

Explanatory note

The loss amount in the audited Annual Report for the year 2013 of the AS „Rīga kuģu būvētava” significantly exceeds the loss amount in the unaudited Annual Report for the year 2013. The difference arises due to the reduction in the amount of accrued income (26 line in the balance sheet).

To determine the value of the recognized income within a given period, the Company uses the percentage method of work completion. According to this method the Company in order to determine the stage of work completion, correlates till the balance sheet day the accrued costs by the agreement, to the total costs expected by the agreement, expressing this proportion in percentage.

In the unaudited Annual Report the accrued income was calculated on the basis of in the shipbuilding agreements anticipated value and the planned costs.

Due to the fact, that in the moment of drafting an Annual Report for the year 2013, three newly built vessels were passed on to the Customer, the selling value of which were substantially reduced, but the actual costs of which significantly exceeded by the agreement planned costs, the loss amount was increased.

Besides, were formed the provisions for doubtful debts and warranty repairs.