**

Base shares are classified as equity capital. Dividends payable to the Company shareholders are recorded as liabilities during the Company financial reporting period when the Company shareholders approve the relevant dividends.

**(16) Revaluation reserve**

In the revaluation reserve of long-term investments they reduce the growth of values contained when a revaluated fixed asset are to be written off or eliminated. As well as it is revaluated during the asset’s usage gradually by writing off every reporting period the amount of difference between the wear to be calculated according to asset’s revaluated value and the wear to be calculated according to asset’s acquisition value.

**(17) Reserves for unused vocations**

Vocation cost reserves was calculated: average earning of past six month of the period reported per number of days of unused days of vacation by the end of year of period.

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

Enterprise income tax was calculated according to Latvia Republic tax laws. Tax laws in 2010 and further fixed tax rate is 15%.

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.

**(19) Profit per share**

Profit per share is determined by dividing the net profit or loss attributable to the Company shareholders with the weighted average number of shares.

**(20) Related parties**

Related parties are the Company’s major shareholders, Board members and Council member, their close family members and the companies, that are controlled or affected by the above mentioned persons. Also related parties are the companies that are controlled or affected by the final controlling member. Related parties are as well the Company’s related and associated companies, whose financial and main activity is under the Company’s significant influence.

**(21) Taxes**

There has been made reconciliation of taxes liabilities by State Revenue Service data.

**(22) Bookkeeping arrangement**

The bookkeeping accountancy has been arranged with the help of computers using the software (Microsoft Business Solutions – NAVISION 4.0).

**(23) 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.

**(24) Financial risks**

The principal financial instruments of the Company are money. The main objective of these financial instruments is to provide financing for the operations of the Company. The Company interacts with various other financial instruments, for example, trade receivables and payables and other creditors, following directly from its operations.

Financial risks, connected with the financial instruments of the Company, mainly, are interest rate risk, liquidity risk and credit risk.

In the conditions of regular activities the Enterprise is subject to credit and foreign exchange risks.

**(25) Credit risk**

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company has no significant concentration of credit risk on any separate business partner or group of partners corresponding to the similar description.

**(26) Percentage risk**

Enterprise is subjected from credit interest rate changing risk.

**(27) Currency risk**

The company is subject to foreign currency exchange rate fluctuations; mainly due to its loans and other operations performed in euro currency as well as trade receivables is also in euro.

As of 2005 the Bank of Latvia has stated a fixed official currency exchange rate for lats against euro, i.e. 0.702804, and ensures that the market rate will not differ from the official rate by more than 1%. As far as the Bank of Latvia maintains the above mentioned exchange corridor, the Company will not have a significant currency exchange risks in respect of assets and liabilities nominated in euro.

**(28) Liquidity risk**

The Company follows cautious liquidity risk management and accordingly maintains sufficient amount of cash and ensures availability of financing by using loan facilities granted by banks. As at the end of the reporting year the total available amount of loan facilities equals Ls 4 919 628 (31.12.2009. Ls 4 919 628). As on December 31st, 2010 the unused portion of the loan facility amounted to Ls 1 233 232 (31.12.2009. -Ls 176 420). The Company management monitors operative forecasts of liquidity reserves based upon expected cash flow. Most of the Company liabilities are short-term. The management considers that the Company will have sufficient liquid funds obtained from core operations and utilisation of loan facilities with the Latvian banks.

**(29) Retraining**

In order to meet post classification for year 2010 the comparative readings for year 2009 in necessary cases individual post classification has changed.



## Supplements to Annual Report Supplement to Profit or Loss Statement

### Information on segments.

According to the standard demands No 14 “Information on segments presenting”, management defined the following kinds of industrial works:

- a) The 1<sup>st</sup> type – operating segment
- b) Additional format – geographical segment.

According to the standard demands No 14 “Information on segments presenting”, management defined the following kinds of industrial works:

### (1) Net turnover

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
<b>(a)</b>				
Shipbuilding	18730796	7942809	26651522	11301599
Ship repair	12365165	13142676	17594045	18700343
Mechanical engineering	75247	197062	107067	280394
Other works	3295	68588	4688	97592
<b>Total</b>	<b>31174503</b>	<b>21351135</b>	<b>44357322</b>	<b>30379928</b>
<b>(b)</b>				
Latvia	11908033	675219	16943604	960750
Russia	355182	363843	505378	517702
Great Britain	216530	359496	308094	511517
Norway	5438580	5230638	7738402	7442527
Cyprus	1007736	905804	1433879	1288843
Belize	87187	0	124056	0
Malta	921704	918755	1311467	1307271
Panama	1524806	1046603	2169603	1489182
Liberia	706272	2003436	1004935	2850633
Sweden	421681	322397	599998	458730
Finland	1478912	1682358	2104303	2393780
Iceland	353222	1537071	502590	2187055
Denmark	922481	1107864	1312572	1576348
Bahamas	420250	621823	597962	884774
The Netherlands	27490	0	39115	0
St Vincent	505846	295151	719754	419962
Cambodia	0	776967	0	1105524
Antigua and Barbuda	421826	731730	600204	1041158
Gibraltar	7212	403171	10262	573661
Portugal	0	268131	0	381516
Marshall Island	1572904	330563	2238041	470349
Estonia	482575	829832	686642	1180745
France	0	6427	0	9145
St.Kitts&Nevis	411790	460297	585926	654943
Italy	323290	0	460000	0
Barbados	0	280282	0	398805
Saudi Arabia	282429	193277	401860	275008
Singapore	211663	0	301169	0
USA	420356	0	598113	0
Belgium	231499	0	329393	0
Vanuatu	513047	0	730000	0
<b>Total</b>	<b>31174503</b>	<b>21351135</b>	<b>44357322</b>	<b>30379928</b>

