

*“Riga shipyard” JSC
2007 annual report*

***“RIGA SHIPYARD” JSC
2007 annual report***

Riga, 2008

Content

	<i>Pages</i>
Information on the company	3
Directorship report	4
Profit & loss calculation	7
Balance sheet	8
Cash flow statement	10
Equity changes report	11
Notes to the financial statements	12

Information on the company

Name of the company	Joint stock company “Riga shipyard”
Legal status	Joint stock company
Incorporation number, place and date	000304589, 5 December 1991, companies register, Riga 40003045892, 26 August 2004, commercial register, Riga
Registered office	2 Gales street, Riga, LV-1015
Stock capital of the enterprise	Ls 11 672 107
Core business of the enterprise	- building and repair of ships, yachts, catamarans, roll trailers and technological equipment -Port services -Wood processing, manufacturing of furniture designed for various functional purposes etc.
Associate company	“Tosmare Shipyard” JSC
Address	42/44 Generala Baloza Street, Liepaya
Partnership	49,72%
Associate company	SIA “Remars Granula”
Address	2 Gales street, Riga
Partnership	49,80%
Name, surnames and positions of members of the Board	
Vasilijs Melniks	Chairman of the Board, p. ID 310867-10726
Aivars Stolders	Member of the Board, p. ID 060569-10634
Igors Komarovs	Member of the Board, p. ID 040756-10902
Larisa Artemenko	Member of the Board, p. ID 030349-12926
Irina Rudzate	Member of the Board, p. ID 090166-11012 (appointed on 20.03.2008)
Name, surnames and positions of members of the Council	
Sergejs Golcins	Chairman of the Council, p. ID 250154-10952
Anatolijs Ustinovs	Deputy Chairman of the Council , ID 010146-10964
Aleksandrs Cernavskis	Member of the Council, p. ID 230770-10102
Andris Kravalis	Member of the Council, p. ID 250977-11002
Juris Kaksitis	Member of the Council, p. ID 270443-10124
Chief accountant	Marina Pudova, phone 7080868
Annual report	1 January – 31 December 2007
Tax authority	SRS Riga regional institution Ziemeļu district division
Name and address of an auditor	Sworn auditors firm KSIA “ORIENTS N” LSAA certificate No 28 Evalds Figurnovs A sworn auditor (LSAA certificate No 38)
Responsible person	Larisa Artemenko Member of the Board phone 7353411 e-mail:larisa@riga-shipyard.com

“Riga Shipyard” JSC directorship statement to

2007 annual report

Dear shareholders!

"Riga Shipyard" JSC's business in the year 2007 was persistent, it continued the previous years set in the course of development.

In the past of 2007 "Riga Shipyard" JSC's total net turnover made up 35626927 LVL, including shipbuilding - 17304159 LVL, ship repairing - 16938121 LVL (compared to the year 2006 – 29881206 LVL, including ship building – 11361163 LVL, ship repairing - 18034067 LVL).

The total brutto turnover of “Riga Shipyard” JSC made up 1111481 LVL (1036777 LVL in the year 2006), clear turnover in 2007 made up 169185, relatively 473764 LVL in 2006.

During the year 2007 "Riga Shipyard" JSC repaired 81 ships in total (compared to 94 ships repaired in the year 2006), it also produced and launched on water 9 hulls (in comparison to 16 hulls in the year 2006).

Despite the net turnover's increase, “Riga Shipyard” JSC's clear income decreased due to the country's high level of inflation, which led to the increase of service, energy resources and raw material cost. The credit rate of interest had been increased and real estate tax applied to buildings had increased 3.6 times.

"Riga shipyard" JSC's products and services, as well as raw material's suppliers in the year 2007 did not change dramatically and remain the same, such as: Western Europe, Russia, Ukraine, Lithuania as well as Latvia. Traditionally, main customers for ships repair were Western European, Russian, Lithuanian and Latvian ship owners, however shipbuilding customers are mainly from the Scandinavian countries.

During the year 2007 JSC "Riga Shipyard" invested approximately 0.8 million LVL into new technological equipment acquisition and reconstructions (compared to 1.7 million LVL in the year 2006). In the last year welding equipment, turning and milling machines had been purchased as well as the repairs of three afloat docks and building slip Nr.2 had been carried out. Microboiler-house in block Nr 1 was handed in for exploitation, dismantlable cover for newbuilding vessels had been purchased and crane distance controlled system had been inculcated.

In February 2007, a reconstructed new central boiler-house have been handed in for exploitation, the building of which had been started in September 2007. As a result, the used gas expenses of the central boiler-house would decrease 3.5 times.

“Riga Shipyard” JSC's work and procedures are made according to the international certificate standards – EN ISO 9001 : 2000. The certificate had been already received in 2001, is controlled and prolonged all the time. The issues on how to decrease the environment pollution are also considered every year.

In the end of the year 2007 the agreement for 5 SWATH type patrol vessels building for the Ministry of Defence had been concluded. The building of these vessels will provide the opportunity of the new and modern technologies development for enterprises. In order to fulfil the mentioned above project and to continue to work out the newbuilding orientation successfully, there is a necessity of building a new workshop accompanied with modern technologies (such as metal lazer-cutting machinery, new programmed presses and so on). The estimated value of the project is around 3 – 4 millions LVL.

In the year 2008 is planned to receive a brand new metal plasma-cutting machine.

In the beginning of the year 2008 two newbuilt complete tug boats for the Riga Free Port authorities have been turned over for expluataation.

In the next year we are planning to continue the development of the already running projects, as well as to go on with the investments into the technological projects, equipment exchange and reconstruction that will allow to decrease the expensive expenditure of electric current.

In the course of time between the last day of the annual report’s date and the day when the annual statement had been signed, neither of the major conditions took place that could influence on the annual report results as well as enterprise’s financial state.

JSC "Riga Shipyard" board of directors suggests the net income for 2007 in amount of LVL 169 185 to be invested into the further development of the company.

