

Rigas kugu buvetava JSC

*2015 Annual Report
prepared in accordance with
requirements of Latvian statutory requirements,
and Independent Auditors' Report**

** This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.*

RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
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**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
GENERAL INFORMATION**

Name of the company	Rigas kugu buvetava JSC
Legal status of the company	Joint stock company
Number, place and date of registration	000304589, December 5, 1991, Companies register, Riga 40003045892, August 26, 2004, Commercial register, Riga
Address	Gales street 2, Riga, LV-1015, Latvia
Share capital of the Company	16 340 950 EUR
Associates	Tosmares kugubuvetava JSC (49.72%) Reg.No. 42103022837 Generala Baloza Street 42/44, Liepaja, Latvia Remars Granula LTD (49.80%) Reg.Nr. 54103022521 Gales street 2, Riga, LV-1015, Latvia
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	Janis Skvarnovics Chairman of the Board Vladislavs Blums Member of the Board till 15.10.2015. Einars Buks Member of the Board Jekaterina Melnika Member of the Board
Names and positions of the Council	Vasilijs Melniks Chairman of the Council Aleksandrs Cernavskis Deputy Chairman of the Council Linards Baumanis Member of the Council Valentīna Andrejeva Member of the Council Gaidis Andrejs Zeibots Member of the Council
Financial year	January 1, 2015 - December 31, 2015
Previous financial year	January 1, 2014 – December 31, 2014
Auditor's name and address	Deloitte Audits Latvia LTD License No. 43 4a Gredu street, Riga, LV-1019, Latvia Reg.N.40003606960 Kitija Kepite Sworn Auditor Certificate No. 182

RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT MANAGEMENT REPORT

Company Profile

In 2015 JSC Rigas kugu buvetava /Riga Shipyard/ repaired 69 ships, which is by 18 ships more than in 2014, when repairs were made to 51 ships. Such results were achieved providing ship hulls reinforcement and insulation works during 2015 winter months without using the docks. In 2015 4 ship hulls were built and floated out, which is less than initially planned, caused due to objective circumstances when customers were not able to attract funds for project implementation in planned time.

The industrial metal structures represent a new segment of our production range. The Company management board and specialists dedicated much time and energy to get the Company certified and obtain real orders in this market sector. In 2015, upon receipt of positive references, we delivered an order, which consisted of 2 metal reels with a diameter of 8.5 meters and 7 metal reels with a diameter of 5.7 meters. Currently there are negotiations with regard to receipt of the next orders. This new production sector allows maintaining the professional qualifications of the Company's engineering staff at a high level, as well as levelling the work load during winter months and generating additional income.

The customers for the products and services of Joint-Stock Company Rigas kugu buvetava, as well as suppliers of raw materials have not changed during reporting year. Customers for shipbuilding are mostly from Scandinavian countries, customers for ship repair services – ship's agencies and shipping companies from Western countries. The key suppliers of materials and spare parts are the firms registered in Latvia and in the European Union.

Company development and financial results during reporting year

In 2015 the total net turnover of Joint-Stock Company Rigas kugu buvetava was EUR 21 198 560 EUR, including revenue from ship repair of EUR 17 342 867 and shipbuilding of EUR 3 530 025 (if compared to 2014, net turnover made up EUR 17 659 180, including shipbuilding of EUR 7 710 590 and ship repair of EUR 9 640 988).

The Company finished the reporting year with gross profit of EUR 1 697 625 (in 2014 - gross losses made EUR 166 327), in 2015 net profit amounted EUR 222 182 (2014 - net loss of EUR 1 048 677). In 2015 Joint-Stock Company Rigas kugu būvētava continued the investment programme, which was launched during preceding years. In 2015 investments amounted 1.85 million EUR, new metal bending machine was purchased, thread-cutting machine KRB61 WITH, four high pressure washing machines and other equipment. The Company continued capital repairs to the production building, floating docks, gantry cranes, tugboats and other fixed assets.