**Supplement to Profit or Loss Statement (continuation)**

**(2) Sold products operating costs**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
Material costs (raw materials and materials, value of goods, services from outside)	25113219	16082109	35732891	22882779
Salary	3220841	3 875132	4582844	5513816
Social tax	755618	900484	1067862	1281273
Depreciation of fixed assets	755618	753486	1075148	1072114
Accruals for vocations	20792	0	29584	0
Other costs	557722	425337	793566	605201
<b>Total</b>	<b>30418689</b>	<b>22 036 548</b>	<b>43281895</b>	<b>31355183</b>

**(3) Selling costs**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
<b>Advertisement</b>	34509	40927	49102	58234
<b>Total</b>	<b>34509</b>	<b>40927</b>	<b>49102</b>	<b>58234</b>

**(4) Administration costs**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
Liaison costs	15290	10921	21756	15539
Office maintenance costs	5804	4760	8257	6773
Annual report costs	8000	8000	11383	11383
Salary of administration	52846	70035	75193	99651
Remuneration of the board	215217	225840	306226	321341
Remuneration of the council	165248	184500	235127	262520
Social insurance costs	99618	111706	141744	158943
Depreciation of fixed assets	25911	24539	36868	34916
Transport costs, travel allowances	89081	66977	126751	95300
Legal services	334	1815	475	2583
Insurance	2989	6487	4253	9230
Representation costs	8245	15918	11732	22649
Representation costs of the car	48939	28284	69634	40245
<b>Total</b>	<b>737522</b>	<b>759782</b>	<b>1049399</b>	<b>1081073</b>

**Supplement to Profit or Loss Statement (continuation)**

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

	<b>2010 year</b> <b>Ls</b>	<b>2009 year</b> <b>Ls</b>	<b>2010 year</b> <b>EUR</b>	<b>2009 year</b> <b>EUR</b>
Income generated by transport services rendering	9820	5088	13973	7240
Income generated by leased FA payments and public services	980844	900191	1395615	1280856
Tugboat services income	111743	106617	158996	151702
Selling out of raw materials and materials	445692	224877	634163	319971
Income generated by fluctuation of currency rate	120	187	171	266
Income generated by chemical analyses	1201	2356	1709	3352
Income generated by realization of fixed assets	11306	1510	16087	2149
Previous year income	10609	28437	15095	40462
Incomes from writing off accounts payable to limit expiration	16982	17086	24163	24311
Currency selling income	12913	12238	18374	17413
Currency selling revenue	41211	0	58638	0
Income from write-off provision for vocations	0	89397	0	127200
Loss consideration	23441	0	33354	0
Other income	13223	52423	18813	74593
<b>Total</b>	<b>1679105</b>	<b>1440407</b>	<b>2389151</b>	<b>2049515</b>

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

	<b>2010 year</b> <b>Ls</b>	<b>2009 year</b> <b>Ls</b>	<b>2010 year</b> <b>EUR</b>	<b>2009 year</b> <b>EUR</b>
Material purchase costs	400521	156448	569890	222605
Losses incurred by currency selling out	0	102094	0	145267
Social infrastructure objects costs (medical services)	7785	12158	11077	17299
Costs on tugboat services	44370	40243	63133	57261
The donations	5202	3400	7402	4838
Material benefits	14675	11580	20881	16477
Burial costs	2186	2440	3110	3472
Costs incurred by fixed assets’ exclusion	1726	476	2456	677
Representation costs	13043	11330	18559	16121
Costs on maintenance of leased FA	584805	439198	832103	624922
Special reserved sum provided for unsecured debts	202063	11572	287510	16464
Preceding year costs	43108	20746	61337	29519
Other costs	13803	2551	19640	3631
<b>Total</b>	<b>1333287</b>	<b>814236</b>	<b>1897098</b>	<b>1158553</b>

**Supplement to Profit or Loss Statement (continuation)**

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

	<b>2010 year</b>	<b>2009 year</b>	<b>2010 year</b>	<b>2009 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Depositing percentage	257472	875346	366350	1245505
Bank interests	258	18882	367	26867
Interests income for loans	9249	9186	13160	13070
Received penalty payments	293	0	417	0
<b>Total</b>	<b>267272</b>	<b>903414</b>	<b>380294</b>	<b>1285442</b>

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

	<b>2010 year</b>	<b>2009 year</b>	<b>2010 year</b>	<b>2009 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Paid off penalty	195867	1695	278694	2411
Paid off interests	112405	100373	159938	142818
Guarantee maintenance	52874	55846	75232	79462
<b>Total</b>	<b>361146</b>	<b>157914</b>	<b>513864</b>	<b>224691</b>

**(9a) The most significant parts of enterprises Income tax**

	<b>2010 year</b>	<b>2009 year</b>	<b>2010 year</b>	<b>2009 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Income tax	0	0	0	0
Increase of deferred taxation	(28500)	56512	(40552)	80409
<b>Total</b>	<b>(28500)</b>	<b>56512</b>	<b>(40552)</b>	<b>80409</b>

**Deferred taxation calculation**

	<b>2010 year</b>	<b>2009 year</b>	<b>2010 year</b>	<b>2009 year</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Deferred taxation liabilities:				
Difference between capital assets residual value in financial accountancy and for tax collections	13412540	13814561	19084325	19656349
Deferred taxation assed:				
Reserves for vacations	194387	173595	276588	247003
Provisional distinctions total	<b>13218153</b>	<b>13640966</b>	<b>18807737</b>	<b>19409346</b>
<b>Deferred taxation liabilities/(assets), rate 15%</b>	1982722	2046144	2821159	2911400
<b>Deferred taxation liabilities</b>	<b>1982722</b>	<b>2046144</b>	<b>2821159</b>	<b>2911400</b>