**28 of April 2008
“Riga Shipyard” JSC**

Chairmen of the Board

V. MELNIKS

Notification on liability of the board

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

The board endorses that, preparing this report for the period ended on 31 December 2007, there were used corresponding accounting methods, their application was consequent, there were made reasonable and prudent resolutions. The board endorses that corresponding International Accounting standards are observed and financial reports are prepared in compliance with principle of continuation of business.

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

Chairman of the Board _____ **V. MELNIKS**

28 April 2008

“Riga shipyard” JSC
2007 annual report

Profit & Loss calculation for 2007 and 2006

	Remarks	2007 Ls	2006 Ls	2007 EUR	2006 EUR
1. Net turnover	1	35 626 927	29 881 206	50 692550	42 517 126
2. Sold production operating costs	2	34 515 446	28 844 429	49 111 055	41 041 925
3. Gross profit or losses		1 111 481	1 036 777	1 581 495	1 475 201
4. Selling costs	3	56 086	63 450	79 803	90 281
5. Administration costs	4	767 555	745 737	1 092 132	1 061 088
6. Other enterprise's business activity's income	5	1 218 043	1 163 762	1 733 119	1 655 884
7. Other enterprise's business activity's costs	6	976 125	722 986	1 388 901	1 028 717
8. Profit & Loss commercial activities		529 758	668 366	753 778	950 999
9. Income from investments in capital of related and associated companies	7	31 360		44 621	
10. Other percents and the like income	8	133 115	80 801	189 406	114 969
11. Payment off percents and the like costs	9	329 608	151 218	468 990	215 164
12. Profit & Loss prior to extra ordinary items and taxes		364 625	597 949	518 815	850 804
13. Profit & loss prior to taxes		364 625	597 949	518 815	850 804
14. Income taxes of the enterprise for the year of account	10(a)	33 456	3 487	47 604	4 962
15. Deferred income	10(b)	31194	67 157	44 385	95 556
16. Other taxes	11	130 790	53 541	186 097	76 182
17. Year of account profit & loss (net income)		169 185	473 764	240 729	674 104

Chairman of the Board _____ **V. MELNIKS**

Member of the Board _____ **L. ARTEMENKO**

28 April 2008

"Riga shipyard" JSC
2007 annual report

Balance as at 31 December 2007 and 2006

ASSETS	Remarks	31.12.2007 Ls	31.12.2006 Ls	31.12.2007 EUR	31.12.2006 EUR
Long-term investments					
I Intangible investments					
1. Other intangible investments		40 734	52 690	57 959	74 971
2. Advance payments of intangible investments		180 008	154 587	256 128	219 957
Intangible investments in total	12	220 742	207 277	314 087	294 928
II Fixed assets					
1. Lands, buildings, constructions, perennial plants		3 239 441	3 078 381	4 609 309	4 380 142
2. Long-term investments into leased fixed assets		3 304	9 484	4 701	13 495
3. Equipment and machinery		14 077 693	3 729 487	20 030 753	5 306 582
4. Other fixed assets and stock		464 087	431 376	660 336	613 793
5. Up building of fixed assets and unfinished building objects costs		384 081	107 894	546 498	153 519
6. Advanced payments for fixed assets		27 480	0	39 101	0
Fixed assets in total		18 196 086	7 356 622	25 890 698	10 467 531
III Property deposit		448 401	441 689	638 017	628 467
Fixed assets and property deposit in total	13	18 644 487	7 798 311	26 528 715	11 095 998
IV Long-term financial investments					
1. Partnership in the capital of related companies	14	3 008 147	2 164 782	4 280 207	3 080 207
2. Participation in the capital of associated companies	15	283 540		403 441	
3. Other equities and investments	16	165	165	235	235
4. Other loans and other long-term debtors	17	567 983	850 256	808 167	1 209 805
5. Loans to copartners of the enterprises and to the directorship	18	342 284	352 284	487 026	501 255
Long-term financial investments in total		4 202 119	3 367 487	5 979 076	4 791 502
Long-term investments in total		23 067 348	11 373 075	32 821 878	16 182 428
Current assets					
I Reserves					
1. Raw materials, direct materials and auxiliary materials	19	4 291 829	4 771 077	6 106 723	6 788 631
2. Unfinished production	20	25 351	0	36 071	0
3. Unfinished order	21	540 388	360 153	772 672	512 452
4. Advance payments for goods	22	622 793	846 912	886 155	1 205 047
Reserves in total		5 480 361	5 978 142	7 801 621	8 506 130
II Debts of debtors					
1. Debts of buyers and customers	23	3 869 581	2 680 091	5 505 918	3 813 426
2. Associated companies debts	24	86 016	49 999	122 390	71 142
3. Other debtors	25	1 473 062	1 434 263	2 082 860	2 040 772
4. Short-term loans to copartners of the enterprise's and to the directorship	26	222 676	1 045 370	316 839	1 487 428
5. Next period costs	27	80 941	79 727	115 169	113 441
6. Accrued proceeds	28	13 747 359	5 978 704	19 549 759	8 506 929
Debtors in total		19 479 635	11 268 154	27 717 024	16 033 138
III Short-term financial investments					
Short-term financial investments in total					
Cash assets	29	9 235 073	28 443	13 140 325	40 471
Current assets in total		34 195 069	17 274 739	48 655 201	24 579 739
Assets in total		57 262 417	28 647 814	81 477 079	40 762 167