Joint-Stock Company Rigas kugu buvetava operates and performs production processes in accordance with the International quality standard EN ISO 9001:2008 and is planning to certify the Company by July 2016 in conformity with EN ISO 9001:2015 Standard, at the same time to become integrated with a new system and get the Company certified in conformity with ISO 14001:2005 and OHSAS 1801:2005 standards. Introduction of new standards will enable to improve the quality assurance system and to use the natural and also physical resources more rational.

Company's research work and development activities

The Company management board in cooperation with the Company council continues the market research activities, participates in international exhibitions and support programmes to uptake new production sectors and new markets in order to ensure better use of production capacities and increase in labour productivity at the Company. Certification of the Company according to new and additional standards will open up new opportunities to offer our products and services in new markets.

Further development of the Company

Upon evaluation of the existing market situation and the Company's opportunities, the management board continues work to increase the number of the built and repaired ships at the plant, as well as to get engaged more actively in the broader uptake of the market of industrial metal structures.

To achieve the set objectives the Company management board reviewed the agency contracts concluded earlier, assessed their effectiveness and concluded contracts with those agents, which make real contribution to the development of the Company's production. New agency contracts were concluded in markets, where traditionally we were not actively represented. In 2016 the management board will continue expansion of the launched course of development with a focus on the environmental protection arrangements, as well as continue investing in the updating of production equipment of the Company, thereby enhancing competitiveness of the Company and contributing to the business development.

**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
MANAGEMENT REPORT**


Circumstances and events after the end of the reporting year

No subsequent events occurred after the balance sheet date which would require adjustments or disclosure in the financial statements for 2015.


Proposals on distribution of the Company's profit

The management board of Joint-Stock Company proposes to retain 2015 net profit of EUR 222 182 for further development of the Company.

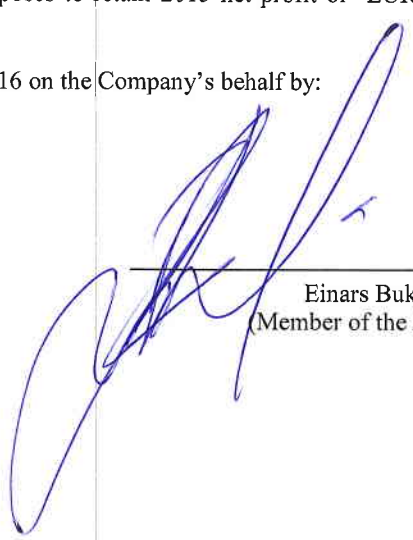
These financial statements were signed on 25 April 2016 on the Company's behalf by:



Janis Skvarnovics
(Chairman of the Board)



Jekaterina Melnika
(Member of the Board)



Einars Buks
(Member of the Board)


**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF MANAGEMENT RESPONSIBILITIES**

The management of Rigas kugu buvetava JSC (the Company) is responsible for preparation of the financial statements.


The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of December 31, 2015 and the results of its operations and cash flows for the year then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements as presented on pages 9 to 38. The management also confirms that the requirements of the legislation of the Republic of Latvia have been complied with and that the financial statements have been prepared on a going concern basis.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

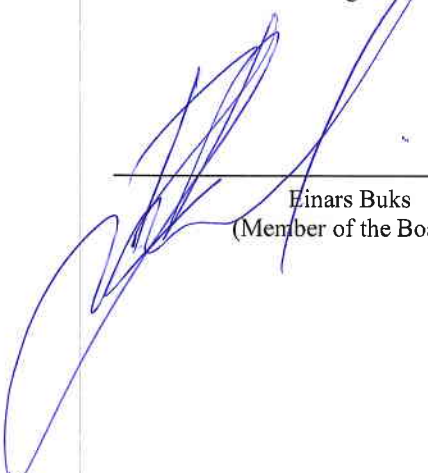
On behalf of the management:



