

**SATURS**

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**General Information**

Na Name of the company	AS "Rīgas kuģu būvētava"
Legal status of the company	Joint stock company
Number, place and date of registration	000304589, 5 December 1991, companies register, Riga 40003045892, 26 August 2004, commercial register, Riga
Address	2 Gales street, Riga, LV-1015
Stock capital of the enterprise	LVL 11 672 107
Associate enterprise	AS "Tosmares Kuģubūvētava" Reg.No. 42103022837
Address	42/44 Generāla Baloza Street, Liepaya
Partnership	49.72%
Associate enterprise	SIA "Remars Granula" Reģ.Nr.54103022521
Address	2 Gales street, Riga, LV-1015
Partnership	49.80%
Type of operations	- 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.
NACE code	3011, 3315
Names and positions of the Board members	Vasilijs Melniks (Chairman of the Board) Igoris Komarovs (Member of the Board) till 06 January 2014 Larisa Artemenko (Member of the Board) Inira Rudzate (Member of the Board) till 07 March 2013) Einars Buks (Member of the Board) Vladislavs Blums (Member of the Board) as from 02 December 2013 Vladimirs Kozlovs (Member of the Board) as from 06 January 2014 till 09 March 2014
Names and positions of the Council	Sergejs Golcins (Chairman of the Council) till 05 January 2014 Anatolijs Ustinovs (Deputy Chairman of the Council) till 05 January 2014 Gaidis Andrejs Zeibots (Member of the Council) till 05 January 2014 Jekaterina Melnika (Member of the Council) till 05 January 2014 Aleksandrs Cernavskis (Member of the Council) Gaidis Andrejs Zeibots (Chairman of the Council) as from 06 January 2014 Jekaterina Melnika (Deputy Chairman of the Council) as from 06 January 2014 Sergejs Golcins (Member of the Council) as from 06 January 2014 Anatolijs Ustinovs (Member of the Council) as from 06 January 2014
Financial year	1 January, 2013 - 31 December, 2013
Auditor's name and address	Natālija Zaiceva Certified auditor (LZRA Certificate. No. 138)  Licensed firm KSIA " UHY ORIENTS N" LZRA licence No. 28 G.Astras 8b street Riga, LV-1082 Latvia

**AS "Rīgas kuģu būvētava"**  
**Report of the Management**  
**to 2013 annual report**

In 2013 AS "Rīgas kuģu būvētava" total net turnover made up 37 762 276 LVL, including ship building – 26 457 086 LVL, ship repairing – 10 692 486 LVL (compared to 2012, the total net turnover was 184 260 165 LVL, including floating oil land rig - 147 253 241 LVL, ship building – 27 137 154 LVL, ship repairing – 9 644 747 LVL).

The reporting year AS "Rīgas kuģu būvētava" has closed with a gross loss of 792 209 LVL, (in 2012 year a gross loss amounted 2 970 138 LVL, while a net loss of 2013 was 1 354 145 LVL, (respectively in 2012 the net profit amounted 154 781 LVL).

In 2013 financial report financial losses incurred due to complications of three newly built floating restaurant sales, in which the sale result AS "Rīgas kuģu būvētava" got the loss with total amount 1 billion 553 thousands LVL.

In 2013 AS "Rīgas kuģu būvētava" in total repaired 60 vessels (in comparison with 2012 - their number was 60), and also were built and launched into the water 8 hulls, (compared to 2012 there were built 5 hulls).

There were built and delivered to the customers:

-The 4th of five SWATH type patrol vessels– vessel "JELGAVA" - for the needs of the Ministry of Defence of the Republic of Latvia;

-For Russian Federation customers were built and delivered last three of five restaurants for Russia: vessels "BEAUTY", "MONTANA" and "FELICITA".

There were no significant changes in list of suppliers for products and services, as well as for raw material suppliers in 2013 and mostly remain the same traditional countries: Western Europe, Russia, Ukraine, Lithuania as well as Latvia. Traditionally, the main ship repairing customers were from Western Europe, Russia, and Latvia. However, customers for ship hulls have been mainly from the Scandinavian countries, for floating restaurants - from Russia, and for SWATH type patrol vessels – from Latvia.

During the year 2013 AS "Rīgas kuģu būvētava" made investments for purchase and reconstruction of fixed assets in amount of 1 billion 201 thousands LVL (compared to the year of 2012 JSC "Rīga Shipyard" made investments in amount of 977 thousands LVL).

The compressor station KC-3 with the production capacity 92 cub.m /min has been put into operation. Reconstructed and put into operation for shipbuilding needs the third hall of the second block with total area 4 036 sq.m for assembling of large-scale steel constructions and sections as well as for units welding. Welding tractor CS - 51 is purchased for welding the stiffeners to steel plating. The heat supply system was reconstructed and put into operation with total length of 1200 m (2 lines) and 5 heating units were improved.

There was made reconstruction of the 4th pass (production unit) of 2nd unit, which allow to produce sections, units and big metal structures. As well as the 3rd - 4th passes of 2nd unit in order to provide sanitary standards in welding works.

There was purchased the unit LBH910, which was used for different diameter rivets, equipment installation, isolation etc., ship building and repair and as a result there was the economy of materials and human resources.

Continue to overhaul the production buildings, floating docks, portal cranes, tugboats and other fixed assets.

AS "Rīgas kuģu būvētava" work and procedures are made according to the international quality management system standards – EN ISO 9001:2008. The quality assurance certificate has been already received in 2001. Quality management system is continuously improved.

The development perspective of AS "Rīgas kuģu būvētava" for the years 2014 – 2015 is oil drilling land rig building and sale. Continuing to diversify the range of products and developing the experience in the oil derrick equipment manufacturing, AS "Rīgas kuģu būvētava" developed 2014. -2015 year's development perspective is for the construction and sale of oil drilling towers.

AS "Rīgas kuģu būvētava" has signed the cooperation agreement with company from USA for the oil drilling rig metal construction production.

There were received commercial offers from Norwegian company for the complete (medium production) oil land rig package delivery. In the commercial package from the company there are two types of oil land drilling rigs. The complete testing of oil land drilling rigs and commissioning to customer representatives in Riga as well as oil land drilling rigs after sales service, which is enabled with AS "Rīgas kuģu būvētava" maintenance service in the customers land.

AS "Rīgas kuģu būvētava" by using the experience gained in previous years and the results achieved by the sees its future as ship repair and shipbuilding jobs as well as in other projects that are related to the use of Industry capacity and personnel resources. The company's specialists are working on a attraction of new orders as well as geographically expanding its customer base, negotiate about the possibilities to customers build ships from the Middle East countries.

The Court of Riga Northern Region on 27 March proposed the AS "Rīgas kuģu būvētava" action of declared insolvency process. Whereby inform the shareholders about the following situation. After the end of the reporting year the AS "Rīgas kuģu būvētava" is initiated legal procedures with former subcontractors for fraudulent transactions. To the proper facts the AS "Rīgas kuģu būvētava" has pleaded to the State Police and the criminal procedure was initiated for the illegitimate action of the officials. By the end of the legal procedures the AS "Rīgas kuģu būvētava" will not make any further payments to subcontractors suspects. Mentioned subcontractors categorically deny their participation in fraud schemes and actively require their bill payments. Some of them have pleaded to the court with a counterclaim for payment of bills and inquire to guarantee its counterclaim.

The company has sufficient financial resources to ensure the enforcement of court decisions on counterclaims guarantee and that will not affect the business activity of the company. The above-mentioned legal actions against the Company, as well as the Company's legal actions against the former Company's officials and subcontractors will not affect the company's results of the reporting year, as well as will not affect the financial situation of the Company, and the Company will not stop its business activity.

The company is planning to cover annual losses from the previous year's retained profits and to continue the business activity also in the next year with giving a special role to the minimizing of environmental contamination, as well to invest in modernization of the production equipment and also modernization of processes, which will raise the company's competitiveness at the market share.

Chairman of the Board	_____	/V.MELNIKS/
Member of the Board	_____	/V.BLUMS/
Member of the Board	_____	/L.ARTEMENKO/
Member of the Board	_____	/E.BUKS/

April 10th, 2014

**Notification on liability of the board**

The Board of AS "Rīgas kuģu būvētava" (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, 2013 and its performance and cash flow in all significant aspects. The above mentioned financial statements are prepared on the basis of requirements of the legislation of the Republic of Latvia.

In the process of preparing the financial statements the Board:

Has used and consistently applied the appropriate accounting methods;

Has provides substantiated and prudent resolutions;

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.

Chairman of the Board \_\_\_\_\_ /V.MELNIKS/

Member of the Board \_\_\_\_\_ /V.BLUMS/

Member of the Board \_\_\_\_\_ /L.ARTEMENKO/

Member of the Board \_\_\_\_\_ /E.BUKS/

April 10th, 2014

**Income statement**

For the years ending 31st of December 2013 and 31st of December 2012

	Notes	31.12.2013. Ls	31.12.2012. Ls	31.12.2013. EUR	31.12.2012. EUR
Net sales	(1)	37,762,276	184,260,165	53,730,879	262,178,595
Cost of sales	(2)	(38,554,485)	(187,230,303)	(54,858,090)	(266,404,720)
<b>Gross profit or losses</b>		<b>(792,209)</b>	<b>(2,970,138)</b>	<b>(1,127,211)</b>	<b>(4,226,125)</b>
Distribution expenses	(3)	(40,348)	(89,409)	(57,410)	(127,218)
Administrative expenses	(4)	(799,759)	(739,945)	(1,137,954)	(1,052,847)
Other operating income	(5)	1,448,626	5,893,031	2,061,208	8,385,028
Other operating expenses	(6)	(831,679)	(1,585,910)	(1,183,373)	(2,256,547)
Other interest receivable and similar income	(7)	12,092	20,583	17,205	29,287
Interest payments and similar costs	(8)	(294,533)	(166,282)	(419,083)	(236,598)
<b>Profit or losses before taxes</b>		<b>(1,297,810)</b>	<b>361,930</b>	<b>(1,846,618)</b>	<b>514,980</b>
Corporate income tax	(9a)	0	(91,034)	0	(129,530)
Deferred income tax	(9b)	37,301	5,833	53,075	8,300
Other taxes	(10)	(93,636)	(121,948)	(133,232)	(173,516)
<b>Net profit or losses</b>		<b>(1,354,145)</b>	<b>154,781</b>	<b>(1,926,775)</b>	<b>220,234</b>
Profit per share		(0,12)	0,013	(0,17)	0,019

Notes from 10. up to 25. page are an integral part of this report.