Chairman of the Board _____ **V. MELNIKS**

Member of the Board _____ **L.ARTEMENKO**

“Riga shipyard” JSC
2007 annual report

<u>LIABILITIES</u>	Remarks	31.12.2007 Ls	31.12.2006 Ls	31.12.2007 EUR	31.12.2006 EUR
I Equity capital					
1. Stock or share capital (equity capital)	30	11 672 107	11 672 107	16 607 912	16 607 912
2. Overrate reserved of financial fixed assets	31	10 666 906	0	15 177 640	0
3. Retained earnings					
a) previous years retained earnings		2 908 190	2 667 868	4 137 982	3 796 035
b) year of account retained earnings		169 185	473 764	240 729	674 105
<i>Retained earnings in total</i>		<i>3 077 375</i>	<i>3 141 632</i>	<i>4 378 711</i>	<i>4 470 140</i>
Equity capital in total		25 416 388	14 813 739	36 164 263	21 078 052
II Reserves		122 239		173 930	
Reserves in total	32	122 239		173 930	
III Creditors					
I Long-term debts					
1. Liability of leasing			2 954		4 203
2. Deferred taxation reserves liabilities	9(b)	417 985	386 791	594 739	550 354
Long-term debts in total		417 985	389 745	594 739	554 557
II Short-term debts					
1. Loans from credit institutions	33	7 341 235	1 936 489	10 445 636	2 755 376
2. Liability of leasing	34	2 954	5 706	4 203	8 119
3. Advance payments received from buyers	35	20 487 320	9 048 052	29 150 830	12 874 218
4. Debts to suppliers and contractors	36	2 557 608	1 669 622	3 639 148	2 375 657
5. Debts to associated companies			0		0
6. Taxes and social insurance payments	37	187 922	145 716	267 389	207 335
7. Other creditors	38	256 015	231 259	364 277	329 053
8. Unpaid previous years dividends	39	25 528	20 182	36 323	28 716
9. Accrued liabilities	40	447 223	387 304	636 341	551 084
Short-term creditors in total		31 305 805	13 444 330	44 544 147	19 129 558
Creditors in total		31 723 790	13 834 075	45 138 886	19 684 115
Liabilities total		57 262 417	28 647 814	81 477 079	40 762 167

Chairman of the Board _____ **V. MELNIKS**

Member of the Board _____ **L. ARTEMENKO**

28 April 2008

“Riga shipyard” JSC
2007 annual report

Cash flow statement for 12 months of the year 2007 and 2006

	2007	2006	2007	2006
	Ls	Ls	EUR	EUR
A. Cash flow from primary activity				
- Sales income	38 941 186	34 199 564	55 408 315	48 661 596
- Cash to suppliers, personnel and others primary activity costs	34 895 799	33 194 066	49 652 249	47 230 901
- Gross cash flow from primary activity	4 045 387	1 005 498	5 756 066	1 430 695
- Interest paid	323 961	134 294	460 955	191 083
- Corporate income tax	5 048	45 860	7 183	65 253
- Primary activity before extraordinary items	3 716 378	825 344	5 287 928	1 174 359
- Cash flow from extraordinary items	3 716 378	825 344	5 287 928	1 174 359
Net cash flow from primary activity	3 716 378	825 344	5 287 928	1 174 359
B. Cash flow from investment activity				
- Related and associated enterprises shares acquisition	85 457		121 594	
- Selling out of shares	25 000	25 000	35 572	35 572
- Paid for fixed assets acquisition	527 702	807 351	750 822	1 148 757
- Received for the fixed assets sold	18 693	8 434	26 598	12 001
- Loans granted	10 896	0	15 504	0
- Repayment of loans	751 976	10 023	1 069 965	14 261
- Interest received	93 871	4 793	133 566	6 820
- Received dividend	31 360		44 621	
Net cash flow from investment activity	296 845	-759 101	422 372	-1 080 103
C. Cash flow from financial activities				
- Loan received	5 404 746	124 655	7 690 261	177 368
- Loan repaid	3 072	0	4 371	0
- Dividend paid	228 096	223 832	324 551	318 484
Net cash flow from financial activities	5 173 578	-99 177	7 361 339	-141 116
Result of currency exchange rates changing	19 829	47 332	28 215	67 347
Net cash flow and equivalent increase or decrease (A+B+C)	9 206 630	14 398	13 099 854	20 487
Cash and equivalent thereof at beginning of the period of accounts	28 443	14 045	40 471	19 984
Cash and equivalent thereof at the end of the period of account	9 235 073	28 443	13 140 325	40 471

Chairman of the Board _____ **V. MELNIKS**

Member of the Board _____ **L.ARTEMENKO**

28 April 2008

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.

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

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

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

Pursuant to the company's order No. 122 dated 23 November 2007, 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) Net turnover

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

(4) Revaluation of foreign currency in lats

All the company accounting is carried out into lats.

All monetary assets in foreign currency were revaluated in lats in the end of the year of account pursuant to the currency exchange rate officially established by the Bank of Latvia on 31 December.

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

Currency rate for financial statements at December 31:

	<u>31.12.2007</u>	<u>31.12.2006</u>
	Ls	Ls
1 USD	0,484	0,536
1 EUR	0,702804	0,702804
1 NOK	0,0876	0,0854
1 GBP	0,963	1,048
1 RUB	0,0197	0,0203

(5) Fixed assets and low-grade stock

Fixed assets have been evaluated as per initial costs value, deducting accumulated depreciation. Depreciation has been calculated as per linear method, considering the rate established by the JSC order No.4 dated 8 January 2002. Calculation of depreciation of the fixed assets was commenced starting with the first date of the month next to commissioning and was finished on the first date of the month next to their exclusion from the fixed assets' number.

Company capitalizes permanent assets with value more Ls 50 and time of valid usage is more than 1 year. Increased value of revaluing permanent assets is reflected as moving towards long-term investments revaluation reserve. It is attributed to the dissolution of permanent assets in the calculation of profits, incomes losses. To calculate enterprise's income tax the depreciation of the fixed assets was estimated pursuant to rates and requirements under article 13 of LR law "On enterprises' income tax".

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

(6) Property deposit

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

(7) Affiliated undertaking deposits.

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

(8) Other long-term investments.