**Supplement to Profit or Loss Statement (continuation)**

**9(b) Deferred taxation liability changes**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
Rest at the beginning of year of account	2046145	2024555	2911402	2880682
Deferred taxation increase	(28500)	56512	(40552)	80409
Increase reevaluation reserve	(34923)	(34923)	(49691)	(49691)
<b>Deferred EIT income tax liabilities at the end of taxation year</b>	<b><u>1982722</u></b>	<b><u>2046144</u></b>	<b><u>2821159</u></b>	<b><u>2911400</u></b>

**(10) Other taxes**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
Real estate tax	104708	95673	148986	136131
<b>Total</b>	<b><u>104708</u></b>	<b><u>95 673</u></b>	<b><u>148986</u></b>	<b><u>136 131</u></b>

**Supplement to the balance sheet by December 31<sup>st</sup> 2009**

**(11) Other intangible investments LVL**

	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>						
01.01.2009			70409	0	167701	<b>238110</b>
Bought			3963		1694	<b>5657</b>
Relocated						
Written off					1500	<b>1500</b>
31.12.2009	0	0	74372	0	167895	<b>242267</b>
<b>Depreciation</b>						
01.01.2009			43756	0	0	<b>43756</b>
Estimated			14665			<b>14665</b>
Written off						
31.12.2009	0	0	58421	0	0	<b>58421</b>
<b>Balance value 01.01.2009</b>	<b>0</b>	<b>0</b>	<b>26653</b>	<b>0</b>	<b>167701</b>	<b>194354</b>
<b>Balance value 31.12.2009</b>	<b>0</b>	<b>0</b>	<b>15951</b>	<b>0</b>	<b>167895</b>	<b>183846</b>

**(11) Other intangible investments EUR**

	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>						
01.01.2009			100183	0	238618	<b>338801</b>
Bought			5639		2410	<b>8049</b>
Written off						
Relocated					2134	<b>2134</b>
Revaluated			105822	0	238894	<b>344716</b>
31.12.2009	0	0				
<b>Depreciation</b>						
01.01.2009			62259	0	0	<b>62259</b>
Estimated			20866			<b>20866</b>
Written off						
31.12.2009	0	0	83125	0	0	<b>83125</b>
<b>Balance value 01.01.2009</b>	<b>0</b>	<b>0</b>	<b>37924</b>	<b>0</b>	<b>238618</b>	<b>276542</b>
<b>Balance value 31.12.2009</b>	<b>0</b>	<b>0</b>	<b>22697</b>	<b>0</b>	<b>238894</b>	<b>261591</b>

**(11) Other intangible investments LVL by December 31<sup>st</sup> 2010**

	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>						
01.01.2010			74372		167895	<b>242267</b>
Bought						
Relocated						
Written off						
31.12.2010	0	0	74372		167895	<b>242267</b>
<b>Depreciation</b>						
01.01.2010			58421			<b>58421</b>
Estimated			9952			<b>9952</b>
Written off						
31.12.2010	0	0	68373			<b>68373</b>
<b>Balance value 01.01.2010</b>	<b>0</b>	<b>0</b>	<b>15951</b>		<b>167895</b>	<b>183846</b>
<b>Balance value 31.12.2010</b>	<b>0</b>	<b>0</b>	<b>5999</b>		<b>167895</b>	<b>173894</b>

**(11) Other intangible investments EUR**

	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>						
01.01.2010			105822		238894	<b>344716</b>
Bought						
Written off						
Relocated						
Revaluated						
31.12.2010			105822		238894	<b>344716</b>
<b>Depreciation</b>						
01.01.2010			83125			<b>83125</b>
Estimated			14160			<b>14160</b>
Written off						
31.12.2010	0	0	97285			<b>97285</b>
<b>Balance value 01.01.2010</b>	<b>0</b>	<b>0</b>	<b>22697</b>		<b>238894</b>	<b>261591</b>
<b>Balance value 31.12.2010</b>	<b>0</b>	<b>0</b>	<b>8537</b>		<b>238894</b>	<b>247431</b>

**Supplement to the balance sheet by December 31<sup>st</sup> 2009**

**(12) Report on long-term investments movement LVL**

	Land, buildings, constructions Ls	Investments assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
<b>Initial value</b>								
<b>01.01.2009</b>	<b>5825261</b>	<b>531039</b>	<b>28615</b>	<b>18495598</b>	<b>960479</b>	<b>128891</b>	<b>5835</b>	<b>25975718</b>
Bought	316068	13000		589819	11659	979626	59575	<b>1969747</b>
Written off	140		28055	99044	1919	934509	65410	<b>1129077</b>
Relocated								
<b>31.12.2009</b>	<b>6141189</b>	<b>544039</b>	<b>560</b>	<b>18986373</b>	<b>970219</b>	<b>174008</b>	<b>0</b>	<b>26816388</b>
<b>Depreciation</b>								
<b>01.01.2009</b>	<b>1964620</b>	<b>89279</b>		<b>4490582</b>	<b>546962</b>			<b>7091443</b>
Estimated	183057	5706		480670	84053			<b>753486</b>
Written off	140			96474	1816			<b>98430</b>
Relocated				232812				<b>232812</b>
<b>31.12.2009</b>	<b>2147537</b>	<b>94985</b>	<b>0</b>	<b>5107590</b>	<b>629199</b>	<b>0</b>	<b>0</b>	<b>7979311</b>
<b>Balance value 01.01.2009</b>	<b>3860641</b>	<b>441760</b>	<b>28615</b>	<b>14005016</b>	<b>413517</b>	<b>128891</b>	<b>5835</b>	<b>18884275</b>
<b>Balance value 31.12.2009</b>	<b>3993652</b>	<b>449054</b>	<b>560</b>	<b>13878783</b>	<b>341020</b>	<b>174008</b>	<b>0</b>	<b>18837077</b>