Chairman of the Board \_\_\_\_\_ /V.MELNIKS/  
 Member of the Board \_\_\_\_\_ /V.BLUMS/  
 Member of the Board \_\_\_\_\_ /L.ARTEMENKO/  
 Member of the Board \_\_\_\_\_ /E.BUKS/

April 10th, 2014

**Balance Sheet**

For the years ending 31st of December 2013 and 31st of December 2012

	Notes	31.12.2013. Ls	31.12.2012. Ls	31.12.2013. EUR	31.12.2012. EUR
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>I. Intangible assets</b>					
Other intangible assets		100,946	135,318	143,633	192,540
Advances for intangible assets		0	0	0	0
<b>Total intangible assets</b>	(11)	<b>100,946</b>	<b>135,318</b>	<b>143,633</b>	<b>192,540</b>
<b>II. Fixed assets</b>					
Land and buildings		4,660,663	4,367,303	6,631,527	6,214,113
Leasehold improvements		6,993	11,657	9,951	16,587
Equipment and machinery		2,443,549	2,628,879	3,476,857	3,740,558
Floating docks		11,404,446	11,364,797	16,227,065	16,170,649
Other fixed assets		174,892	192,768	248,849	274,284
Fixed assets under construction		929,147	647,599	1,322,056	921,450
Advances for fixed assets		29,789	3,970	42,387	5,650
<b>Total fixed assets</b>	(12)	<b>19,649,479</b>	<b>19,216,973</b>	<b>27,958,692</b>	<b>27,343,291</b>
<b>III. Investment property</b>					
	(12a)	389,683	416,324	554,470	592,376
<b>IV. Non-current financial investments</b>					
Investments in associates	(13)	3,394,958	3,394,958	4,830,590	4,830,590
Other securities and investments	(14)	165	165	235	235
Other loans and non-current receivables	(15)	847,308	505,915	1,205,611	719,852
Loans to shareholders and management	(16)	0	292,284	0	415,882
<b>Total non-current financial investments</b>		<b>4,242,431</b>	<b>4,193,322</b>	<b>6,036,436</b>	<b>5,966,559</b>
<b>Total non-current assets</b>		<b>24,382,539</b>	<b>23,961,937</b>	<b>34,693,231</b>	<b>34,094,766</b>
<b>Current assets</b>					
<b>I. Inventories</b>					
Raw materials and consumables	(17)	2,069,031	5,307,784	2,943,967	7,552,298
Work in progress	(18)	200,439	1,061,252	285,199	1,510,026
Orders in progress	(19)	67,827	34,667	96,509	49,327
Advances for inventories	(20)	284,792	3,172,170	405,223	4,513,591
<b>Total inventories</b>		<b>2,622,089</b>	<b>9,575,873</b>	<b>3,730,898</b>	<b>13,625,242</b>
<b>II. Account receivables</b>					
Trade receivables	(21)	2,653,933	3,327,425	3,776,204	4,734,499
Receivables from associates	(22)	937,850	1,195,588	1,334,441	1,701,168
Other receivables	(23)	376,391	2,642,491	535,553	3,759,925
Current loans to shareholders and management	(24)	0	20,000	0	28,458
Expenses of future periods	(25)	25,175	34,786	35,821	49,495
Accrued income	(26)	11,636,674	13,502,159	16,557,495	19,211,840
<b>Total receivables</b>		<b>15,630,023</b>	<b>20,722,449</b>	<b>22,239,514</b>	<b>29,485,385</b>
<b>III. Current financial investments</b>					
<b>Total short-term financial investments:</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. Cash and bank</b>					
	(27)	409,433	23,660,357	582,570	33,665,655
<b>Total current assets:</b>		<b>18,661,545</b>	<b>53,958,679</b>	<b>26,552,982</b>	<b>76,776,282</b>
<b>Total assets</b>		<b>43,044,084</b>	<b>77,920,616</b>	<b>61,246,213</b>	<b>110,871,048</b>

Chairman of the Board \_\_\_\_\_ /V.MELNIKS/  
 Member of the Board \_\_\_\_\_ /V.BLUMS/  
 Member of the Board \_\_\_\_\_ /L.ARTEMENKO/  
 Member of the Board \_\_\_\_\_ /E.BUKS/

April 10th, 2014

**BALANCE SHEET**

For the years ending 31st of December 2013 and 31st of December 2012

	Notes	31.12.2013. Ls	31.12.2012. Ls	31.12.2013. EUR	31.12.2012. EUR
<b>EQUITY, PROVISIONS AND LIABILITIES</b>					
<b>I. Equity</b>					
Share capital	(28)	11,672,107	11,672,107	16,607,912	16,607,912
Non-current investments revaluation reserve	(29)	8,473,199	8,473,199	12,056,273	12,056,273
Retained earnings					
previous year's retained earnings		3,659,150	3,621,090	5,206,503	5,152,348
current years profit or losses		(1,354,145)	154,781	(1,926,775)	220,234
<b>Total retained earnings</b>		<b>2,305,005</b>	<b>3,775,871</b>	<b>3,279,726</b>	<b>5,372,582</b>
<b>Total equity</b>		<b>22,450,311</b>	<b>23,921,177</b>	<b>31,943,913</b>	<b>34,036,767</b>
<b>II. Provisions</b>					
Other provisions	(30)	31,180	50,000	44,366	71,144
<b>Total provisions</b>		<b>31,180</b>	<b>50,000</b>	<b>44,366</b>	<b>71,144</b>
<b>III. Liabilities</b>					
<b>I. Non-current liabilities</b>					
Loans from banks	(31)	70,280	0	100,000	0
Next period income	(32)	196,278	0	279,278	0
Leasing liabilities	(34)	37,374	41,618	53,178	59,217
Deferred income tax liabilities	(9c)	2,042,322	2,079,623	2,905,959	2,959,034
<b>Total non-current liabilities</b>		<b>2,346,254</b>	<b>2,121,241</b>	<b>3,338,415</b>	<b>3,018,251</b>
<b>II. Current liabilities</b>					
Loans from banks	(33)	4,303,420	3,705,567	6,123,215	5,272,547
Leasing liabilities	(34)	48,299	48,113	68,725	68,459
Advances from customers	(35)	9,314,943	22,403,810	13,253,972	31,877,750
Trade payables	(36)	3,607,557	24,573,881	5,133,091	34,965,484
Payables to associates	(37)	8,184	8,579	11,645	12,207
Taxes and social insurance payments	(38)	227,942	217,364	324,330	309,280
Other liabilities	(39)	251,464	199,328	357,803	283,620
Dividends unpaid	(40)	26,674	23,326	37,954	33,190
Accrued liabilities	(41)	427,856	648,230	608,784	922,349
<b>Total current liabilities:</b>		<b>18,216,339</b>	<b>51,828,198</b>	<b>25,919,519</b>	<b>73,744,886</b>
<b>Total liabilities:</b>		<b>20,562,593</b>	<b>53,949,439</b>	<b>29,257,934</b>	<b>76,763,137</b>
<b>Total equity, provisions and liabilities</b>		<b>43,044,084</b>	<b>77,920,616</b>	<b>61,246,213</b>	<b>110,871,048</b>

Notes from 10. up to 25. page are an integral part of this report.

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Member of the Board \_\_\_\_\_ /E.BUKS/

April 10th, 2014

**CASH FLOW STATEMENT**

For the years ending 31st of December 2013 and 31st of December 2012  
(direct method)

	31.12.2013.	31.12.2012.	31.12.2013.	31.12.2012.
	Ls	Ls	EUR	EUR
<b>I. Cash flow from operating activities</b>				
Sales and service income	43,585,833	182,195,180	62,017,053	259,240,386
Cash to suppliers, personnel and others primary activity costs	(66,483,127)	(179,239,769)	(94,596,968)	(255,035,215)
<b>Gross cash flow generated from operating activities</b>	<b>(22,897,294)</b>	<b>2,955,411</b>	<b>(32,579,915)</b>	<b>4,205,171</b>
Interest paid	(289,859)	(163,258)	(412,432)	(232,295)
Corporate income tax paid	(1,122)	(4,076)	(1,596)	(5,800)
<b>Cash flow before extraordinary items</b>	<b>(23,188,275)</b>	<b>2,788,077</b>	<b>(32,993,943)</b>	<b>3,967,076</b>
<b>Net cash flow generated from operating activities</b>	<b>(23,188,275)</b>	<b>2,788,077</b>	<b>(32,993,943)</b>	<b>3,967,076</b>
<b>II. Cash flow from investment activity</b>				
Selling out of shares	2390		3400	
Acquisition of fixed and intangible assets	(673,094)	(308,976)	(957,726)	(439,633)
Proceeds from sales of fixed assets and intangible assets	20,477	20,696	29,136	29,448
Loans issued	(1,288)		(1,833)	
Loan repayment income		250		356
Interest received	12092	20224	17205	28776
<b>Net cash flow generated from investing activities</b>	<b>(639,423)</b>	<b>(267,806)</b>	<b>(909,818)</b>	<b>(381,053)</b>
<b>III. Cash flow from financing activities</b>				
Loans received	668133	3114085	950668	4430945
Expenses on repayment of loan		(24,825)		0
Dividends paid	(113,323)	(3)	(161,244)	(5)
<b>Net cash flow generated from financing activities</b>	<b>554,810</b>	<b>3,089,257</b>	<b>789,424</b>	<b>4,395,617</b>
<b>IV. Net foreign exchange gains/losses</b>	<b>21,964</b>	<b>(342,276)</b>	<b>31,252</b>	<b>(487,016)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(23,250,924)</b>	<b>5,267,252</b>	<b>(33,083,085)</b>	<b>7,494,624</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>23,660,357</b>	<b>18,393,105</b>	<b>33,665,655</b>	<b>26,171,031</b>
<b>Cash and Cash equivalents at the end of the financial year</b>	<b>409,433</b>	<b>23,660,357</b>	<b>582,570</b>	<b>33,665,655</b>

Notes from 10. up to 25. page are an integral part of this report.