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

(9) Reserves

Raw materials, materials and goods subject to sale were booked at the purchase price, including costs related to purchase, and were accounted as per FIFO methods. Sum of Illiquid assets', stored in the enterprise's warehouses, in comparison to total commodity stock was not essential. Balance of reserves has been shown at the lowest costs.

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

(10) Long-term contract

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

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

(11) Debtors

Debtors' debts in the balance sheet have been shown at the net value. Debtors' actual sum complies with contracts and other accounting basic documents. There has been made reconciliation of debtors' debts as at 31 December 2007.

(12) Accumulated income

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

(13) Cash and cash equivalents

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

(14) Reserves for unused vocations

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

(15) Income tax of the enterprise

Enterprise income tax was calculated according to Latvia Republic tax laws. Tax laws in 2007 and further fix 15% tax rate.

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

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

(16) Taxes

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

(17) Bookkeeping arrangement

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

(18) Use of estimation

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

(19) Financial risks

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

(20) Credit risk

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

(21) Percentage risk

Enterprise is subjected from credit interest rate changing risk.

(22) Currency risk

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

(23) Dividend

Dividend was reflex as fixed in announced period.

(24) Retraining

In comparative readings for year 2006 in necessary cases individual post classification is changed in order to not meet post classification for year 2007.

Profit & Loss calculation supplement

(1) Net turnover

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
On aspects of business				
- Shipbuilding	17 304 159	11 361 163	24 621 600	16 165 479
- Ship repair	16 938 121	18 034 067	24 100 775	25 660 166
- Mechanical engineering	216 238	378 019	307 679	537 873
- Other works	1 168 409	107 957	1 662 496	153 608
Total	<u>35 626 927</u>	<u>29 881 206</u>	<u>50 692 550</u>	<u>42 517 126</u>

(1a) Including net turnover allocation per geographical markets

- Latvia	6 594 292	2 394 351	9 382 832	3 406 855
- Russia	3 241 871	1 721 084	4 612 767	2 448 882
- Great Britain	182 906	0	260 252	0
- Norway	9 835 357	6 099 946	13 994 452	8 679 441
- Cyprus	1 052 331	1 689 068	1 497 332	2 403 327
- Belize	0	702 635	0	999 760
- Malta	3 599 613	1 883 246	5 121 788	2 679 618
- Panama	802 688	2 330 615	1 142 122	3 316 166
- Liberia	1 454 345	2 600 693	2 069 347	3 700 453
- Sweden	723 111	273 982	1 028 895	389 841
- Finland	0	1 201 683	0	1 709 841
- Iceland	1 699 897	741 550	2 418 736	1 055 131
- Denmark	1 840 106	3 604 754	2 618 234	5 129 103
- Bahamas	1 811 756	210 840	2 577 897	299 998
- The Netherlands	400 274	0	569 539	0
- St Vincent	0	1 107 187	0	1 575 385
- Portugal	0	246 016	0	350 049
- Cambodia	576 963	9 007	820 944	12 816
- Antigua and Barbuda	162 403	200 286	231 079	284 981
- Gibraltar	245 981	9 456	349 999	13 455
- Lithuania	508 297	591 493	723 241	841 619
- Ukraine	0	42 484	0	60 449
- Marshall Island	186 803	0	265 797	0
- Comoros union	0	431 486	0	613 949
- Spain	0	135 762	0	193 172
- Belgium	700 918	693 931	997 316	987 375
- Vanuatu	0	913 564	0	1 299 884
- Slovakia	0	30 762	0	43 770
- Dominica	0	15 325	0	21 806
- Thailand	7 015	0	9 981	0
Total	<u>35 626 927</u>	<u>29 881 206</u>	<u>50 692 550</u>	<u>42 517 126</u>

Profit & Loss calculation supplement

(2) Sold products operating costs

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Material costs (raw materials and materials, value of goods, services from outside)	28 055 136	22 556 562	39 918 862	32 095 096
Salary	4 064 883	3 994 152	5 783 807	5 683 166
Social tax	928 013	920 108	1 320 444	1 309 196
Depreciation of fixed assets	861 099	801 602	1 225 233	1 140 577
Accruals for vocations	22 870	0	32 541	0
Other costs	583 445	572 005	830 168	813 890
Total	<u>34 515 446</u>	<u>28 844 429</u>	<u>49 111 055</u>	<u>41 041 925</u>

(3) Selling costs

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Advertisement	56 086	63 450	79 803	90 281
Total	<u>56 086</u>	<u>63 450</u>	<u>79 803</u>	<u>90 281</u>

(4) Administration costs

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Liaison costs	22 202	12 300	31 591	17 501
Office maintenance costs	9 751	5 365	13 874	7 634
Annual report costs	9 000	8 500	12 806	12 094
Salary of administration	42 127	55 924	59 941	79 573
Accrual for vocation	0	0	0	0
Remuneration of the board	252 018	228 258	358 589	324 782
Remuneration of the council	210 000	201 750	298 803	287 064
Social insurance costs	60 022	61 458	85 404	87 447
Depreciation of fixed assets	40 748	40 971	57 979	58 296
Transport costs, travel allowances	80 791	81 665	114 955	116 199
Legal services	10 328	9 117	14 695	12 972
Assurance	7 771	11 542	11 057	16 424
Representation costs	22 797	28 887	32 438	41 102
Total	<u>767 555</u>	<u>745 737</u>	<u>1 092 132</u>	<u>1 061 088</u>

Profit & Loss calculation supplement

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

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Income generated by transport services rendering	23 506	11 430	33 446	16 263
Income generated by leased FA payments and public services	735 938	539 519	1 047 145	767 666
Tugboat services income	113 444	110 636	161 416	157 421
Selling out of raw materials and materials	289 657	255 477	412 145	363 511
Income generated by fluctuation of currency rate	1 373	1 448	1 954	2 060
Income generated by chemical analyses	4 477	3 383	6 370	4 814
Income generated by realization of fixed assets	9 142	82 347	13 008	117 169
Income generated by difference between face value of certificates and costs on their acquisition		0		0
Increase of reserves due to inventory		0		0
Previous year income	17 180	27 460	24 445	39 072
Reimbursement of losses	17 392	0	24 747	0
Education expenses recovery	2 723	3 143	3 874	4 472
Incomes from writing off accounts payable to limit expiration.	389	28 200	553	40 125
Currency selling income	0	56 408	0	80 261
Compensation instrument lost	354	166	504	236
Other income	2 468	44 145	3 512	62 814
Total	<u>1 218 043</u>	<u>1 163 762</u>	<u>1 733 119</u>	<u>1 655 884</u>