Janis Skvarnovics
(Chairman of the Board)



Jekaterina Melnika
(Member of the Board)



Einars Buks
(Member of the Board)

25 April 2016

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the shareholders of Rīgas kuģu būvētava AS:

Report on the financial statements

We have audited the financial statements of Rīgas kuģu būvētava AS (the Company) for the year ended 31 December 2015, set out on pages 9 to 38 of the accompanying annual report, which comprise the balance sheet as of 31 December 2015, and the statement of profit and loss, statement of changes in equity and statement of cash flows for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and perform the audit to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 made 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 qualified audit opinion.

Basis for Qualified Opinion

1. As of 31 December 2015, the Company's balance sheet includes fixed assets with the total net book value of EUR 30 million, including floating docs in the amount of EUR 16.5 million and other fixed assets in the amount of 13.5 million. As disclosed in Note 14 of these financial statements, the impairment test performed by the management on the basis of prudent cashflow forecasts indicates that fixed assets, other than floating docs, are likely to be impaired. However, the amount of impairment for the particular group of fixed assets has not been estimated and recorded in these financial statements. As such, during the audit we were unable to obtain sufficient and appropriate audit evidence as to the recoverable value of the mentioned fixed assets as of 31 December 2015 and the amount of impairment adjustment required.
2. As disclosed in Note 15 of these financial statements, as of 31 December 2015 the Company's balance sheet includes non-current investment in associate SIA Remars Granula in the amount of EUR 1.2 million. As disclosed in Note 22, the Company's balance sheet also includes receivables from the mentioned associate in the amount of EUR 1.3 million. During the audit, we were unable to obtain sufficient and appropriate audit evidence to assess the recoverable value of these assets and to determine whether any impairment adjustments are necessary.

3. As disclosed in Note 17 of these financial statements, as of 31 December 2015 the Company's balance sheet includes inventories with the total carrying value of EUR 2 million. In 2015 the Company established allowance for slow moving inventories in the amount of EUR 0.4 million. During the audit, we were unable to obtain sufficient and appropriate audit evidence to assess whether the aforementioned allowance had to be recognized in current or in previous periods.

Qualified Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements referred to above give a true and fair view of the financial position of Rīgas kuģu būvētava AS as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia "On Annual Reports".

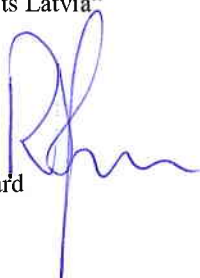
Report on Other Legal and Regulatory Requirements

We have read the management report for 2015, set out on pages 4 - 5 of the accompanying annual report for 2015, and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2015.

SIA "Deloitte Audits Latvia"
Licence nr. 43

Roberts Stugis
Member of the Board

Rīga, Latvia
25 April 2016



Kitija Kepite
Certified auditor of Latvia
Certificate No. 182

**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 EUR	(Restated*)2014 EUR
Net sales	3	21 198 560	17 659 180
Cost of sales	4	<u>(19 500 935)</u>	<u>(17 825 507)</u>
Gross profit (loss)		1 697 625	(166 327)
Selling expenses	5	(19 827)	(11 435)
Administrative expenses	6	(947 599)	(1 055 341)
Other operating income	7	1 682 027	1 891 855
Other operating expenses	8	(1 629 711)	(1 526 612)
Interest and similar income	9	78 805	56 419
Interest and similar expenses	10	<u>(407 802)</u>	<u>(421 662)</u>
Profit (loss) before taxes		453 518	(1 233 103)
Corporate income tax	11	-	-
Deferred income tax	11(a)	(97 125)	317 657
Other taxes	12	<u>(134 211)</u>	<u>(133 231)</u>
Net profit (loss) for the year		222 182	(1 048 677)
Earnings per share		0,02	(0,09)

* See the note No.42

The accompanying notes on pages 14 to 38 are an integral part of these financial statements.