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 Member of the Board \_\_\_\_\_ /V.BLUMS/  
 Member of the Board \_\_\_\_\_ /L.ARTEMENKO/  
 Member of the Board \_\_\_\_\_ /E.BUKS/

April 10th, 2014



**STATEMENT OF CHANGES IN EQUITY**

For the years ending 31st of December 2013 and 31st of December 2012

	Stock or Share	Non-current investments revaluation reserve	Retained earnings	Total
	Ls	Ls	Ls	Ls
<b>Balance as at 31.12.2011.</b>	<b>11,672,107</b>	<b>8,473,199</b>	<b>3,621,090</b>	<b>23,766,396</b>
Increase / decrease of share capital				0
Dividends for the year 2011				0
Profit or losses for the year			154,781	154,781
<b>Balance as at 31.12.2012.</b>	<b>11,672,107</b>	<b>8,473,199</b>	<b>3,775,871</b>	<b>23,921,177</b>
Increase / decrease of share capital				0
Dividends for the year 2012			(116,721)	(116,721)
Profit or losses for the year			(1,354,145)	(1,354,145)
<b>Balance as at 31.12.2013.</b>	<b>11,672,107</b>	<b>8,473,199</b>	<b>2,305,005</b>	<b>22,450,311</b>

	Stock or Share	Non-current investments revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR
<b>Balance as at 31.12.2011.</b>	<b>16,607,912</b>	<b>12,056,273</b>	<b>5,152,348</b>	<b>33,816,533</b>
Increase / decrease of share capital				0
Dividends for the year 2011				0
Profit or losses for the year			220,234	220,234
<b>Balance as at 31.12.2012.</b>	<b>16,607,912</b>	<b>12,056,273</b>	<b>5,372,582</b>	<b>34,036,767</b>
Increase / decrease of share capital				0
Dividends for the year 2012			(166,079)	(166,079)
Profit or losses for the year			(1,926,775)	(1,926,775)
<b>Balance as at 31.12.2013.</b>	<b>16,607,912</b>	<b>12,056,273</b>	<b>3,279,728</b>	<b>31,943,913</b>

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April 10th, 2014

## **NOTES TO THE FINANCIAL STATEMENTS**

### **ACCOUNTING POLICIES**

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

Annual report has been prepared according to laws of Latvian Republic „Regarding Accountancy” and „Regarding Annual report”, rules of cabinet of Ministers of Latvian Republic No. 481 „On cash flow report and report on changes of contents of own equity and the order of preparing”; and according to Rules of Cabinet of Ministers Latvian Republic No. 488 enforcement of law “Regarding Annual Report”, which must be used starting from July 1st of year 2011. The sums included in Financial Statements are gained, based on prior costs method.

Compared to previous report year the methods used by the Enterprise and the methods of evaluating 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.

The enclosed financial statements are made in Latvian national currency – lats (LVL).

According to Enterprises order No 116 as of November 28th 2013, 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 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;

Revenue from shipbuilding - under the percentage of completion method (also see the remark 11 to policy of accountancy);

Revenue from vessel repairs - in accordance with the degree of execution of the transaction (see also the note 11 of accounting policy),

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

Interest income - on an accrual basis;

Dividends – when there is legal basis for them.

The revenue from ship repair is recognized based on level of completion. Costs related to repair services contracts are recognized by the moment of their appearance. If it is not possible to estimate believably the result of service contract, the income is recognized just as much as costs arising from the contract are possible to get back. If it is possible to estimate the result and there is a large possibility that contract will result as profit, the income of such contract are recognized during the contract time. If there is possibility that total of contract costs will exceed total of contract incomes, than the expected loss is to be recognized as expenses at once.

The Enterprise is using the percentage method, to determine recognizable volume of income at exact period. According to this method the Enterprise determines the level of completion of the jobs, to calculate the costs related to fulfilment of the agreement which have arisen till the Balance date, comparing it to the total expected costs, expressing this comparison in percents. The costs which outcome during the report period, which are related to further actions with the contract, are excluded from the costs related to the contract, by calculating the level of completion. It is shown as the raw material and materials and other assets, depending on its character.

The Enterprise shows as assets huge gross debt amounts of the customers, according to jobs for all of the contracts in progress, and for which there has costs appeared, by counting it to recognized profit (and taking off the recognized expenditures) and taking off the amount of Invoices released to the clients. Debtor’s debts bonds for the invoices released, but unpaid invoices, as well as retention, which appears as “Debts of customers and clients”.

The Enterprise shows as bonds of Clients gross debt amount, according to jobs for all contracts being in progress, for which the sum of released invoices exceeds the expenditures incurred and added to the recognized profit (and taking off the recognized expenditures). The advances received from the client appear as “Advance received from the customers”.

#### **(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 (LVL), 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>31.12.2013.</b>	<b>31.12.2012.</b>
	<b>Ls</b>	<b>Ls</b>
1 USD	0.5150	0.5310
1 EUR	0.7028	0.7028
1 NOK	0.0837	0.0951
1 GBP	0.8430	0.8570
1 RUB	0.0156	0.0174

(c) Disclosure Currency in the Financial Report

In accordance with the requirements of the Riga Stock Exchange all the balances are disclosed in the euro (EUR) as well. Disclosure of information for the purpose of revaluations are carried out using the official rate of EUR / LVL (EUR 1 = USD 0.702804) determined by the Bank of Latvia in the period from 01 January 2012 to 31 December 2013.

**(6) Fixed assets and intangible assets, low-grade material**

Floating docks are presented at a fair value on the basis of the periodic independent assessors assessment, minus the accumulated depreciation. In moment of Revaluation the accumulated depreciation is eliminated against the asset's carrying value, net amount is included in the value of revaluation.

Other fixed assets are initially defined at the purchase cost, excluding the wear accumulated. The accusation value includes the expenditures, which are directly related to the acquisition of the fixed asset. 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:

As a result of the revaluation an increase in value is shown in equity item "Revaluation reserve for long-term investments", but the reduction in value is disposed from the referred previous years reserve's accounted of the increase in the value of fixed assets (deducting the deferred tax), including the excess in the profit or loss statement.

	<u>Years</u>
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 Non-current 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 outputs 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. When the revaluated fixed assets are sold, in the item "Revaluation reserve for long-term investments" accounted values that are reclassified to profit or loss as income. 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) Investment property**

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) Investments in associates**

Affiliated undertaking deposits are accounted according to its prior value, which means the costs of acquisition. 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) Inventories**

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.

The reserves are valued at the lowest net sales value, purchase or production first cost.

Unfinished production has been reflected as costs related to employees, purchase of raw materials and services, excluding administration costs.

**(11) Long-term agreement**

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. (see 3rd explanation "The recognition of income and net turnover").

**(12) Account receivable**

Account receivable in the balance sheet have been shown at the net value, obtained deducting provisions for doubtful debts from the total amount of Account receivable. Account receivable's 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. Account receivables check has been executed on December 31st 2013.

**(13) Accured income**

Riga Shipyard's new building and ship repair incomes are acknowledged respective to its executive degree (see 3rd explanation "The recognition of income and net turnover").

**(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 share 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**

The growth of revaluation value is decreased, when revaluated fixed asset is eliminated or disposed.

**(17) Provisions**

Provisions are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Provisions are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

**(18) Potential liability**

Contingent liability is a possible obligation arising from the past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, which the Board wholly will not be able to control, or a present obligation resulting from past events, but which is not recognised in the financial statements, because it is not probable that the obligation will require the economic benefits blowing, or the amount required to settle the obligation itinerary can not be measured reliably.

**(19) Grants**

For creating of fixed assets received grants are listed as deferred income, which gradually includes in revenues of received or for grants acquired fixed assets during the period of life. Other grants shall be related to the results of annual report to the period these grants receipt.

**(20) Accrued liabilities for unused annual leave**

Provisions are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Provisions are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

**(21) Corporate income tax**

Corporate income tax was calculated according to Latvia Republic tax laws. Tax laws in 2013 and further fixed tax rate is 15%.  
Deferred taxation was referable to all short-term temporal 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.

**(22) 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.

**(23) Related parties**

As related parties are considered the associated companies and the related companies, the members of the Board and of the Council, their close family members and the companies, in which above mentioned Persons or Companies have control or significant influence.

**(24) Bookkeeping arrangement**

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

**(25) 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.

**(26) Managing 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.

**Credit risk**

The Company is subject to the credit risk with respect to the debts of its buyers, debts of affiliated and customers, issued Non-current 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.

**Interest rate risks**

Enterprise is subjected from credit interest rate changing risk.

**Foreign currency risks**

The enterprise is having international operations and it is a subject to foreign currencies risk, which is generally caused by US dollar (USD). In the end of the reporting year the company has an opened position in Euro currency, taking into account the change of the Latvian national currency to the Euro by existent currency rate exchange, that was 0.702804 LVL/EUR, that has not caused the foreign currency risk.

**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.

The Company management monitors operative forecasts of liquidity reserves based upon expected cash flow. Most of the Company liabilities are Non-current. The management considers that the Company will have sufficient liquid funds obtained from core operations and utilisation of loan facilities with the Latvian banks.