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

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Material purchase costs	266 020	215 059	378 512	306 001
Losses due to currency rate fluctuation	35 020	0	49 829	0
Losses incurred by currency selling out	50 056	108 901	71 223	154 952
Social infrastructure objects costs (medical services)	11 108	8 967	15 805	12 759
Costs on tugboat services	41 933	50 081	59 665	71 259
The donations	8 596	5 400	12 231	7 684
Material benefits	12 110	9 910	17 231	14 101
Burial costs	2 457	5 596	3 496	7 962
Costs incurred by fixed assets’ exclusion	919	30 008	1 308	42 698
Representation costs	16 645	20 388	23 684	29 010
Costs on maintenance of leased FA	328 184	233 722	466 964	332 556
Special reserved sum provided for unsecured debts	23 647	33 346	33 646	47 447
Preceding year costs	55 803	0	79 400	0
Judicial costs	122239	0	173930	0
Other costs	1 388	1 608	1 977	2 288
Total	<u>976 125</u>	<u>722 986</u>	<u>1 388 901</u>	<u>1 028 717</u>

Profit & Loss calculation supplement

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

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
JSC “Tosmares Shipyard”	31 360	0	44 621	0
Total	31 360	0	44 621	0

(8) Other percents and the like income

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Depositing percentage	236	2 519	336	3 584
Bank interests	71	57	101	81
Interests income for loans	50 490	52 879	71 841	75 240
Received penalty payments	82 318	25 346	117 128	36 064
Total	133 115	80 801	189 406	114 969

(9) Payment off percents and the like costs

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Paid off penalty	5 647	192	8 035	273
Paid off interests	239 773	84 626	341 166	120 412
Guarantee maintenance	84 188	66 400	119 789	94 479
Total	329 608	151 218	468 990	215 164

10 (a) Income tax important component parts

Profit & Loss statement

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Income tax	33 456	3 487	47 604	4 962
Increase of deferred taxation	31 194	67 157	44 385	95 556
Total	64 650	70 644	91 989	100 518

Profit & Loss calculation supplement

Deferred taxation calculation	2007 year	2006 year	2007 year	2006 year
Deferred taxation liabilities:	Ls	Ls	EUR	EUR
Spread between capital assets residual value in financial accountancy and for tax collections	3 030 916	2 800 081	4 312 605	3 984 156
Deferred taxation assed:				
Reserves for vacations	244 344	221 474	347 670	315 129
Provisional distinctions total	2 786 572	2 578 607	3 964 935	3 669 027
Deferred taxation liabilities/(assets), rate 15%	417 985	386 791	594 739	550 354
Deferred taxation liabilities	417 985	386 791	594 739	550 354

10(b) Deferred taxation liability changes

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Rest at the beginning of year of account	386 791	319 634	550 354	454 798
Deferred taxation increase	31 194	67 157	44 385	95 556
Deferred EIT income tax liabilities at the end of taxation year	417 985	386 791	594 739	550 354

(11) Other taxes

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Buildings and constructions real estate tax	106 900	29 650	152 105	42 188
Real estate tax	23 890	23 891	33 992	33 994
Total	130 790	53 541	186 097	76 182

Supplement to the balance sheet

(12) Other intangible investments (Ls)

	Concessions, patents, licenses, trade-marks and similar rights	Research and development costs	Other intangible rights	Intangible value of enterprise	Advance payments of intangible investments	Intangible investments total
Initial value						
01.01.2007			68 377		154587	222964
Bought			2032		25676	27708
Written off					255	255
31.12.2007	0	0	70409		180008	250417
Depreciation						
01.01.2007			15687			15687
Estimated			13988			13988
Written off						
31.12.2007	0	0	29675			29675
Balance value						
01.01.2007	0	0	52690	0	154587	207277
Balance value						
31.12.2007	0	0	40734	0	180008	220742

(12) 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
Initial value						
01.01.2007			97292		219957	317249
Bought			2891		36534	39425
Written off					363	363
31.12.2007	0	0	100183		256128	356311
Depreciation						
01.01.2007			22321			22321
Estimated			19903			19903
Written off						
31.12.2007	0	0	42224			42224
Balance value						
01.01.2007	0	0	74971		219957	294929
Balance value						
31.12.2007	0	0	57959		256128	314087

“Riga shipyard” JSC
2007 annual report

Supplement to the balance sheet

(13) Report on long-term investments movement (Ls)

	Land, buildings, constructions Ls	Investments assets	Long-term investments into leased FA Ls	Equipment and machinery Ls	Other fixed assets Ls	Unfinished construction Ls	Advance Payment for FA Ls	Total Ls
Initial value								
01.01.2007	4655983	565055	9484	10000997	872116	107894	0	16211529
Bought	309625	31308		332572	121336	1073060	99965	1967866
Written off	958		6180	168241	51776	796873	72485	1096513
Relocated				8088405				8088405
31.12.2007	4964650	596363	3304	18253733	941676	384081	27480	25171287
Depreciation								
01.01.2007	1577602	123366		6271510	440740			8413218
Estimated	148502	24596		643980	88361			905439
Written off	895			160949	51512			213356
Relocated				-2578501				-2578501
31.12.2007	1725209	147962	0	4176040	477589	0	0	6526800
Balance value								
01.01.2007	3078381	441689	9484	3729487	431376	107894	0	7798311
Balance value								
31.12.2007	3239441	448401	3304	14077693	464087	384081	27480	18644487