These financial statements were signed on 25 April 2016 on the Company's behalf by:

Janis Skvarnovics
(Chairman of the Board)

Jekaterina Melnika
(Member of the Board)

Einars Buks
(Member of the Board)

**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
BALANCE SHEET AS OF 31 DECEMBER 2015**

ASSETS	Notes	31.12.2015 EUR	(Restated*) 31.12.2014 EUR
Non-current assets			
Intangible assets	13	55 458	95 557
Fixed assets			
Land and buildings		8 022 928	8 241 782
Leasehold improvements		-	3 358
Equipment and machinery		4 516 767	4 535 036
Floating docks		16 562 568	16 082 747
Other fixed assets		434 967	205 530
Fixed assets under construction		525 090	329 054
Advances for fixed assets		9 562	7 114
Total fixed assets	14	<u>30 071 882</u>	<u>29 404 621</u>
Investment property	14 (a)	490 502	524 024
Non-current financial investments			
Investments in associates	15	4 830 590	4 830 590
Securities		235	235
Loans and non-current receivables	16	1 158 614	1 218 022
Total non-current financial investments		<u>5 989 439</u>	<u>6 048 847</u>
Total non-current assets		<u>36 607 281</u>	<u>36 073 049</u>
Current assets			
Inventories			
Raw materials and consumables	17	1 933 874	2 591 561
Work in progress	18	137 070	389 534
Unfinished orders	19	28 753	41 944
Advances for inventories	20	164 437	582 149
Total inventories		<u>2 264 134</u>	<u>3 605 188</u>
Account receivable			
Trade receivables	21	1 702 607	1 650 559
Receivables from associates	22	1 277 673	1 267 828
Other receivables	23	1 276 418	336 840
Deferred expense	24	28 678	38 115
Accrued income	25	1 062 734	3 788 414
Total receivables		<u>5 348 110</u>	<u>7 081 756</u>
Cash and bank	26	132 200	65 127
Total current assets:		<u>7 744 444</u>	<u>10 752 071</u>
TOTAL		<u>44 351 725</u>	<u>46 825 120</u>

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RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
BALANCE SHEET AS OF 31 DECEMBER 2015

EQUITY, PROVISIONS AND LIABILITIES	Notes	31.12.2015.	(Restated*)
		EUR	31.12.2014.
			EUR
Equity			
Share capital	27	16 340 950	16 607 912
Non-current investments revaluation reserve	28	12 056 273	12 056 273
Reserves			
other reserves		266 962	-
Retained earnings			
prior year's retained earnings		2 231 051	3 279 728
net profit (loss) for the year		222 182	(1 048 677)
Total retained earnings		<u>2 453 233</u>	<u>2 231 051</u>
Total equity		<u>31 117 418</u>	<u>30 895 236</u>
Provisions	29	1 643	6 530
Non-current liabilities			
Loans from banks	31	1 900 000	-
Deferred income	30	638 367	710 487
Leasing liabilities	32	42 216	71 477
Other loans	33	1 182 863	872 100
Deferred tax liabilities	11(b)	2 685 427	2 588 302
Total non-current liabilities		<u>6 448 873</u>	<u>4 242 366</u>
Current liabilities			
Loans from banks	31	-	1 900 000
Other loans	33	762 909	1 200 776
Leasing liabilities	32	29 660	38 736
Advances from customers	34	1 589 864	3 034 640
Trade payables	35	2 686 385	3 802 548
Payables to associates	36	472 203	70 214
Taxes and social insurance payments	37	275 239	500 447
Other liabilities	38	452 692	349 357
Deferred income	30	72 120	72 120
Dividends unpaid	39	25 680	32 540
Accrued liabilities	40	417 039	679 610
Total current liabilities:		<u>6 783 791</u>	<u>11 680 988</u>
Total liabilities:		<u>13 232 664</u>	<u>15 923 354</u>
TOTAL		<u>44 351 725</u>	<u>46 825 120</u>

* See the note No.42

The accompanying notes on pages 14 to 38 are an integral part of these financial statements.