**Real Estate (building) cadastral value at 31.12.2009. is 5843723 LVL**

**(12) Fixed assets (EUR)**

	Land, buildings, constructions	Investment assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction	Advance Payment for FA	Total
<b>Initial value</b>								
<b>01.01.2009</b>	<b>8288600</b>	<b>755600</b>	<b>40715</b>	<b>26316865</b>	<b>1366639</b>	<b>183395</b>	<b>8302</b>	<b>36960116</b>
Bought	449724	18497		839237	16589	1393882	84768	<b>2802697</b>
Written off	199		39919	140927	2730	1329687	93070	<b>1606532</b>
Relocated								
<b>31.12.2009</b>	<b>8738125</b>	<b>774097</b>	<b>796</b>	<b>27015175</b>	<b>1380498</b>	<b>247590</b>	<b>0</b>	<b>38156281</b>
<b>Depreciation</b>								
<b>01.01.2009</b>	<b>2795402</b>	<b>127032</b>		<b>6389523</b>	<b>778257</b>			<b>10090214</b>
Estimated	260467	8119		683932	119597			<b>1072115</b>
Written off	199			137270	2584			<b>140053</b>
Relocated				331262				<b>331262</b>
<b>31.12.2009</b>	<b>3055670</b>	<b>135151</b>	<b>0</b>	<b>7267447</b>	<b>895270</b>	<b>0</b>	<b>0</b>	<b>11353538</b>
<b>Balance value 01.01.2009</b>	<b>5493197</b>	<b>628568</b>	<b>40715</b>	<b>19927342</b>	<b>588382</b>	<b>183395</b>	<b>8302</b>	<b>26869901</b>
<b>Balance value 31.12.2009</b>	<b>5682455</b>	<b>638946</b>	<b>796</b>	<b>19747728</b>	<b>485228</b>	<b>247590</b>	<b>0</b>	<b>26802743</b>

**Real Estate (building) cadastral value at 31.12.2009. is 8314869 EUR**



**Supplement to the balance sheet by December 31<sup>st</sup> 2010**

**Supplements to the balance sheet**

**(12) Report on long-term investments movement LVL**

	Land, buildings, constructions Ls	Investments assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
<b>Initial value</b>								
<b>01.01.2010</b>	<b>6141189</b>	<b>544039</b>	<b>560</b>	<b>18986373</b>	<b>970219</b>	<b>174008</b>	<b>0</b>	<b>26816388</b>
Bought	226537	12923		1116253	16589	1425756	51376	<b>2849434</b>
Written off	8258	1126	197	187456	21758	1372302	46618	<b>1637715</b>
Relocated								
<b>31.12.2010</b>	<b>6359468</b>	<b>555836</b>	<b>363</b>	<b>19915170</b>	<b>965050</b>	<b>227462</b>	<b>4758</b>	<b>28028107</b>
<b>Depreciation</b>								
<b>01.01.2010</b>	<b>2147537</b>	<b>94985</b>	<b>0</b>	<b>5107590</b>	<b>629199</b>	<b>0</b>	<b>0</b>	<b>7979311</b>
Estimated	193677	25697		459233	77011			<b>755618</b>
Written off	7385	1126		186784	21758			<b>217053</b>
Relocated				232812				<b>232812</b>
<b>31.12.2010</b>	<b>2333829</b>	<b>119556</b>	<b>0</b>	<b>5612851</b>	<b>684452</b>	<b>0</b>	<b>0</b>	<b>8750688</b>
<b>Balance value 01.01.2010</b>	<b>3993652</b>	<b>449054</b>	<b>560</b>	<b>13878783</b>	<b>341020</b>	<b>174008</b>	<b>0</b>	<b>18837077</b>
<b>Balance value 31.12.2010</b>	<b>4025639</b>	<b>436280</b>	<b>363</b>	<b>14302319</b>	<b>280598</b>	<b>227462</b>	<b>4758</b>	<b>19277419</b>

**Real Estate (building) cadastral value at 31.12.2010. is 3778627 LVL**

**(12) Fixed assets (EUR)**

	Land, buildings, constructions	Investment assets	Long-term investments into leased FA	Equipment and machinery	Other fixed assets	Unfinished construction	Advance Payment for FA	Total
<b>Initial value</b>								
<b>01.01.2010</b>	<b>8738125</b>	<b>774097</b>	<b>796</b>	<b>27015175</b>	<b>1380498</b>	<b>247590</b>		<b>38156281</b>
Bought	322333	18388		1588285	23604	2028668	73101	<b>4054379</b>
Written off	11750	1602	280	266726	30959	1952610	66331	<b>2330258</b>
Relocated								
<b>31.12.2010</b>	<b>9048708</b>	<b>790883</b>	<b>516</b>	<b>28336734</b>	<b>1373143</b>	<b>323648</b>	<b>6770</b>	<b>39880402</b>
<b>Depreciation</b>								
<b>01.01.2010</b>	<b>3055670</b>	<b>135151</b>	<b>0</b>	<b>7267447</b>	<b>895270</b>	<b>0</b>	<b>0</b>	<b>11353538</b>
Estimated	275578	36564		653430	109577			<b>1075149</b>
Written off	10508	1602		265770	30959			<b>308839</b>
Relocated				331262				<b>331262</b>
<b>31.12.2010</b>	<b>3320740</b>	<b>170113</b>	<b>0</b>	<b>7986369</b>	<b>973888</b>	<b>0</b>	<b>0</b>	<b>12451110</b>
<b>Balance value 01.01.2010</b>	<b>5682455</b>	<b>638946</b>	<b>796</b>	<b>19747728</b>	<b>485228</b>	<b>247590</b>	<b>0</b>	<b>26802743</b>
<b>Balance value 31.12.2010</b>	<b>5727968</b>	<b>620770</b>	<b>516</b>	<b>20350365</b>	<b>399255</b>	<b>323648</b>	<b>6770</b>	<b>27429292</b>