(13) Report on long-term investments movement (EUR)

	Land, buildings, constructions Euro	Investments assets Euro	Long-term investments into leased FA Euro	Equipment and machinery Euro	Other fixed assets Euro	Unfinished construction Euro	Advance Payment for FA Euro	Total Euro
Initial value								
01.01.2007	6624867	804001	13495	14230137	1240909	153519	0	23066928
Bought	440557	44547	0	473207	172646	1526827	142237	2800021
Written off	1363	0	8793	239385	73671	1133848	103137	1560197
Relocated				11508763				11508763
31.12.2007	7064061	848548	4701	25972722	1339884	546498	39101	35815515
Depreciation								
01.01.2007	2244725	175534	0	8923555	627117	0	0	11970931
Estimated	211299	34997		916301	125726			1288323
Written off	1273			229010	73295			303578
Relocated				-3668876				-3668876
31.12.2007	2454751	210531		5941970	679548			9286800
Balance value								
01.01.2007	4380142	628467	13495	5306582	613793	153519	0	11095998
Balance value								
31.12.2007	4609309	638017	4701	20030753	660336	546498	39101	26528715

Supplement to the balance sheet

Profit & Loss calculation supplement

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

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Initial value	220 975	174 716	314 419	248 598
Accumulated depreciation	213 356	144 708	303 578	205 901
Balance value	7 619	30 008	10 841	42 698
Permanent assets liquidation loss	<u>7 619</u>	<u>30 008</u>	<u>10 841</u>	<u>42 698</u>

(14) Partnership in capital of associated companies

	2007 year Ls	Share capital (%)	2006 year Ls	Share capital (%)	2007 year EUR	2006 year EUR
Branch enterprise “Tosmare shipyard” JSC investment value	2 164 782	49,72	2 164 782	49,72	3 080 207	3 080 207
SIA “Remars Granula”	843 365	49,80	0		1 200 000	
Investments	<u>3 008 147</u>		<u>2 164 782</u>		<u>4 280 207</u>	<u>3 080 207</u>

21 december 2007 purchased SIA “Remars Granula 7300 share capital.

(15) Participation in the capital of associated companies

31.12.2006	SIA “Remars Granula” Ls	SIA “Remars Granula” Eur
Issued credit	11 730	16 690
Transfer from other debtors	271 810	386 751
31.12.2007	283 540	403 441

(16) Other equities and investments

Name enterprise	Parts or shares	Parts or shares value		31.12.2007			31.12.2006		
		2007	2006	Quantity	Ls	EUR	Quantity	Ls	EUR
“Baltic International Bank” JSC		5	5	33	165	235	33	165	235
Total		5	5	33	165	235	33	165	235

Supplement to the balance sheet

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

Name enterprise	31.12.2006	Loans granted in 2007	Repaid debts 2007	Difference in currency rate	Reallocation at a short	31.12.2007	Term of payment	Percent correlation
	Ls	Ls	Ls	Ls		Ls		
Student loan payout	50 020	10 896	1 383	-4 998	0	54 535	2018-2024	-
Shares loan payout	528 426	0	0	0	14 978	513 448	2011-2012	-
Long-term loan	271 810	0	0	0	271 810	0	2009	5,3
Total	850 256	10 896	1 383	-4 998	286 788	567 983		

Amount to be pay back after 5 years – 503 185 Ls.

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

Name enterprise	31.12.2006	Loans granted in 2007	Repaid debts 2007	Difference in currency rate	Reallocation at a short	31.12.2007	Term of payment	Percent correlation
	Eur	Eur	Eur	Eur		Eur		
Student loan payout	71 172	15 504	1 968	-7 111	0	77 597	2018-2024	-
Shares loan payout	751 882	0	0	0	21 312	730 570	2011-2012	-
Long-term loan	386 751	0	0	0	386 751	0	2009	5,3
Total	1 209 805	15 504	1 968	-7 111	408 063	808 167		

Amount to be pay back after 5 years – 715 968 EUR

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

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Long-term loans	342 284	352 284	487 026	501 255
Total	342 284	352 284	487 026	501 255

Supplement to the balance sheet

	Ls	Euro
Copartners and directorship		
Including: Long-term	342 284	487 026
Short-term	10 000	14 229
31.12.2007	352 284	501 255

There is a management of JSC “Tosmare shipyard” shares in this position.
The sum, which should be paid in 5 years- 302 284 Ls or 430 111 EUR.

(19) Raw materials, direct materials and auxiliary materials

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
1. Metal ware	73 548	54 639	104 649	77 744
2. Timbering	12 889	12 016	18 339	17 097
3. Metal, non-ferrous metals, pipes	2 550 770	2 903 240	3 629 419	4 130 938
4. Wire cables	68 298	6 015	97 179	8 559
5. Fuel	33 283	8 703	47 357	12 383
6. Coveralls	9 159	13 355	13 032	19 002
7. Equipment	784 462	908 391	1 116 189	1 292 524
8. Cables	51 814	29 816	73 767	42 424
9. Varnish and paint	95 844	110 181	136 374	156 773
10. Tools	20 922	27 948	29 769	39 768
11. Household goods	206	2 636	293	3 751
12. Technical rubber ware	13 385	14 321	19 045	20 377
13. Other	577 219	679 816	821 311	967 291
Total	4 291 829	4 771 077	6 106 723	6 788 631

(20) Unfinished production

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Unfinished production is shown in the balance sheet at production cost, excluding administration costs.				
Shipbuilding orders	25 351	0	36 071	0
Total	25 351	0	36 071	0

(21) Unfinished orders

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
1) Ship repair orders	521 641	325 086	742 228	462 556
Including:				
-m/v “Ahtela”	280430		399 016	
-m/v “Gerakl”	14 389		20 474	
-m/v “Anna Jonanne”	135 373		192 618	
-m/v “Konti express”	9 708		13 813	
The others	81 741		116 307	
2) Mechanical engineering orders	16 254	34 627	23 127	49 270
3) Various	2 493	440	3 548	626
Total	540 388	360 153	768 903	512 452