**(27) Retraining**

The disclosure and classification of items in the balance sheet of 31.12.2013 compared to the balance sheet of 31.12.2012 has been changed, therefore the comparative amounts have been also reclassified.

The reclassification of items was made in order to improve the comparability of data.

Name of balance sheet items	The residual value prior to the reclassification in 2012, LVL	Changes	The residual value after to the reclassification in 2012, LVL
Fixed assets - equipment and machinery	13,993,676	-11,364,797	2,628,879
Fixed assets - Floating docks	0	11,364,797	11,364,797
<b>Total</b>	<b>13,993,676</b>	<b>0</b>	<b>13,993,676</b>

**Notes to the financial statement**  
**Notes to Income Statement**

**Information on segments**

Management defined the following kinds of industrial works:

- a) By operating activities;  
b) By location. (belonging to the State is determined by the the ship's flag)

**(1) Net sales**

**(a)**

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Shipbuilding	26,457,086	27,137,154	37,645,042	38,612,692
Self elevating Floating drilling unit	0	147,253,241	0	209,522,485
Ship repair	10,692,486	9,644,747	15,214,037	13,723,239
Mechanical engineering	562,703	172,154	800,654	244,953
Other works	50,001	52,869	71,146	75,226
<b>Total</b>	<b>37,762,276</b>	<b>184,260,165</b>	<b>53,730,879</b>	<b>262,178,595</b>

**(b)**

Latvia	14,566,454	12,301,277	20,726,197	17,503,140
Russia	10,307,221	1,580,814	14,665,854	2,249,295
Great Britain	0	21,857	0	31,100
Norway	1,339,182	4,518,981	1,905,484	6,429,931
Cyprus	1,306,830	1,372,855	1,859,452	1,953,397
Belize	0	14,232	0	20,250
Malta	1,379,042	1,272,153	1,962,200	1,810,111
Panama	0	377,971	0	537,804
Liberia	0	843,995	0	1,200,897
Sweden	1,451,700	809,324	2,065,583	1,151,564
Finland	3,703,890	1,411,325	5,270,161	2,008,135
Iceland	94,476	23,594	134,427	33,571
Denmark	144,862	29,800	206,120	42,402
The Netherlands	0	162,973	0	231,890
Antigua and Barbuda	0	69,123	0	98,353
Mauritius	0	622,351	0	885,526
Marshall Island	269,270	170,758	383,137	242,967
Estonia	555,591	161,965	790,535	230,455
Italy	210,841	261,999	300,000	372,791
Croatia	0	208,135	0	296,149
Belgium	1,487,132	917,629	2,115,998	1,305,668
Israel	0	9,851,184	0	14,016,974
Ukraine	0	147,253,241	0	209,522,485
Germany	945,785	2,629	1,345,731	3,740
<b>Total</b>	<b>37,762,276</b>	<b>184,260,165</b>	<b>53,730,879</b>	<b>262,178,595</b>

**(2) Cost of sales**

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Purchase costs of goods sold	(31,922,456)	(180,841,133)	(45,421,563)	(257,313,750)
Salary expenses	(3,855,410)	(3,585,112)	(5,485,754)	(5,101,155)
Social insurance	(900,076)	(839,665)	(1,280,693)	(1,194,736)
Depreciation of fixed assets	(1,281,952)	(1,071,683)	(1,824,053)	(1,524,868)
Provisions for annual leave expenses	(8,126)	0	(11,562)	0
Other costs	(586,465)	(892,710)	(834,465)	(1,270,211)
<b>Total</b>	<b>(38,554,485)</b>	<b>(187,230,303)</b>	<b>(54,858,090)</b>	<b>(266,404,720)</b>

**(3) Distribution expenses**

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Advertising expenses	(40,348)	(89,409)	(57,410)	(127,218)
<b>Total</b>	<b>(40,348)</b>	<b>(89,409)</b>	<b>(57,410)</b>	<b>(127,218)</b>

**(4) Administrative expenses**

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Communication costs	(16,861)	(19,448)	(23,991)	(27,672)
Office rent and utilities	(3,236)	(1,617)	(4,604)	(2,301)
Annual financial report costs	(10,000)	(8,000)	(14,229)	(11,383)
Salary expenses (administration)	(59,527)	(45,846)	(84,699)	(65,233)
Remuneration to the Board	(198,366)	(236,448)	(282,249)	(336,435)
Remuneration to the Council	(157,500)	(158,400)	(224,102)	(225,383)
Social insurance	(96,527)	(102,541)	(137,346)	(145,903)
Depreciation of fixed assets	(15,778)	(12,812)	(22,450)	(18,230)
Transportation costs, travelling allowances	(89,055)	(41,135)	(126,714)	(58,530)
Legal services	(20,673)	(3,410)	(29,415)	(4,852)
Insurance	(1,829)	(2,365)	(2,602)	(3,365)
Representation costs	(41,468)	(15,925)	(59,003)	(22,660)
Representative vehicle maintenance expenses	(88,939)	(91,998)	(126,550)	(130,900)
<b>Total</b>	<b>(799,759)</b>	<b>(739,945)</b>	<b>(1,137,954)</b>	<b>(1,052,847)</b>

Fees paid to auditor for the audit of 2013 financial statements 10 000,- LVL / 14 228,72 EUR.

Notes to Income Statement (continuation)

(5) Other operating income	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Income generated by transport services provided	13,671	10,893	19,452	15,499
Income generated by leased FA payments and utility expenses	798,686	1,241,435	1,136,428	1,766,403
Tugboat services income	154,473	112,034	219,795	159,410
Sales of raw materials and materials	171,932	607,405	244,637	864,259
Income generated by chemical analyses	1,010	1,344	1,437	1,912
Net income from sales of fixed assets	8,162	90,861	11,614	129,284
Previous year income	60,306	4,117	85,808	5,858
Decrease of provisions for unused annual leave	0	14,792	0	21,047
Remuneration to insurance expenditures	9,819	51,323	13,971	73,026
Net income from exchange rate fluctuations	42,768	3,336,045	60,853	4,746,764
Currency selling revenue	1,878	0	2,672	
Agents' fees	168,673	393,570	240,000	560,000
Other income	17,248	29,212	24,541	41,566
<b>Total</b>	<b>1,448,626</b>	<b>5,893,031</b>	<b>2,061,208</b>	<b>8,385,028</b>

  

(6) Other operating expenses	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Material expenses	(145,102)	(477,690)	(206,462)	(679,692)
Net loss from sale of foreign currency	0	(132,779)		(188,927)
Medical services	(8,790)	(8,287)	(12,507)	(11,791)
Costs on tugboat services	(76,623)	(70,105)	(109,025)	(99,750)
Donations	(8,646)	(5,002)	(12,302)	(7,117)
Material allowances, gifts	(7,005)	(7,564)	(9,967)	(10,763)
Burial expenses	(3,596)	(1,873)	(5,117)	(2,665)
Representation costs 60%	(69,623)	(26,011)	(99,065)	(37,010)
Leased FA maintenance costs	(437,661)	(642,836)	(622,735)	(914,676)
Provisions for bad and doubtful debts	(18,226)	(156,393)	(25,933)	(222,527)
Provisions for warranty repairs	(30,000)	(50,000)	(42,686)	(71,144)
Previous year expenses	(15,369)	(5,892)	(21,868)	(8,384)
Other expenses	(11,038)	(1,478)	(15,706)	(2,101)
<b>Total</b>	<b>(831,679)</b>	<b>(1,585,910)</b>	<b>(1,183,373)</b>	<b>(2,256,547)</b>

  

(7) Interest and similar income	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Interest income on deposit	1,688	9,479	2,402	13,488
Bank interests	567	1,233	807	1,754
Interest income on loans issued	9,187	9,196	13,071	13,085
Penalties received	650	675	925	960
<b>Total</b>	<b>12,092</b>	<b>20,583</b>	<b>17,205</b>	<b>29,287</b>

  

(8) Interest and similar expenses	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Penalties paid	(27,810)	(8,015)	(39,570)	(11,404)
Interest charge	(161,418)	(78,125)	(229,677)	(111,162)
Bank charges for warranty	(105,305)	(80,142)	(149,836)	(114,032)
<b>Total</b>	<b>(294,533)</b>	<b>(166,282)</b>	<b>(419,083)</b>	<b>(236,598)</b>

  

(9) Corporate income tax	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Corporate income tax according to the tax return	0	(91,034)	0	(129,530)
Changes in deferred income tax	37,301	5,833	53,075	8,300
<b>Total</b>	<b>37,301</b>	<b>(85,201)</b>	<b>53,075</b>	<b>(121,230)</b>

  

(9b) Movement and components of deferred tax:	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
<b>Deferred tax liabilities:</b>				
Difference between residual value of FA in financial accounting and tax purposes	(13,835,011)	(14,094,373)	(19,685,428)	(20,054,470)
<b>Net deferred tax liability (assets):</b>				
Provisions for leave expenses	(188,350)	(180,223)	(267,999)	(256,434)
Provisions for warranty repair	(31,180)	(50,000)	(44,365)	(71,144)
<b>Total temporary differences</b>	<b>(13,615,481)</b>	<b>(13,864,150)</b>	<b>(19,373,064)</b>	<b>(19,726,892)</b>
Deferred taxation liabilities/(assets), rate 15%	(2,042,322)	(2,079,623)	(2,905,960)	(2,959,034)
<b>Deferred tax liabilities</b>	<b>(2,042,322)</b>	<b>(2,079,623)</b>	<b>(2,905,960)</b>	<b>(2,959,034)</b>

  

(9c) Deferred income tax liabilities	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Tax at the beginning of the financial year	2,079,623	2,085,456	2,959,034	2,967,334
Deferred taxation increase/decrease	(37,301)	(5,833)	(53,075)	(8,300)
<b>Total</b>	<b>2,042,322</b>	<b>2,079,623</b>	<b>2,905,959</b>	<b>2,959,034</b>