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 (Chairman of the Board)

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 Einars Buks
 (Member of the Board)

**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital	Non-current investments revaluation reserve	Other reserves	Retained earnings	Total
	EUR	EUR		EUR	EUR
Balance as of 31 December 2013	16 607 912	12 056 273	-	3 279 728	31 943 913
Net loss for the year (*)	-	-		(1 048 677)	(1 048 677)
Balance as of 31 December 2014	16 607 912	12 056 273	-	2 231 051	30 895 236
Reserves drawn up in the result of the denomination	(266 962)	-	266 962	-	-
Net profit for the year	-	-	-	222 182	222 182
Balance as of 31 December 2015	16 340 950	12 056 273	266 962	2 453 233	31 117 418

* See the note No.42

The accompanying notes on pages 14 to 38 are an integral part of these financial statements.

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**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 EUR	2014 EUR
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Sales and service income		23 295 613	22 569 547
Cash to suppliers, personnel and other primary activity costs		<u>(22 523 355)</u>	<u>(19 324 186)</u>
Gross cash flow generated from/(used in) operating activities		772 258	3 245 361
Interest paid		(299 298)	(268 645)
Corporate income tax paid	37	<u>(79)</u>	<u>(11 202)</u>
Net cash flow generated from /(used in) operating activities		472 881	2 965 514
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of fixed and intangible assets		(595 505)	(2 373 884)
Proceeds from sales of fixed assets and intangible assets		240 317	552 356
Loans issued		(493 841)	(1 816)
Repayment of loans		2 441	-
Interest received		15 748	17 695
Net cash flow used in investing activities		(830 840)	(1 805 649)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received		860 000	4 245 000
Loans repaid		(435 000)	(6 483 240)
Received subsidies		-	561 147
Dividends paid		-	(122)
Net cash flow (used in)/ generated from financing activities		425 000	(1 677 215)
Net foreign exchange gains/losses		32	(93)
Net decrease in cash and cash equivalents		<u>67 073</u>	<u>(517 443)</u>
Cash and cash equivalents at the beginning of the financial year		65 127	582 570
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		<u>132 200</u>	<u>65 127</u>

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RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

Rigas kugu buvetava JSC is registered in the Republic of Latvia on 5th of December, 1991 (further in text – the Company). The Company is registered as a joint stock company in the Commercial Register of the Republic of Latvia and the legal and business activity address is: Gales street 2, Riga, Latvia. The registration number in the Register of companies of the Republic of Latvia is 40003045892.

The main activities of the Company are building and repair of ships, yachts, catamarans, containers, trailers and technological equipment, as also port services, woodworking and making of furnitures that are envisaged to various functional purposes.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the laws of the Republic of Latvia on Accounting and on Annual Reports, law No 481 on Cash flow and changes in equity as of 21.06.2011 and law No 488 on Application of financial report law

The financial statements have been prepared on the historical cost basis except for floating docks (included in property, plant and equipment) which are stated at their revalued amounts.

The financial statements cover the period from 1 January to 31 December 2015.

The statement of profit and loss is prepared according to the function of expense method.

The statement of cash flows is prepared using the direct method.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied also during the previous reporting year, unless otherwise stated.

ACCOUNTING POLICIES

Foreign currencies

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company's functional and presentation currency. Until 1 January 2014, when Latvia joined the Euro zone and the Latvian Lat was replaced by the EUR, the Company carried out its accounting records and prepared its financial statements in the Latvian Lat. Since that date, the Company's accounting records have been carried out in the EUR. The conversion to the EUR was done using the official exchange rate set by the Bank of Latvia – 1 EUR/0.702804 Latvian Lat.