**Real estate (building) cadastral value at 31.12.2010. is 5376502 EUR**

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

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Initial value	218598	101104	311037	143858
Accumulated depreciation	217052	98430	308837	140053
Balance value	1546	2674	2200	3805
Permanent assets liquidation loss	<b>1546</b>	<b>2674</b>	<b>2200</b>	<b>3805</b>

**Supplement to the balance sheet (continuation)**

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

	<u>31.12.2010.</u> Ls	Share capital (%)	<u>31.12.2009.</u> Ls	Share capital (%)	<u>31.12.2010.</u> EUR	<u>31.12.2009.</u> EUR
Branch enterprise "Tosmares kuģubūvetava" JSC investment value	2551593	49,72	2551593	49,72	3630590	3630590
SIA "Remars Granula"	<u>843365</u>	49,80	<u>843365</u>	49,80	1200000	1200000
<b>Investments</b>	<b><u>3394958</u></b>		<b><u>3394958</u></b>		<b><u>4830590</u></b>	<b><u>4830590</u></b>

**(14) Other equities and investments**

Name enterprise	Parts or shares value		31.12.2010			31.12.2009		
	2010	2009	Quantity	Ls	EUR	Quantity	Ls	EUR
"Baltic International Bank" JSC	5	5	33	165	235	33	165	235
<b>Total</b>	<b>5</b>	<b>5</b>	<b>33</b>	<b>165</b>	<b>235</b>	<b>33</b>	<b>165</b>	<b>235</b>

**(15) Other loans and other long-term debtors ( Ls )**

Name enterprise	31.12.2009	Loans granted in 2010	Loans granted in 2010	Difference in currency rate	Reallocation at a short	31.12.2010	Term of payment	Percent correlation
	Ls	Ls	Ls	Ls		Ls		
Student loan payout	59643	3659	2478	5243		66067	2012-2029	-
Shares loan payout	483461				15000	468461	2012-2015	-
<b>Total</b>	<b>543104</b>	<b>3659</b>	<b>2478</b>	<b>5243</b>	<b>15000</b>	<b>534528</b>		

Amount to be paid in 5 years – 56662 Ls.

**Supplement to the balance sheet (continuation)**

**(15) Other loans and other long-term debtors (EUR)**

Name enterprise	31.12.2009	Loans granted in 2010	Loans granted in 2010	Difference in currency rate	Reallocation at a short	31.12.2010	Term of payment	Percent correlation
	Ls	Ls	Ls	Ls		Ls		
Student loan payout	84864	5206	3528	7460		94002	2012-2029	-
Shares loan payout	687903				21343	666560	2012-2015	-
<b>Total</b>	<b>772767</b>	<b>5206</b>	<b>3528</b>	<b>7460</b>	<b>21343</b>	<b>760562</b>		

Amount to be pay back after 5 years – 80623 EUR

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

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Long-term loans	312284	322284	444340	458569
<b>Total</b>	<b>312284</b>	<b>322284</b>	<b>444340</b>	<b>458569</b>

	Ls	Euro
<b>Copartners and directorship</b>		
Including: Long-term	312284	444340
Short-term	10000	14229
<b>31.12.2010</b>	<b>322284</b>	<b>458569</b>

There is a debt of management for JSC "Tosmares kuģubūvētava" shares in this position.

**Supplement to the balance sheet (continuation)**

**(17) Long-term deposit**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
	1447776	5727853	2060000	8150000
<b>Total</b>	<b>1447776</b>	<b>5727853</b>	<b>2060000</b>	<b>8150000</b>

The enterprise had made investments at JSC "UniCredit Bank" with final term February 24<sup>th</sup> 2012 that serves as a loan (financial guarantee) to signed guarantee agreement dated November 02<sup>th</sup> 2009 concluded between JSC "Rīgas kuģu būvētava" and JSC "UniCredit Bank" referring guarantee delivery based on May 30<sup>th</sup> 2008 agreement concluded between "JSC "Riga Shipyard" and "Abeking & Rasmussen Schiffs- und Yachtwerft Aktiengesellschaft" about 5 SWATH vessels building and delivery to the Ministry of Defense.

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

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
1. Metal ware	58978	66868	83918	95145
2. Timbering	2603	3414	3704	4858
3. Metal, non-ferrous metals, pipes	1916207	1860780	2726517	2647651
4. Wire cables	5108	5582	7268	7942
5. Fuel	5430	3569	7726	5078
6. Coveralls	4965	4739	7065	6743
7. Equipment	325100	7203	462576	10249
8. Cables	76054	26987	108215	38399
9. Varnish and paint	45964	90559	65401	128854
10. Household goods	315	665	448	946
11. Technical rubber ware	13152	11468	18714	16317
12. Other	1856931	689480	2642175	981043
<b>Total</b>	<b>4310807</b>	<b>2771314</b>	<b>6133727</b>	<b>3943225</b>

**(19) Unfinished production**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Shipbuilding orders	252823	1204253	359735	1713498
<b>Total</b>	<b>252823</b>	<b>1204253</b>	<b>359735</b>	<b>1713498</b>

These columns reflect the orders with up to 10% (zero cycle) executive degree from contractual value.