**Supplement to the balance sheet
(22) Advance payments for goods**

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
For materials	622 793	846 912	886 155	1 205 047
Total	622 793	846 912	886 155	1 205 047

(23) Debts of buyers and customers

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Buyers and customers accounting value	4 094 311	2 881 175	5 825 680	4 099 543
Generated reserves	-224 730	-201 084	-319 762	-286 117
Balance net value	3 869 581	2 680 091	5 505 918	3 813 426

Changes in provisions (Ls)

	Debts of buyers and customers	Other debtors	Total
Savings 31.12.2006	201 084	151 392	352 476
Increase of savings	0	17 392	17 392
Decrease of savings	23 646	0	23 646
Savings 31.12.2007	224 730	134 000	358 730

Changes in provisions (EUR)

	Debts of buyers and customers	Other debtors	Total
Savings 31.12.2006	286 117	215 411	501 528
Increase of savings	0	24 747	24 747
Decrease of savings	33 500	0	33 500
Savings 31.12.2007	319 617	190 664	510 281

(24) Associated companies debts

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
“Tosmare shipyard” JSC	559	49 999	795	71 142
SIA “Remars Granula”	85 457		121 595	
Total	86 016	49 999	122 390	71 142

Dept for services

Supplement to the balance sheet

(25) Other debtors

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Accounting value	1 607 062	1 585 655	2 286 642	2 256 183
Generated reserves	-134 000	-151 392	-190 664	-215 411
Balance net value	1 473 062	1 434 263	2 095 978	2 040 772
Other debtors debts are as following:				
Accounted VAT	963 183	747 830	1 370 486	1 064 066
Overpaid taxes				
- Value added tax	246 424	369 535	350 630	525 801
- Enterprise income tax	34 511	121 860	49 105	173 391
- Real estate tax	36 772	0	52 322	
Payments personal debts	268	513	381	730
Payment of salary	278	106	396	151
Short-term loans for “Tosmare Shipyard” JSC’S shares	14 955	15 000	21 279	21 343
Short-term loans	0	0	0	0
Advance payment of service	128 767	154 135	183 219	219 314
Account with other debtors	47 904	25 284	68 160	35 976
Total	1 473 062	1 434 263	2 095 978	2 040 772

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

	Directorship, copartners Ls	Directorship, copartners EUR
Loan JSC “Remars Riga” leaders debt for shares 31.12.2007	212 676	302 611
	10 000	14 228
	222 676	316 839

(27) Next period costs

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Enterprise’s property insurance premium sum	26 426	35 555	37 601	50 590
Subscription to the press	268	671	381	955
Inviting of specialists	16 375	15 207	23 300	21 638
Insurance of health	4 998	4 807	7 112	6 840
Check of floating means	16 185	6 287	23 029	8 946
Expenses for repair of the rented basic means	12 166	13 695	17 311	19 485
Advertisements	1 279	614	1 820	874
Others	3 244	2 891	4 615	4 113
Total	80 941	79 727	115 169	113 441

Supplement to the balance sheet

(28) Accrued proceeds

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Shipbuilding	13 747 359	5 978 704	19 560 730	8 506 929
Total	13 747 359	5 978 704	19 560 730	8 506 929

(29) Cash assets

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Money at a cash department	2 810	1 990	3 998	2 832
Money on current accounts	8 263	26 453	11 757	37 639
Deposit	9 224 000	0	13 124 570	0
Total	9 235 073	28 443	13 140 325	40 471

(30) Stock or share capital (equity capital)

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

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

Amendments to the Acts:

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

	31.12.2007	%	31.12.2006	%	2007 year	2006 year
	Ls		Ls		EUR	EUR
“Remars-Riga” JSC	5 819 194	49.86	5 819 194	49.86	8 279 967	8 279 967
Other limited companies	3 335 061	28.57	2 428 228	20.80	4 745 364	3 455 057
Private personae	2 517 852	21.57	3 424 685	29.34	3 582 581	4 872 888
Total	11 672 107	100	11 672 107	100	16 607 912	16 607 912

(31) Overrate reserved of financial fixed assets

Revaluation of 3 working floating docks has been carried out in December 2007 with attraction of the certificated marine experts. As a result the reassessment reserves are created in amount of 10 666 906 LVL (15 177 640 EUR).

Supplement to the balance sheet

(32) Other reserves

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
	122 239	0	173 930	0
Total	122 239	0	173 930	0

Reserves are created in connection with the lost case about the caused damage to a vessel.

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

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
	7 341 235	1 936 489	10 445 636	2 755 376
Total	7 341 235	1 936 489	10 445 636	2 755 376

(34) Liability of leasing

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Liability of leasing short stake	2 954	5 706	4 203	8 119
Liability of leasing long stake	0	2 954	0	4 203
Total	2 954	8 660	4 203	12 322

(35) Advance payments received from buyers

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
For shipbuilding	20 292 480	8 902 721	28 873 598	12 667 431
For ship repair	186 758	139 704	265 733	198 781
Others	8 082	5 627	11 499	8 006
Total	20 487 320	9 048 052	29 150 830	12 874 218

(36) Debts to suppliers and contractors

	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Debts for services	59 992	54 623	85 361	77 722
Debts for materials	829 257	832 503	1 179 926	1 184 544
Debts subcontractors	1 668 359	782 496	2 373 861	1 113 391
Total	2 557 608	1 669 622	3 639 148	2 375 657

Supplement to the balance sheet

(37) Movement of tax liabilities in 2007 (Ls)

	Balance as at 01.01.2007 Ls	Calculated In 2007 Ls	Paid off In 2007 Ls	Deflected to other taxes Ls	Balance as at 31.12.2007 Ls
Social insurance payments	80 485	1 389 034	31759	1 330 630	107 130
Residents income tax	57 880	927 453	374	907445	77 514
VAT	-369 535	-2 098165	-35 000	-2 186 276	-246424
Real estate tax	1 017	130 790	168 579		-36 772
Enterprise income tax	-121 860	33 456		-51799	-36605
EIT for nonresident	5048	2094	5048		2094
Risk tax	225	2 497	2 526		196
Customs duty on import	0	1 045	1 045		0
Natural resources tax	1 061	12 014	9 993		3 082
Total	-345 679	400 218	184324	0	-129785

Ink.