  

(10) Other taxes	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Real estate tax	(93,636)	(121,948)	(133,232)	(173,516)
<b>Total</b>	<b>(93,636)</b>	<b>(121,948)</b>	<b>(133,232)</b>	<b>(173,516)</b>

Notes to the balance sheet by December 31st 2013

(11) Intangible assets (LVL)

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	Ls	Ls	Ls	Ls	Ls	Ls
<b>Cost/revaluation</b>						
<b>01.01.2012.</b>	0	0	242,267		0	242,267
Additions						0
Disposals						0
Revaluation						0
<b>31.12.2012.</b>	0	0	242,267	0	0	242,267
<b>Depreciation</b>						
<b>01.01.2012.</b>	0	0	72,534	0	0	72,534
Calculated			34,415			34,415
Disposals						0
<b>31.12.2012.</b>	0	0	106,949	0	0	106,949
<b>Net carrying amount</b>						
<b>01.01.2012.</b>	0	0	169,733	0	0	169,733
<b>Net carrying amount</b>						
<b>31.12.2012.</b>	0	0	135,318	0	0	135,318

Intangible assets (EUR)

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost/revaluation</b>						
<b>01.01.2012.</b>	0	0	344,716		0	344,716
Additions						0
Disposals						0
Revaluation						0
<b>31.12.2012.</b>	0	0	344,716	0	0	344,716
<b>Depreciation</b>						
<b>01.01.2012.</b>	0	0	103,207			103,207
Calculated			48,969			48,969
Disposals						0
<b>31.12.2012.</b>	0	0	152,176	0	0	152,176
<b>Net carrying amount</b>						
<b>01.01.2012.</b>	0	0	241,509	0	0	241,509
<b>Net carrying amount</b>						
<b>31.12.2012.</b>	0	0	192,540	0	0	192,540

Notes to the balance sheet by December 31st 2013 (continuation)

11. Intangible assets (LVL)

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	Ls	Ls	Ls	Ls	Ls	Ls
<b>Cost/revaluation</b>						
<b>01.01.2013.</b>	0	0	242,267	0	0	242,267
Additions					2,000	2,000
Disposals					(2,000)	(2,000)
Revaluation						0
<b>31.12.2013.</b>	0	0	242,267	0	0	242,267
<b>Depreciation</b>						
<b>01.01.2013.</b>	0	0	106,949	0	0	106,949
Calculated			34,372			34,372
Disposals						0
<b>31.12.2013.</b>	0	0	141,321	0	0	141,321
<b>Net carrying amount</b>						
<b>01.01.2012.</b>	0	0	135,318	0	0	135,318
<b>Net carrying amount</b>						
<b>31.12.2013.</b>	0	0	100,946	0	0	100,946

Intangible assets (EUR)

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost/revaluation</b>						
<b>01.01.2013.</b>	0	0	344,716			344,716
Additions					2,845	2,845
Disposals					(2,845)	(2,845)
Revaluation						0
<b>31.12.2013.</b>	0	0	344,716	0	0	344,716
<b>Depreciation</b>						
<b>01.01.2013.</b>	0	0	152,176			152,176
Calculated			48,907			48,907
Disposals						0
<b>31.12.2013.</b>	0	0	201,083	0	0	201,083
<b>Net carrying amount</b>						
<b>31.12.2012.</b>	0	0	192,540	0	0	192,540
<b>Net carrying amount</b>						
<b>31.12.2013.</b>	0	0	143,633	0	0	143,633



(12) Fixed assets and investment property (LVL)

	Land and buildings	Advances for fixed assets	Leasehold improvements	Equipment and machinery	Floating docks	Other fixed assets	Fixed assets under construction	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls	Ls
<b>Cost/revaluation</b>								
<b>01.01.2012.</b>	<b>6,842,006</b>	<b>18,567</b>	<b>16,487</b>	<b>8,055,006</b>	<b>12,440,030</b>	<b>295,020</b>	<b>983,153</b>	<b>28,650,269</b>
Additions	243,511	108,559		503,954		1,329,456	21,757	2,207,237
Disposals	(51)	(123,156)	(4,830)	(466,528)		(976,877)	(156)	(1,571,598)
Revaluation					194,938			194,938
<b>31.12.2012.</b>	<b>7,085,466</b>	<b>3,970</b>	<b>11,657</b>	<b>8,092,432</b>	<b>12,634,968</b>	<b>647,599</b>	<b>1,004,754</b>	<b>29,480,846</b>
<b>Depreciation</b>								
<b>01.01.2012.</b>	<b>(2,522,476)</b>	<b>0</b>	<b>0</b>	<b>(5,187,287)</b>	<b>(1,078,451)</b>	<b>0</b>	<b>(748,724)</b>	<b>(9,536,938)</b>
Calculated	(195,738)			(572,276)	(191,720)		(63,418)	(1,023,152)
Disposals	51			296,010			156	296,217
<b>31.12.2012.</b>	<b>(2,718,163)</b>	<b>0</b>	<b>0</b>	<b>(5,463,553)</b>	<b>(1,270,171)</b>	<b>0</b>	<b>(811,986)</b>	<b>(10,263,873)</b>
<b>Net carrying amount</b>								
<b>01.01.2012.</b>	<b>4,319,530</b>	<b>18,567</b>	<b>16,487</b>	<b>2,867,719</b>	<b>11,361,579</b>	<b>295,020</b>	<b>234,429</b>	<b>19,113,331</b>
<b>31.12.2012.</b>	<b>4,367,303</b>	<b>3,970</b>	<b>11,657</b>	<b>2,628,879</b>	<b>11,364,797</b>	<b>647,599</b>	<b>192,768</b>	<b>19,216,973</b>

Real Estate (building) cadastral value at 31.12.2012. - 4 121 826,- LVL.

Fixed assets and investment property (EUR)

	Land and buildings	Advances for fixed assets	Leasehold improvements	Equipment and machinery	Floating docks	Other fixed assets	Fixed assets under construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost/revaluation</b>								
<b>01.01.2012.</b>	<b>9,735,298</b>	<b>26,419</b>	<b>23,459</b>	<b>11,461,241</b>	<b>17,700,569</b>	<b>419,775</b>	<b>1,398,901</b>	<b>40,765,662</b>
Additions	346,485	154,466		717,062	0	1,891,645	30,957	3,140,615
Disposals	(73)	(175,235)	(6,872)	(663,810)	0	(1,389,970)	(222)	(2,236,182)
Revaluation					277,372			277,372
<b>31.12.2012.</b>	<b>10,081,710</b>	<b>5,650</b>	<b>16,587</b>	<b>11,514,493</b>	<b>17,977,940</b>	<b>921,450</b>	<b>1,429,636</b>	<b>41,947,467</b>
<b>Depreciation</b>								
<b>01.01.2012.</b>	<b>(3,589,160)</b>	<b>0</b>	<b>0</b>	<b>(7,380,844)</b>	<b>(1,534,498)</b>	<b>0</b>	<b>(1,065,338)</b>	<b>(13,569,840)</b>
Calculated	(278,509)			(814,275)	(272,793)		(90,236)	(1,455,813)
Disposals	72			421,184	0		222	421,478
<b>31.12.2012.</b>	<b>(3,867,597)</b>	<b>0</b>	<b>0</b>	<b>(7,773,936)</b>	<b>(1,807,291)</b>	<b>0</b>	<b>(1,155,352)</b>	<b>(14,604,175)</b>
<b>Net carrying amount</b>								
<b>01.01.2012.</b>	<b>6,146,138</b>	<b>26,419</b>	<b>23,459</b>	<b>4,080,397</b>	<b>16,166,071</b>	<b>419,775</b>	<b>333,563</b>	<b>27,195,822</b>
<b>31.12.2012.</b>	<b>6,214,113</b>	<b>5,650</b>	<b>16,587</b>	<b>3,740,558</b>	<b>16,170,650</b>	<b>921,450</b>	<b>274,284</b>	<b>27,343,292</b>

Real Estate (building) cadastral value at 31.12.2012. - 5 864 830,- EUR

Notes to the balance sheet by December 31st 2013 (continuation)

12. Fixed assets and investment property (LVL)

	Land and buildings	Advances for fixed assets	Leasehold improvements	Equipment and machinery	Floating docks	Other fixed assets	Fixed assets under construction	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls	Ls
<b>Cost/revaluation</b>								
01.01.2013.	7,085,466	3,970	11,657	8,092,432	12,634,968	647,599	1,004,754	29,480,846
Additions	500,522	30,433		426,279		1,878,329	37,756	2,873,319
Disposals		(4,614)	(4,664)	(53,459)		(1,596,781)	(119)	(1,659,637)
Revaluation					235,452			235,452
31.12.2013.	7,585,988	29,789	6,993	8,465,252	12,870,420	929,147	1,042,391	30,929,980
<b>Depreciation</b>								
01.01.2013.	(2,718,163)	0	0	(5,463,553)	(1,270,171)	0	(811,986)	(10,263,873)
Calculated	(207,162)			(602,848)	(195,803)		(55,631)	(1,061,444)
Disposals				44,698			118	44,816
31.12.2013.	(2,925,325)	0	0	(6,021,703)	(1,465,974)	0	(867,499)	(11,280,501)
<b>Net carrying amount</b>								
01.01.2013.	4,367,303	3,970	11,657	2,628,879	11,364,797	647,599	192,768	19,216,973
<b>Net carrying amount</b>								
31.12.2013.	4,660,663	29,789	6,993	2,443,549	11,404,446	929,147	174,892	19,649,479

Real Estate (building) cadastral value at 31.12.2013. - 4 121 197,- LVL.