**Supplement to the balance sheet (continuation)**

**(20) Unfinished orders**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
1) Ship repair orders	157824	317050	224563	451122
Including:				
m/v "Gerakl"	14753			
m/v " Global Carrier"	88319			
The others	54752			
2) Mechanical engineering orders	6791	2367	9663	3368
3) Various	5597	4678	7967	6656
<b>Total</b>	<b>170212</b>	<b>324095</b>	<b>242193</b>	<b>461146</b>

**(21) Advance payments for goods**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
For goods	5158963	6610164	7340543	9405416
<b>Total</b>	<b>5158963</b>	<b>6610164</b>	<b>7340543</b>	<b>9405416</b>

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

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
Buyers and customers accounting value	3535400	4325665	5030420	6154865
Generated reserves	-214292	-239788	-304909	-341186
<b>Balance net value</b>	<b>3321108</b>	<b>4085877</b>	<b>4725511</b>	<b>5813679</b>

**Changes in savings (Ls)**

	<b>Debts of buyers and customers</b>	<b>Other debtors</b>	<b>Total</b>
<b>Savings 31.12.2009</b>	239 788	141 479	381 267
Decrease of savings	227 559	134 000	361 559
Increase of savings	202 063		202 063
<b>Savings 31.12.2010</b>	<b>214 292</b>	<b>7479</b>	<b>221 771</b>

**Supplement to the balance sheet (continuation)**

**Changes in provisions (EUR)**

	<b>Debts of buyers and customers</b>	<b>Other debtors</b>	<b>Total</b>
<b>Savings 31.12.2009</b>	341 186	201 306	542 492
Increase of savings	323 787	190 665	514 452
Decrease of savings	287 510		287 510
<b>Savings 31.12.2010</b>	<b>304 909</b>	<b>10 641</b>	<b>315 550</b>

**(23) Associated companies debts**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
"Tosmares kuģu būvētava" JSC debt for service	540	187007	768	266087
SIA "Remars Granula" debt for service	12638	21890	17982	31146
SIA "Remars Granula" debt for credit	313916	304730	446663	433592
<b>Total</b>	<b>327094</b>	<b>513627</b>	<b>465413</b>	<b>730825</b>

According to the agreement the "Borrower" pays percentage at the end of the loan return.

**(24) Other debtors**

	<b>2010 year Ls</b>	<b>2009 year Ls</b>	<b>2010 year EUR</b>	<b>2009 year EUR</b>
Accounting value	612419	383188	871393	545227
Generated reserves	-7479	-141479	-10641	-201306
<b>Balance net value</b>	<b>604940</b>	<b>241709</b>	<b>860752</b>	<b>343921</b>
Other debtors debts are as following:				
Accounted VAT	982	522	1397	743
Overpaid taxes				
Value added tax	150680	80841	214398	115026
Enterprise income tax	53325	49110	75874	69877
Social insurance payments	152622	0	217162	0
Enterprise income tax	46368	0	65976	0
Payments personal debts	248	1129	353	1606
Payment of salary	794	422	1130	600
Short-term loans for "Tosmares kuģubūvētava" JSC'S shares	14942	14942	21261	21261
Advance payment of service	166899	91086	237476	129604
Account with other debtors	18080	3657	25725	5204
<b>Total</b>	<b>604940</b>	<b>241709</b>	<b>860752</b>	<b>343921</b>

**Supplement to the balance sheet (continuation)**

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

	Directorship, copartners Ls	Directorship, copartners EUR
Managements debt for shares	10000	14229
<b>31.12.2010</b>	<b>10000</b>	<b>14229</b>

**(26) Next period costs**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Enterprise's property insurance premium sum	9769	10228	13900	14553
Subscription to the press	531	476	756	677
Inviting of specialists	0	1819	0	2588
Insurance of health	8145	6818	11589	9701
Check of floating means	2620	9886	3728	14067
Expenses for repair of the rented basic means	197	28055	280	39919
Advertisements	350	124	498	176
Others	12648	7507	17997	10683
<b>Total</b>	<b>34260</b>	<b>64913</b>	<b>48748</b>	<b>92364</b>

**(27) Accrued proceeds**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Shipbuilding	14132897	2816466	20109301	4007471
<b>Total</b>	<b>14132897</b>	<b>2816466</b>	<b>20109301</b>	<b>4007471</b>

**(28) Cash assets**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Short-term deposit	1855473	0	2640100	0
Money at a cash department	8729	2416	12420	3437
Money on current accounts	11203	50090	15941	71271
Other money means*	6700744	7133460	9534300	10150000
<b>Total</b>	<b>8576149</b>	<b>7185966</b>	<b>12202761</b>	<b>10224708</b>

- Guarantee funds, deposits up to 90 days

**Supplement to the balance sheet (continuation)**

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

“Rīga 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 exchange market. All the shares give equal rights for dividends receive, liquidation quotes and vote rights at the shareholders meeting. 1 share gives 1 vote right. The enterprise does not have shares that it held or anybody else on its behalf.

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.