Overpay tax -491395
Debt tax 145716

-349813
187922

Movement of tax liabilities in 2007 (EUR)

	Balance as at 01.01.2007 EUR	Calculated In 2007 EUR	Paid off In 2007 EUR	Deflected to other taxes EUR	Balance as at 31.12.2007 EUR
Social insurance payments	114 520	1 976 418	45189	1893316	152 433
Residents income tax	82 356	1 319 647	532	1291177	110 294
VAT	-525 801	-2985420	-49 801	-3 110 790	-350630
Real estate tax	1 447	186 097	239 866	0	-52 322
Enterprise income tax	-173391	47604		-73703	-52084
EIT for nonresident	7183	2979	7183		2979
Risk tax	320	3 553	3 594		279
Customs duty on import	0	1 487	1 487		0
Natural resources tax	1 509	17 094	14 219		4 384
Total	-491 857	569459	262269	0	-184667

Ink.

Overpay tax -699192
Debt tax 207335

-455036
270369

Supplement to the balance sheet

(38) Other creditors

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
Salary	226 134	205 557	321 760	292 481
Payments for deductions from salary	2 034	1 110	2 894	1 580
Payments by return to personae	2 095	1 279	2 981	1 820
Payments for credit cards	2 295	3 913	3 265	5 568
Payments for debts to other enterprises	23 457	19 400	33 377	27 604
Total	256 015	231 259	364 277	329 053

(39) Unpaid previous years dividends

	2007 year	2007 year
	Ls	EUR
31.12.2006	20 182	28 716
Calculated	233 442	332 158
Paid off	228 096	324 551
31.12.2007	25 528	36 323

(40) Accrued liabilities

	2007 year	2006 year	2007 year	2006 year
	Ls	Ls	EUR	EUR
For services	202879	165 830	288 671	235 954
Accruals for vocations	244 344	221 474	347 670	315 130
Total	447 223	387 304	636 341	551 084

(41) Events after the Balance Sheet term

According to the arbitration court decision dated 3.18.2008 JSC “Riga Shipyard” has lost the case about the caused damage to a vessel. In this connection JSC “Riga Shipyard” has to compensate losses caused to the vessel in sum LVL 122 239.

(42) Off-Balance Sheet Liabilities

On the 10th of February there has been signed Pledge (mortgage) Agreement with JSC “SEB Latvijas Unibanka” as additional security to SIA “Remars Granula” liabilities that derive from Loan Agreement Nr. KD05091 from the 2nd of May 2005.

The premises where the wooden pellets production is situated were pledged on the following conditions:

1. After the signing of Pledge Agreement the 100'000 LVL large Guarantee is cancelled.
2. The Pledge (mortgage) Agreement term is the 1st of October 2008.

On the 21st of December 2008 there were purchased 7'300 shares of capital in SIA “Remars Granula”.

“Riga shipyard” JSC
2007 annual report

General remarks

(1) Year average number of employees	2007 year Ls	2006 year Ls	2007 year EUR	2006 year EUR
Average number of employees	809	949		
(2) Personnel payments	5 616 808	5 538 906	<u>7 991 998</u>	<u>8 410 775</u>
- Salary	4 618 027	4 542 558	6 570 859	6 463 478
- Social tax	998 781	996 348	1 421 139	1 947 297
Total:				
Including:				
Salary of employees working in production (core business)				
- Salary	4 106 028	4 050 003	5 842 351	5 762 635
- Social tax	937 450	933 358	1 333 872	1 857 670
Total:	<u>5 043 478</u>	<u>4 983 361</u>	<u>7 176 223</u>	<u>7 620 305</u>
Payment for work of Administration				
- Salary	42 127	55 924	59 941	79 573
- Social tax	9 374	12 779	13 338	18 183
Total	<u>51 501</u>	<u>68 703</u>	<u>73 279</u>	<u>97 756</u>
Remuneration of the board				
- Remuneration	252 018	228 258	358 589	324 782
- Social tax	22 934	22 937	32 632	32 636
Total	<u>274 952</u>	<u>251 195</u>	<u>391 221</u>	<u>357 418</u>
Remuneration of the council				
- Remuneration	210 000	201 750	298 803	287 064
- Social tax	27 715	25 742	39 435	36 628
Total	<u>237 715</u>	<u>227 492</u>	<u>338 238</u>	<u>323 692</u>
Salary of employees, which are not involved into commercial activity				
- Salary	7 854	6 623	11 175	9 424
- Social tax	1 308	1 532	1 862	2 180
Total	<u>9 162</u>	<u>8 155</u>	<u>13 037</u>	<u>11 604</u>

Chairman of the Board

V. MELNIKS

Member of the Board

I.KOMAROVS

Member of the Board

A.STOLDERS

Member of the Board

L.ARTEMENKO

Member of the Board

I.RUDZATE

28 April 2008

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 31) of Rīgas kuģu būvētava A/S, which comprise the balance sheet as at 31 December 2007, 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 International Financial Reporting Standards. 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. 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Rīgas kuģu būvētava A/S as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 2007.

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

Natālija Zaiceva
Managing Member
Certificate No. 138

Riga, Latvia
28 April 2008



Ēvalds Figurnovs
Sworn Auditor
Certificate No. 38

A handwritten signature in blue ink, corresponding to the name Ēvalds Figurnovs mentioned in the adjacent text.