Until 1 January 2014, all transactions denominated in foreign currencies were translated into the Latvian Lats at the Bank of Latvia official rate of exchange prevailing on the transaction day. Starting from 1 January 2014, all transactions denominated in foreign currencies are translated into the EUR at the European Central Bank rate of exchange prevailing on the transaction day. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the European Central Bank rate of exchange prevailing on 31 December.

The exchange rates established by the European Central Bank are as follows:

	31.12.2015.	31.12.2014.
	EUR	EUR
1 USD	0,91853	0,82366
1 RUB	0,012396	0,01382
1 GBP	1,36249	1,28386

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies into the EUR are recognised in the statement of profit or loss.

RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of value added tax. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized according to the following principles:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services, ship repairs and construction

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date, which is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in the statement of profit and loss.

Interest income

Interest income is recognized in the statement of profit and loss on an accrual basis of accounting using the effective interest rate method.

Dividends

Dividend income is recognised when the right to receive the payment is established.

Intangible assets

Intangible assets primarily comprise software licences. All intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation of the assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. Software licences are amortised over a period of 5-10 years.

RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The cost comprises the purchase price, transportation costs, installation, and other directly attributable expenses related to the acquisition or implementation. The cost of a self-constructed item of property, plant and equipment includes the cost of direct materials, services and workforce.

Subsequent to initial recognition, all items of property, plant and equipment, except for floating docks are stated at historical cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss for the period in which they incurred.

Land is not depreciated. Depreciation of other assets is commenced when the assets are ready for their intended use and calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Depreciation rate:
Buildings	2 - 15
Other buildings and constructions	3.5 - 20
Equipment and machinery	5 - 50
Other fixed assets	10 - 40

The residual value and estimated useful life of an asset is reviewed and adjusted, if necessary, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the carrying amount and the sales proceeds of the asset and is recognised in the statement of profit or loss.

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other directly attributable expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Leasehold improvements are amortised over the shorter of the useful life of the improvement and the term of the lease agreement.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as the Company's owned assets.

The Company capitalises items of property, plant and equipment with initial cost exceeding EUR 150 and useful life exceeding one year.

Floating docks are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

During revaluation accumulated depreciation is taken out from initial asset value. The net amount is included in reevaluated amount. Revaluations are performed with sufficient regularity, but not less frequently than every 5 years, such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Increases in the carrying amount arising on revaluation net of deferred tax are credited to 'non-current asset revaluation reserve' in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; any further decreases are charged to the statement of profit and loss. The revaluation reserve is transferred to the statement of profit and loss on the disposal of the revalued asset.

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Investment property

Investment property is land, buildings or part these items held by the Company (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost of an asset can be measured reliably.

An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequent to initial recognition, investment property is stated at historical cost, less accumulated depreciation and accumulated impairment losses.

Investments in subsidiaries and associates and other financial investments

Investments in subsidiaries (i.e. where the Company holds more than 50% of interest in the share capital or otherwise controls the investee company) are measured initially at cost. Control is achieved where the Company has the power to govern the financial and operating policies of the investee company.

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee company but is not control or joint control over those policies. Investments in associates are initially measured at cost.

Other financial investments represent investments in the share capital of another company which does not exceed 20% of the company's total share capital.

Subsequent to initial recognition, all investments are stated at historical cost less any accumulated impairment losses. The carrying amounts of investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit and loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in, first-out FIFO method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution. If necessary, allowance is made for obsolete, slow moving and defective stock.

Financial assets

Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition all loans are stated at amortised cost, using the effective interest rate method. Differences between the principal amount and the repayable value are gradually recognised in the statement of profit and loss over the period of the loan.

Loans are classified as current receivables if the maturity term does not exceed 12 months from the end of reporting period.

At each balance sheet date the Company assesses whether there is objective evidence that the carrying amount of loans may not be recoverable. The Company assesses each loan individually. If there is objective evidence that an impairment loss has incurred, the amount of the loss is recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment loss is recognised in the statement of profit and loss as other operating expenses.