Information about the mortgaged property see in note (31) and (33)

Fixed assets and investment property (EUR)

	Land and buildings	Advances for fixed assets	Leasehold improvements	Equipment and machinery	Floating docks	Other fixed assets	Fixed assets under construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost/revaluation</b>								
01.01.2013.	10,081,710	5,650	16,587	11,514,493	17,977,940	921,450	1,429,636	41,947,466
Additions	712,179	43,302	0	606,540	0	2,672,621	53,722	4,088,364
Disposals		(6,565)	(6,636)	(76,065)	0	(2,272,015)	(168)	(2,361,449)
Revaluation				0	335,018			335,018
31.12.2013.	10,793,889	42,387	9,951	12,044,968	18,312,958	1,322,056	1,483,190	44,009,399
<b>Depreciation</b>								
01.01.2013.	(3,867,597)	0	0	(7,773,936)	(1,807,291)	0	(1,155,352)	(14,604,175)
Calculated	(294,765)			(857,775)	(278,603)		(79,157)	(1,510,300)
Disposals				63,600	0		168	63,768
31.12.2013.	(4,162,362)	0	0	(8,568,111)	(2,085,893)	0	(1,234,341)	(16,050,708)
<b>Net carrying amount</b>								
01.01.2013.	6,214,113	5,650	16,587	3,740,558	16,170,649	921,450	274,284	27,343,291
<b>Net carrying amount</b>								
31.12.2013.	6,631,527	42,387	9,951	3,476,857	16,227,065	1,322,056	248,849	27,958,692

Real Estate (building) cadastral value at 31.12.2012. - 5 863 935,- EUR

	2013		2012	
	Ls	EUR	Ls	EUR
<b>Financial result of disposed, eliminated and sold fixed assets:</b>				
Initial cost	53,577	76,233	466,735	664,104
Accumulated depreciation	(44,816)	(63,767)	(296,217)	(421,479)
Residual value	8,761	12,466	170,518	242,625
Profit from selling the fixed assets	(16,923)	(24,079)	(261,379)	(371,909)
<b>Profit or losses from disposal of fixed assets</b>	<b>(8,162)</b>	<b>(11,613)</b>	<b>(90,861)</b>	<b>(129,284)</b>

Notes to the balance sheet by December 31st 2013 (continuation)

(12a) Investment property

	Investment property		Investment property			Investment property		Investment property	
	Ls	EUR	Ls	EUR		Ls	EUR	Ls	EUR
<b>Cost/revaluation</b>					<b>Cost/revaluation</b>				
01.01.2012.	576,395	820,136			01.01.2013.	589,112	838,231		
Additions	12,717	18,095			Additions	950	1,352		
Disposals					Disposals				
Revaluation					Revaluation				
31.12.2012.	589,112	838,231			31.12.2013.	590,062	839,583		
<b>Depreciation</b>					<b>Depreciation</b>				
01.01.2012.	(145,860)	(207,540)			01.01.2013.	(172,788)	(245,855)		
Calculated	(26,928)	(38,315)			Calculated	(27,591)	(39,258)		
Disposals					Disposals				
31.12.2012.	(172,788)	(245,855)			31.12.2013.	(200,379)	(285,113)		
<b>Net carrying amount</b>					<b>Net carrying amount</b>				
01.01.2012.	430,535	612,596			01.01.2013.	416,324	592,376		
31.12.2012.	416,324	592,376			31.12.2013.	389,683	554,470		

(13) Investments in associates (LVL)

Name	31.12. 2013.	Participating interest	Equity 31.12.2013.	Profit / (loss) 2013.g.	31.12.2012.	Participating interest	Equity 31.12.2012.	Profit / (loss) 2012.g.
AS "Tosmāres kuģubūvētava"	2,551,593	49.72	4,650,527	-68,499	2,551,593	49.72	4,650,527	(34,302)
SIA "Remars Granula"	843,365	49.8	108,678	43,180	843,365	49.8	108,678	11,882
<b>Investments value</b>	<b>3,394,958</b>		<b>4,759,205</b>	<b>-25,319</b>	<b>3,394,958</b>		<b>4,759,205</b>	<b>(22,420)</b>

Investments in associates (EUR)

Name	31.12. 2013.	Participating interest	Equity 31.12.13.	Profit / (loss) 2013.g.	31.12. 2012.	Participating interest	Equity 31.12.12.	Profit / (loss) 2012.g.
AS "Tosmāres kuģubūvētava"	3,630,590	49.72	6,617,104	-97465	3,630,590	49.72	6,617,104	(48,807)
SIA "Remars Granula"	1,200,000	49.8	154,635	61440	1,200,000	49.8	154,635	16,907
<b>Investments value</b>	<b>4,830,590</b>		<b>6,771,739</b>	<b>-36025</b>	<b>4,830,590</b>		<b>6,771,739</b>	<b>(31,900)</b>

(14) Other securities and investments (LVL)

Name	Value of shares		31.12.2013.		31.12.2012.	
	2013	2012	Amount	EUR	Amount	EUR
AS "Baltic International Bank"	5	5	33	165	33	165
<b>Total</b>	<b>5</b>	<b>5</b>	<b>33</b>	<b>165</b>	<b>33</b>	<b>165</b>

Other securities and investments(EUR)

Name	Value of shares		31.12.2013.		31.12.2012.	
	2013	2012	Amount	EUR	Amount	EUR
AS "Baltic International Bank"	7	7	33	235	33	235
<b>Total</b>	<b>7</b>	<b>7</b>	<b>33</b>	<b>235</b>	<b>33</b>	<b>235</b>

Notes to the balance sheet by December 31st 2013 (continuation)

(15) Other loans and non-current receivables (LVL)

Name / Type of Loan	31.12.2012.	Loans issued in 2013	Debt extinguished in 2013	Transferred from short-term debt in 2013	Difference between currency exchange rates changing	31.12.2013.	Term of payment	Percent correlation
Loans for Students	67454	1288			-2121	<b>66621</b>	2014-2029	-
Loans for AS "Tosmares Kuģubūvētava" shares	438461	780687		438461		<b>780687</b>	2020	-
<b>Total</b>	<b>505915</b>	<b>781975</b>	<b>0</b>	<b>438461</b>	<b>-2121</b>	<b>847308</b>		

Amount to be paid back after 5 years: 843778,- Ls.

Other loans and non-current receivables (EUR)

Name / Type of Loan	31.12.2012.	Loans issued in 2013	Debt extinguished in 2013	Transferred from short-term debt in 2013	Difference between currency exchange rates changing	31.12.2013.	Term of payment	Percent correlation
Loans for Students	95978	1833			-3018	<b>94793</b>	2014-2029	-
Loans for AS "Tosmares Kuģubūvētava" shares	623874	1110818		623874		<b>1110818</b>	2020	-
<b>Total</b>	<b>719852</b>	<b>1112651</b>	<b>0</b>	<b>623874</b>	<b>-3018</b>	<b>1205611</b>		

Amount to be paid back after 5 years: 1200588,- EUR.

(16) Loans to shareholders and management

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
Non-current loans	0	292284	0	415882
<b>Total</b>	<b>0</b>	<b>292284</b>	<b>0</b>	<b>415882</b>
<b>Copartners and directorship</b>	<b>2013 Ls</b>	<b>2012 Ls</b>	<b>2013 EUR</b>	<b>2012 EUR</b>
Including: Non-current	0	292284	0	415882
Current	0	20000	0	28458
<b>Total</b>	<b>0</b>	<b>312284</b>	<b>0</b>	<b>444340</b>

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

(17) Raw materials and consumables

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
1. Metal ware	54,928	58,891	78,156	83,794
2. Timbering	1,810	1,483	2,575	2,110
2. Metal, non-ferrous metals, pipes	1,239,314	2,541,996	1,763,385	3,616,934
4. Wire cables	1,454	766	2,069	1,090
5. Fuel	6,396	7,115	9,101	10,124
6. Coveralls	8,762	8,005	12,467	11,390
7. Equipment	10,829	237,432	15,408	337,835
8. Cables	20,530	98,166	29,212	139,678
9. Varnish and paint	101,193	190,919	143,985	271,653
10. Household goods	1,048	474	1,491	674
11. Technical rubber ware	9,903	11,181	14,091	15,909
12. Other	612,864	2,151,356	872,027	3,061,107
<b>Total</b>	<b>2,069,031</b>	<b>5,307,784</b>	<b>2,943,967</b>	<b>7,552,298</b>

(18) Work in progress

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
1. Shipbuilding orders	200,439	1,061,252	285,199	1,510,026
<b>Total</b>	<b>200,439</b>	<b>1,061,252</b>	<b>285,199</b>	<b>1,510,026</b>

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

(19) Orders in progress

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
1. Ship repair orders	17,018	15,814	24,214	22,501
2. Mechanical engineering orders	47,278	14,017	67,271	19,944
3. Various	3,531	4,836	5,024	6,882
<b>Total</b>	<b>67,827</b>	<b>34,667</b>	<b>96,509</b>	<b>49,327</b>

(20) Advances for inventories

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
1. For goods	284,792	3,172,170	405,223	4,513,591
<b>Total</b>	<b>284,792</b>	<b>3,172,170</b>	<b>405,223</b>	<b>4,513,591</b>

Notes to the balance sheet by December 31st 2013 (continuation)

(21) Trade receivables	2013		2012	
	Ls	Ls	EUR	EUR
Book value of trade receivables	2,930,254	3,585,520	4,169,373	5,101,735
Provisions for bad and doubtful debts	(276,321)	(258,095)	(393,169)	(367,236)
<b>Net worth of trade receivables</b>	<b>2,653,933</b>	<b>3,327,425</b>	<b>3,776,204</b>	<b>4,734,499</b>

Changes in provisions (LVL)

	Trade receivables	Other receivables	Total
<b>Provisions 31.12.2012.</b>	<b>258,095</b>	<b>7,487</b>	<b>265,582</b>
Decrease in provisions	0	0	0
Increase in provisions	18,226	0	18,226
<b>Provisions 31.12.2013.</b>	<b>276,321</b>	<b>7,487</b>	<b>283,808</b>

Changes in provisions (EUR)

	Trade receivables	Other receivables	Total
<b>Provisions 31.12.2012.</b>	<b>367,236</b>	<b>10,652</b>	<b>377,888</b>
Decrease in provisions	0	0	0
Increase in provisions	25,933	0	25,933
<b>Provisions 31.12.2013.</b>	<b>393,169</b>	<b>10,652</b>	<b>403,821</b>

(22) Receivables from associates	2013.		2012.	
	Ls	Ls	EUR	EUR
SIA "Tosmares kuģu būvētava" debt for service and materials	6,021	279,973	8,567	398,365
SIA "Tosmares kuģu būvētava" advance for services	49,196	42,168	70,000	60,000
SIA "Remars Granula" debt for credit*	341,474	332,288	485,874	472,803
SIA "Remars Granula" debt for credit according to assignment agreement **	541,159	541,159	770,000	770,000
<b>Total</b>	<b>937,850</b>	<b>1,195,588</b>	<b>1,334,441</b>	<b>1,701,168</b>

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

\*\* The debt is secured by a commercial pledge.