**“Rīgas kuģu būvētava” JSC shareholders on the 31.12.2010**

	31.12.2010 Ls	%	31.12.2009 Ls	%	2010 year EUR	2009 year EUR
“Remars-Rīga” JSC	5819194	49.86	5819194	49.86	8279967	8279967
Other limited companies	2258286	19.35	3335061	28.57	3213251	4745364
Private personae	3594627	30.79	2517852	21.57	5114694	3582581
<b>Total</b>	<b>11672107</b>	<b>100</b>	<b>11672107</b>	<b>100</b>	<b>16607912</b>	<b>16607912</b>

**(30) Long term investments reevaluation reserves**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
	8473199	8671089	12056273	12337846
<b>Total</b>	<b>8473199</b>	<b>8671089</b>	<b>12056273</b>	<b>12337846</b>

Reevaluation reserve was established due to valuation of floating docks. Reevaluation reserve is reduced by the amount that is difference between the wear to be calculated according to asset’s revaluated value and the wear to be calculated according to asset’s acquisition value.

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

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
	3686407	4743208	5245285	6748977
<b>Total</b>	<b>3686407</b>	<b>4743208</b>	<b>5245285</b>	<b>6748977</b>

The enterprise had concluded the Overdraft and guarantee line agreement Nr 2003 / 4 / OD / GA with JSC “Nordea Bank Finland Plc.” On December 31<sup>st</sup> 2010 2 floating docks, 3 running new building project, all requirement rights belonging to the depositor, reserves and debtor debts had been pawned as a guarantee to the received loan. The balance value of pledged is Ls 15 906 009.



**Supplement to the balance sheet (continuation)**

**(32) Liability of leasing**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Long-term	111395	4139	158501	5889
Short-term	42029	2703	59802	3846
<b>Total</b>	<b>153424</b>	<b>6842</b>	<b>218301</b>	<b>9735</b>

The average yearly interest in SIA „Nordea Finance Latvija Lizings” is 4,39 %, SIA „Unicredit Leasing ” is 4,85%.  
The interest of Lease is shown as costs of report year.

**(33) Other credit**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
	421682	0	600000	0
<b>Total</b>	<b>421682</b>	<b>0</b>	<b>600000</b>	<b>0</b>

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

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
For shipbuilding	29935783	22089184	42594782	31430077
For ship repair	10937	102302	15562	145563
Others	2308	3523	3284	5013
<b>Total</b>	<b>29949028</b>	<b>22195009</b>	<b>42613628</b>	<b>31580653</b>

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

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Debts for services	164213	157347	233654	223885
Debts for materials	334191	327131	475510	465465
Debts subcontractors	833237	916828	1185590	1304529
<b>Total</b>	<b>1331641</b>	<b>1401306</b>	<b>1894754</b>	<b>1993879</b>

**(36) Debts to associated companies**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
“Tosmare Shipyard” JSC	182	0	259	0
<b>Total</b>	<b>182</b>	<b>0</b>	<b>259</b>	<b>0</b>

**Supplement to the balance sheet (continuation)**

**(37) Movement of tax liabilities in 2010 (Ls)**

	<b>Balance as at 01.01.2010 Ls</b>	<b>Calculated In 2010 Ls</b>	<b>Paid off In 2010 Ls</b>	<b>Deflected to other taxes Ls</b>	<b>Balance as at 31.12.2010 Ls</b>
Social insurance payments	77550	1167449	267826	1129795	-152622
Residents income tax	38685	776165	194582	673593	-53325
VAT	-80841	-1873227		-1803388	-150680
Real estate tax		104708	104451		257
Enterprise income tax	-49110		426	-3168	-46368
EIT for nonresident		3168		3168	0
Risk tax	160	1958	1953		165
Customs duty on import		116	116		0
Natural resources tax	935	18471	17430		1976
<b>Total</b>	<b>-12621</b>	<b>198808</b>	<b>586784</b>	<b>0</b>	<b>-400597</b>
Ink.					
<b>Overpay tax</b>	<b>129951</b>				<b>402995</b>
<b>Debt tax</b>	<b>117330</b>				<b>2398</b>

**Supplement to the balance sheet (continuation)**

**Movement of tax liabilities in 2010 (EUR)**

	Balance as at 01.01.2010 EUR	Calculated In 2010 EUR	Paid off In 2010 EUR	Deflected to other taxes EUR	Balance as at 31.12.2010 EUR
Social insurance payments	110344	1661130	381082	1607554	-217162
Residents income tax	55044	1104383	276865	958436	-75874
VAT	-115026	-2665362		-2565990	-214398
Real estate tax		148986	148620		366
Enterprise income tax	-69877		607	-4508	-65976
EIT for nonresident		4508		4508	
Risk tax	228	2786	2779		235
Customs duty on import		165	165		
Natural resources tax	1330	26282	24801	0	2811
<b>Total</b>	<b>-17957</b>	<b>282878</b>	<b>834919</b>	<b>0</b>	<b>-569998</b>

Ink.					
<b>Overpay tax</b>	<b>184903</b>				<b>573410</b>
<b>Debt tax</b>	<b>166946</b>				<b>3412</b>

**(38) Other creditors**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Salary	169447	168211	241101	239343
Payments for deductions from salary	1007	706	1433	1005
Payments by return to personae	5591	508	7955	723
Payments for credit cards	3171	2343	4512	3335
Payments for debts to other enterprises	33238	17427	47294	24794
<b>Total</b>	<b>212454</b>	<b>189195</b>	<b>302295</b>	<b>269200</b>

**(39) Unpaid previous years dividends**

	Ls	EUR
<b>31.12.2009.</b>	24789	35272
Calculated	0	0
Paid off	130	185
<b>31.12.2010.</b>	<b>24659</b>	<b>35087</b>

**Supplement to the balance sheet (continuation)**

**(40) Next period income**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
Free of charge received base means had been formed that will be referred to PL incomings at the period of base means use.	2834	4833	4033	6877
<b>Total</b>	<b>2834</b>	<b>4833</b>	<b>4033</b>	<b>6877</b>