(23) Other receivables	2013		2012	
	Ls	Ls	EUR	EUR
Book value	383,874	2,649,978	543,038	3,770,577
Provisions established	(7,487)	(7,487)	(7,487)	(10,652)
<b>Net carrying amount</b>	<b>376,387</b>	<b>2,642,491</b>	<b>535,551</b>	<b>3,759,925</b>
Input VAT accepted	424	424	603	603
Value added tax overpaid	129,790	354,053	184,674	503,772
Corporate income tax	94,617	0	134,627	
Payments personal debts	9,011	829	12,822	1,180
Payment of salary	194	530	276	754
Non-current loans for AS "Tosmares kuģubūvētava" shares	0	29,942	0	42,604
Advance payments for services	48,430	2,074,955	68,909	2,952,395
Other receivables	93,925	181,758	133,642	258,617
<b>Total</b>	<b>376,391</b>	<b>2,642,491</b>	<b>535,553</b>	<b>3,759,925</b>

Notes to the balance sheet by December 31st 2013 (continuation)

(24) Current loans to shareholders and management

	Management Ls	Management EUR
<b>31.12.2012.</b>	<b>20,000</b>	<b>28,458</b>
Loan issued		
Loan repaid		
Sold	(20,000)	(28,458)
<b>31.12.2013.</b>	<b>0</b>	<b>0</b>

(25) Expenses of future periods

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
Prepayments of company's property insurance payments	10,383	15,951	14,774	22,696
Subscription to the press	136	226	194	322
Health insurance	8,984	5,439	12,783	7,739
Renovation costs of leased fixed assets	4,633	4,829	6,592	6,871
Advertising expenses	0	44	0	63
Other expenses	1,039	8,297	1,478	11,804
<b>Total</b>	<b>25,175</b>	<b>34,786</b>	<b>35,821</b>	<b>49,495</b>

(26) Accrued income

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
Shipbuilding	11,503,338	12,189,302	16,367,775	17,343,814
Ship repair	133,336	117,265	189,720	1,668,530
Machinery	0	140,207	0	199,496
<b>Total</b>	<b>11,636,674</b>	<b>13,502,159</b>	<b>16,557,495</b>	<b>19,211,840</b>

This item reflects the costs related to the contract and recognized profit.

(27) Cash and bank

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
Cash on hand	1,017	1,559	1,447	2,218
Cash at bank on current accounts	408,416	587,381	581,123	835,768
Other money means*	0	23,071,417	0	32,827,669
<b>Total</b>	<b>409,433</b>	<b>23,660,357</b>	<b>582,570</b>	<b>33,665,655</b>

\*deposits up to 90 days included.

(28) Share capital

AS "Rīgas kuģu būvētava" 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 AS NASDAQ OMX SECOND LIST. 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 Statutes:

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

AS "Rīgas kuģu būvētava" shareholders on the 31.12.2013:

	12/31/2013 Ls	%	12/31/2012 Ls	%	12/31/2013 EUR	12/31/2012 EUR
AS "Remars-Rīga"	5819194	49.86	5819194	49.86	8279967	8279967
Other limited companies	1798522	15.41	1862545	15.95	2559066	2650163
Individuals	4054391	34.73	3990368	34.19	5768879	5677782
<b>Total</b>	<b>11,672,107</b>	<b>100</b>	<b>11,672,107</b>	<b>100</b>	<b>16,607,912</b>	<b>16,607,912</b>

(29) Non-current investments revaluation reserve

	LVL	EUR
<b>Uz 31.12.2012.</b>	<b>8,473,199</b>	<b>12,056,273</b>
Increase according to the revaluation	0	0
Decrease according to the revaluation	0	0
Decrease according to the value of elimination	0	0
<b>Uz 31.12.2013.</b>	<b>8,473,199</b>	<b>12,056,273</b>

The revaluation of the current floating docks was made with the certified external expert involved. An increase in the value was a result of the revaluation. During the reporting year in the assessment of the company's real estate there was no potential significant market value changes in the current real estate residual value, thus during the reporting year the revaluation of the floating dock was not performed.

(30) Provisions

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
Provisions for warranty repair	31,180	50,000	44,366	71,144
<b>Total</b>	<b>31,180</b>	<b>50,000</b>	<b>44,366</b>	<b>71,144</b>

In accordance with the signed agreements, the Company provides free of charge after-sales warranty repair services to customers in accordance with the general provisions of the repair within the six months of high-quality repair work performed and the quality of materials within the 12 months. Management made provisions on the basis of previous year experience of this type of repair.

(31) Loans from the credit institutions (long-term)

	2013 Ls	2012 Ls	2013 EUR	2012 EUR
A/S ABLV Bank	70,280	100,000	100,000	100,000
	<b>72,293</b>	<b>100,000</b>	<b>100,000</b>	<b>0</b>

In October, 2013 the Company has signed an agreement No. 13-FP-0207 for the credit facility with the AS "ABLV Bank" for working capital needs. The repayment term is 18 October, 2015. The interest rate is 4.5% + 6 months Euribor. As a security for the loan is signed a mortgage on real estate. The value of the pledged real estate in the balance sheet is LVL 3 427 572.

Notes to the balance sheet by December 31st 2013 (continuation)

(32) Next period income	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
1) Financing in accordance with an agreement signed in 2012 with the government agency "LIAA" about the EU co-financed project AS "Rīgas kuģu būvētava" "heating system reconstruction"	145612	0	207187	0
2) Financing in accordance with the signed agreement in 2012 with the Ministry of Environmental Protection and Regional Development for the project implementation "Measure of the Energy efficiency in the production buildings"	50666		72091	
<b>Total</b>	<b>196278</b>	<b>0</b>	<b>279278</b>	<b>0</b>

Financing has been received in 2013. The implementation of projects by the end has been not completed.

(33) Loans from banks (Current)	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
AS "ABLV Bank"	1,236,514	0	1,759,401	
AS "Nordea Bank Finland Plc"	3,066,906	3,705,567	4,363,814	5,272,547
<b>Total</b>	<b>4,303,420</b>	<b>3,705,567</b>	<b>6,123,215</b>	<b>5,272,547</b>

1. The enterprise had concluded the Overdraft and guarantee line agreement Nr 2003 / 4 / OD / GA and Overdraft agreement No2012-187-OD with AS "Nordea Bank Finland Plc." On December 31st 2012 2 floating docks, two floating cranes, 14 portal cranes 4 running new building project and debtor debts had been pawned as a guarantee to the received loan. The balance value of stuff pawned is LVL 13 383 330.

2. In October, 2013 the Company has signed a contract No. 13-SC-0206 for the credit facility with the AS "ABLV Bank". The loan has to be repaid until 15 February, 2014. The interest rate is 4.54 (fixed) + 12 months EURIBOR As a security for the loan is signed a Cession agreement. The loan was returned in full on 15 February, 2014.

(34) Leasing liabilities	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
<b>I. Current part of leasing liabilities</b>	48,299	48,113	68,725	68,459
<i>Total current part of leasing liabilities</i>	<i>48,299</i>	<i>48,113</i>	<i>68,725</i>	<i>68,459</i>
<b>II. Non-current part of leasing liabilities</b>	37,374	41,618	53,178	59,217
<i>Total non-current part of leasing liabilities</i>	<i>37,374</i>	<i>41,618</i>	<i>53,178</i>	<i>59,217</i>
<b>Total leasing liabilities</b>	<b>85,673</b>	<b>89,731</b>	<b>121,903</b>	<b>127,676</b>

(35) Advances from customers	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
For shipbuilding	9,292,701	21,824,647	13,222,323	31,053,675
For ship repair	14,232	423,075	20,250	601,981
Others	8,010	156,088	11,399	222,094
<b>Total</b>	<b>9,314,943</b>	<b>22,403,810</b>	<b>13,253,972</b>	<b>31,877,750</b>

(36) Trade payables	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Debts for services	2,731,686	23,304,125	3,886,839	33,158,784
Debts for materials	875,871	1,269,756	1,246,252	1,806,700
<b>Total</b>	<b>3,607,557</b>	<b>24,573,881</b>	<b>5,133,091</b>	<b>34,965,484</b>

(37) Payables to associates	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
SIA "REMARS GRANULA"	8,184	8,579	11,645	12,207
<b>Total</b>	<b>8,184</b>	<b>8,579</b>	<b>11,645</b>	<b>12,207</b>

(38) Taxes and social insurance payments in 2013 (LVL)

	01.01.2013.	Calculated	Calculated penalty and delay fees	(Paid)/	repaid	Transferred to other taxes	31.12.2013.
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
Social insurance payments	102,956	1,258,942		(1,108)	(1,254,411)		106,379
Value added tax	(354,053)	(2,988,353)	4,064	1,351,704	1,856,848		(129,790)
Personal income tax	49,744	705,210	8,326	(184,061)	(458,447)		120,772
Corporate income tax	44,900			(1,122)	(138,395)		(94,617)
Corporate income tax for nonresidents	546	5,049			(5,595)		0
Real estate tax	11,871	93,636	325	(105,528)			304
Natural resources tax	7,199	3,737		(10,602)			334
Risk duty	148	1,902		(1,897)			153
<b>Total</b>	<b>(136,689)</b>	<b>(919,877)</b>	<b>12,715</b>	<b>1,047,386</b>	<b>0</b>	<b>0</b>	<b>3,535</b>

Tax debt	217,364	227,942
Tax overpayment	(354,053)	(224,407)

Taxes and social insurance payments in 2013 (EUR)

	01.01.2013.	Calculated	Calculated penalty and delay fees	(Paid)/	repaid	Transferred to other taxes	31.12.2013.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Social insurance payments	146,493	1,791,313		(1,576)	(1,784,866)		151,364
Value added tax	(503,772)	(4,252,043)	5,782	1,923,302	2,642,057		(184,674)
Personal income tax	70,777	1,003,423	11,847	(261,895)	(652,311)		171,841
Corporate income tax	63,888			(1,596)	(196,919)		(134,627)
Corporate income tax for nonresidents	777	7,184			(7,961)		0
Real estate tax	16,891	133,232	462	(150,153)			432
Natural resources tax	10,243	5,317		(15,085)			475
Risk duty	211	2,706		(2,699)			218
<b>Total</b>	<b>(194,492)</b>	<b>(1,308,868)</b>	<b>18,091</b>	<b>1,490,298</b>	<b>0</b>	<b>0</b>	<b>5,029</b>

t.sk.:

Tax debt	309,280	324,330
Tax overpayment	(503,772)	(319,301)

Notes to the balance sheet by December 31st 2013

(39) Other liabilities	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Salaries	186,578	159,275	265,477	226,628
Retention from salaries	751	560	1,069	797
Payments to personnel	33,663	290	47,898	413
Payments for credit cards	13,196	3,118	18,777	4,436
Payments for debts to other enterprises	17,276	36,085	24,582	51,346
<b>Total</b>	<b>251,464</b>	<b>199,328</b>	<b>357,803</b>	<b>283,620</b>

  

(40) Dividends unpaid	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
31.12.2012.	23,326	24,652	33,190	35,077
Dividends calculated in 2013	116,721	0	166,079	0
Dividends paid in 2013	(113,373)	(3)	(161,315)	(5)
Disposals in 2013		(1,323)		(1,882)
31.12.2013.	<b>26,674</b>	<b>23,326</b>	<b>37,954</b>	<b>33,190</b>

  

(41) Accrued liabilities	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
For services	239,506	468,007	340,786	665,915
Accrued liabilities for unused annual leave expenses	188,350	180,223	267,998	256,434
<b>Total</b>	<b>427,856</b>	<b>648,230</b>	<b>608,784</b>	<b>922,349</b>

(42) Transactions with related parties (LVL)

The largest shareholder of the Company, which owns 49.86% shares is AS "Remars-Rīga", while the largest shareholder of the AS "Remars-Rīga" is Vasily Melniks, which is also the Chairman of the Board of AS "Rīgas kuģu būvētava".

During the 2013 the Company has been in economic transactions with following companies, in which directly or indirectly Vasily Melniks are participant - SIA "Eiro Construction", SIA "Eiro Steel", SIA "Eiroholding". There are also reported transaction in the financial statements with following associated companies of AS "Rīgas kuģu būvētava" – AS "Tosmare Kuģubūvētava", SIA "Remars Granula".

Related company or related parties	Type of relation	Goods sold or Services provided	Goods acquired or Services received	Other transactions	
		Ls	Ls	Ls	Ls
AS "Remars-Rīga"	Significant ascendancy	271861	919208		
AS "Tosmāres Kuģu Būvētava"	Assoc.Comp.	7834	663962		
SIA "Remars-Granula"	Assoc.Comp.	395	0	9186	
SIA "Eiro Construction"	Relat.Comp.	195730	1156881		
SIA "Eiro Steel"	Relat.Comp.	6566	381579		
SIA "Eiroholdings"	Relat.Comp.	0	57248		
<b>Total</b>		<b>482386</b>	<b>3178878</b>	<b>9186</b>	

Information on pledges issued as collateral for liabilities to related parties:

- On 28 December, 2010 was processed Ship Bond Nr.EH 28.12.2010/KO of floating docks pledge in favor of AS "UniCreditBank", as a guarantee for SIA "Eiroholding" liabilities. (See Note Nr.43)
- In 15 June between AS „Rīgas kuģu būvētava” and AS „DNB Nord Banka” was signed mortgage agreement Nr. 17/11K23-2 for the first mortgage on AS „Rīgas kuģu būvētava” real estate - caldron house as security for SIA "Remars-Rīga" obligations. (See Note Nr.43)

Transactions with related parties (EUR)

The largest shareholder of the Company, which owns 49.86% shares is AS "Remars-Rīga", while the largest shareholder of the AS "Remars-Rīga" is Vasily Melnik, which is also the Chairman of the Board of AS "Rīgas kuģu būvētava".

During the 2013 the Company has been in economic transactions with following companies, in which directly or indirectly Vasily Melniks are participant - SIA "Eiro Construction", SIA "Eiro Steel", SIA "Eiroholding". There are also reported transaction in the financial statements with following associated companies of AS "Rīgas kuģu būvētava" – AS "Tosmare Kuģubūvētava", SIA "Remars Granula".

Related company or related parties	Type of relation	Goods sold or Services provided	Goods acquired or Services received	Other transactions	
		EUR	EUR	EUR	EUR
AS "Remars-Rīga"	Significant ascendancy	386823	1307915		
AS "Tosmāres Kuģu Būvētava"	Assoc.Comp.	11147	944733		
SIA "Remars-Granula"	Assoc.Comp.	562	0	13071	
SIA "Eiro Construction"	Relat.Comp.	278499	1646093		
SIA "Eiro Steel"	Relat.Comp.	9343	542938		
SIA "Eiroholdings"	Relat.Comp.	0	81457		
<b>Total</b>		<b>686373</b>	<b>4523136</b>	<b>13071</b>	

(43) Events after the reporting date

The Court of Riga Northern Region on 27 March proposed the AS "Rīgas kuģu būvētava" action of declared insolvency process. After management assessment it does not impact on the AS „Rīgas Kuģu Būvētava” application of concepts for business continuity. The company has sufficient financial resources to ensure the enforcement of court decisions on counterclaims collateral and will not affect the company's business operations. According to management opinion AS „Rīgas kuģu būvētava” there are no liquidity problems and the company's operation is not compromised, it is a deliberate failure to pay of the suspect sub-contractors to clarify the situation.

(44) Off-balance liabilities

- The enterprise has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid through On August 31st year 2028. The Enterprise has the priority to extend the agreement term.
- On the 28th of December, 2010 there was issued ship covered bond No.EH 28.12.2010/KO about floating dock deposit in the favour of AS "UniCreditBank" and it be valid until the secured obligations are fully met. Ship bond is issued as a guarantee of SIA "Eiroholdings" obligations, which was the resulting from credit line agreement Nr. EH 01.07.2008/CL from 1 July 2008, obligations in 31 December 2013 was 1 350 326 LVL (1 921 341 EUR). Size of guarantee claim are 2 940 000 LVL. Mortgaged was floating dock 791, with the balance sheet value on 31 December 2013 - 3 506 425 LVL. When was prepared financial statement there was no probability that the obligation will be required to settle the outflow of economic benefits from the Company.
- In 15 June between AS „Rīgas kuģu būvētava” and AS „DNB Nord Banka” was signed mortgage agreement Nr. 17/11K23-2 for the first mortgage on AS „Rīgas kuģu būvētava” real estate - caldron house as security for AS "Remars-Rīga" obligations which are resulting from 15 June 2011 credit agreement Nr.17/11K23. Obligations on 31 December 2013 was 976 126 LVL (1 388 902,76 EUR). Guarantee claim was 2 722 754 LVL. The mortgage property balance sheet value on 31 December 2013 was 359 630 LVL. When was prepared financial statement there was no probability that the obligation will be required to settle the outflow of economic benefits from the Company.



Average number of people employed	2013	2012	2013	2012
	Ls	Ls	EUR	EUR
Average number of people employed during the financial year	<b>601</b>	<b>643</b>	<b>601</b>	<b>643</b>
<b>Total remuneration to personnel</b>	<b>4,568,125</b>	<b>4,846,441</b>	<b>6,499,317</b>	<b>6,895,864</b>
- salary	3,703,876	3,927,306	5,270,141	5,588,053
- social insurance payments	864,249	919,135	1,229,176	1,307,811
- including:				
Personnel salary (production department)				
- salary	3,288,483	3,486,612	4,679,090	4,961,002
- social insurance payments	767,722	816,595	1,092,370	1,161,910
- Total	4,056,205	4,303,207	5,771,460	6,122,912
Administration				
- salary	59,527	45,846	84,699	65,233
- social insurance payments	14,201	10,886	20,206	15,489
- Total	73,728	56,732	104,905	80,722
Remuneration to the Board				
- remuneration	198,366	236,448	282,249	336,435
- social insurance payments	46,635	55,766	66,356	79,348
- Total	245,001	292,214	348,605	415,783
Remuneration to the Council				
- remuneration	157,500	158,400	224,102	225,383
- social insurance payments	35,691	35,888	50,784	51,064
- Total	193,191	194,288	274,886	276,447

The Annual report for the year 2013 on pages from 1 to 25 confirm:

Chairman of the Board \_\_\_\_\_ /V.MELNIKS/  
 Member of the Board \_\_\_\_\_ /V.BLUMS/  
 Member of the Board \_\_\_\_\_ /L.ARTEMENKO/  
 Member of the Board \_\_\_\_\_ /E.BUKS/

April 10th, 2014