**(41) Accrued liabilities**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
For services	367023	399042	522229	567786
Accruals for vocations	194387	173595	276587	247004
<b>Total</b>	<b>561410</b>	<b>572637</b>	<b>798816</b>	<b>814790</b>

**(42) Transactions with associated parties.**

Associated Company or Associated Person	Type of relation	Sold Goods or Provided Services	Acquired Goods or Received Services	Other transactions
		Ls	Ls	Ls
JSC „Remars –Rīga”		472060	1669664	
JSC „Tosmares Kuģubūvetava”	Assoc.Comp.	255916	589942	
„Remars-Granula” Ltd.	Assoc.Comp.	385		9186
„Relits” Ltd.		50899	51759	
<b>Total</b>		<b>779260</b>	<b>2311365</b>	<b>9186</b>

Associated Company or Associated Person	Type of relation	Sold Goods or Provided Services	Acquired Goods or Received Services	Other transactions
		EUR	EUR	EUR
JSC „Remars –Rīga”		671681	2375718	
JSC „Tosmares Kuģubūvetava”	Assoc.Comp.	364136	839412	
„Remars-Granula” Ltd.	Assoc.Comp.	548		13071
„Relits” Ltd.		72423	73646	
<b>Total</b>		<b>1108788</b>	<b>3288776</b>	<b>13071</b>

**(43) Out of balance liabilities.**

On May 12<sup>th</sup> 2005 a Treaty Nr KD05091/12 for the final amount of Ls 100 000 had been concluded with JSC “SEB Banka” as a guarantee of “Remars Granula” responsibilities that is based on Credit agreement Nr KD 05091 dated May 2<sup>nd</sup> 2005.

On February 10<sup>th</sup> 2006 Loan agreement (mortgage) had been concluded with JSC “SEB Banka” as an additional guarantee to “Remars Granula” responsibilities based on Credit agreement Nr KD 05091 dated

**Supplement to the balance sheet (continuation)**

May 2<sup>nd</sup> 2005 (with improvements as of May 12<sup>th</sup> 2005) with loan of belonging to the enterprise building workshop of granula.

In June 28<sup>th</sup> 2010 there was concluded the Mortgage agreement No 9/10059 between JSC "Rīgas kuģu būvētava" and State Revenue service as a collateral for requested amounts for overpaid taxes with pledged Real Estate ( buildings) of JSC "Rīgas kuģu būvētava"

Remuneration of the auditing enterprise for audit of annual report is – LVL 8000.

**General remarks**

	2010 year Ls	2009 year Ls	2010 year EUR	2009 year EUR
<b>(1) Year average number of employees</b>				
Average number of employees	619	718		
<b>(2) Personnel payments</b>	<b>4503129</b>	<b>5239228</b>	<b>6407375</b>	<b>7454749</b>
- Salary	3653229	4250083	5198076	6047323
- Social tax	849900	989145	1209299	1407426
Total:				
Including:				
Salary of employees working in production (core business)				
- Salary	3219918	3769708	4581531	5363811
- Social tax	750282	876325	1067555	1246898
Total:	3970200	4646033	5649086	6610709
Payment for work of Administration				
- Salary	52846	70035	75193	99651
- Social tax	12671	16342	18029	23253
Total:	65517	86377	93222	122904
Remuneration of the Board				
- Remuneration	215217	225840	306226	321341
- Social tax	51846	54405	73770	77411
Total:	267063	280245	379996	398752
Remuneration of the Council				
- Remuneration	165248	184500	235127	262520
- Social tax	35101	42073	49944	59864
Total:	200349	226573	285071	322384

The annual report of year 2010 pages 1 to 37 we approve:

Chairman of the Board	/signature/	<b>V. MELNIKS</b>
Member of the Board	/signature/	<b>I.KOMAROVS</b>
Member of the Board	/signature/	<b>L.ARTEMENKO</b>
Member of the Board	/signature/	<b>I.RUDZATE</b>
Member of the Board	/signature/	<b>E.BUKS</b>

April 28<sup>th</sup>, 2011

## INDEPENDENT AUDITOR'S REPORT

To the shareholder of „Rīgas kuģu būvētava” A/S

### *Report on the financial statements*

We have audited the accompanying financial statements (page 7 to 37) of „Rīgas kuģu būvētava” A/S, which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Latvian law “On the Annual Report”. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. Except for possible influence of circumstances mentioned in “Explanation of opinion with objection” paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Explanation of opinion with objection*

As it is mentioned in the supplement Nr. 13 of financial statement „Partnership in capital of associated enterprises”, in the balance sheet of the enterprise is included investment in capital of associated company to the tune of LVL 843 365, which is a purchase expense of the investment. The management of the company has made investment's value impairment test and has not determined the impairment of value at 31 December 2010. In our opinion, costs of investment in the associated enterprise decreased and may exceed their returned value.

It was not possible for us to verify the validity of assumptions used by the management in predicting future cash flows, therefore we were unable to obtain assurance about the possible amount of value impairment, that should be recognized at 31 December 2010, using other audit procedures.

*Opinion with objection*

In our opinion, except for possible influence of circumstances mentioned in „ Explanation of opinion with objection” paragraph, the financial statements give a true and fair view of the financial position of „Rīgas kuģu būvētava” A/S as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with the Latvian law ”On the Annual Report”

*Report on the management report*

We have read the management report as shown on the page 4 to 5 of the annual report and we have not identified any material discrepancies between the historical financial information presented in the management report and the financial statements for the year ended 31 December 2010.

Managing Member of LTD UHY Orients N  
Commercial Company License No.28

Riga, Latvia  
28 April 2011



Natalija Zaiceva  
Sworn Auditor  
Certificate No.138