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Trade receivables

Trade receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the statement of profit and loss as other operating expenses.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit and loss.

Trade receivables are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current accounts with banks and short-term deposits held at call with banks with the initial maturity of less than 90 days.

Accrued income

Accrued income represents earned revenue for services that were provided during the reporting period but invoiced during the next reporting period.

Deferred expenses

Expenses paid before the balance sheet date, that relate to the next reporting periods, are recognised as deferred expenses.

Dividends

Dividends are recorded in the financial statements of the Company in the period in which they are approved by the Company's shareholders.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition all borrowings are stated at amortised cost, using the effective interest rate method.

Differences between the proceeds and the redemption value are gradually recognised in the statement of profit and loss over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability at least for 12 months after the end of reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they incurred.

Leases

Leases of assets under which the lessee assumes substantially all the risks and rewards of ownership associated with the asset are classified as finance leases. All other leases are classified as operating leases.

The Company as lessor

When the Company's assets are leased out under an operating lease, income from operating leases is recognised in the statement of profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and reduce the amount of income recognised over the lease term.

If the Company is a lessor in a finance lease arrangement, it recognises the asset in the balance sheet as a receivable at an amount equal to the present value of the lease payments. Lease income is recognised over the term of the lease on the basis of constant periodic rate of return.

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The Company as lessee

Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

If the Company is a lessee in a finance lease arrangement, it recognises in the balance sheet the asset as an item of property, plant and equipment and a lease liability measured as the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the balance of liability outstanding. The interest element of the lease payment is charged to the statement of profit or loss over the lease period. The item of property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Accordingly, grants whose primary condition is that the Company should purchase or construct non-current assets are recognised as deferred revenue in the balance sheet and transferred to the statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the statement of profit or loss in the period in which they become receivable.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. Otherwise, they are classified as non-current liabilities.

Deferred income

Deferred income represents non-current and current portion of advances received from customers for services which have not been yet provided at the balance sheet date. Deferred income is initially recognised at the present value of consideration received. Income is recognised in the statement of profit or loss in the period when the services have been provided to customers.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of provisions to be reimbursed for example under an insurance contract the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expenses relating to any provision are presented in the statement of profit and loss net of any reimbursement.

Accrual for unused employee vacations

Accrual for unused vacations is computed by multiplying employees' average salary for the last 6 months by the number of unused vacation days at the end of the reporting year, additionally calculating employers' mandatory social insurance contributions.

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Corporate income tax

Corporate income tax includes current and deferred taxes.

Current corporate income tax calculated in accordance with tax regulations of the Republic of Latvia applying a rate of 15% on taxable income generated by the Company during the taxation period.

Deferred income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred income tax assets and liabilities are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from different rates of accounting and tax depreciation of property, plant and equipment, certain non-deductible provisions and accruals as well as from tax losses carried forward.

Deferred tax assets are only recognised in these financial statements where their recoverability is foreseen with reasonable certainty.

Events after the reporting date

Post-year-end events that provide additional information about the Company's position at the balance sheet date (restated events) are reflected in the balance sheet. Post-year-end events that are not restated events are disclosed in the notes to the financial statements when material.

Use of estimates and critical judgments

The legislation of the Republic of Latvia requires that in preparing the financial statements the management of the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

Allowance for doubtful trade receivables

The Company's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Company's management has evaluated the trade receivables and considers that it is not necessary to make an additional significant allowance as of 31 December 2015.

Net realisable value of inventories

The Company's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories then an allowance is recorded. The Company's management has evaluated the net realisable value of inventories and considers that it is not necessary to make an additional significant allowance as of 31 December 2015.

Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed at each balance sheet date and changed, if necessary, to reflect the Company's management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.

The carrying amounts of property, plant and equipment

The Company's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Company's planned level of activities and the estimated market value of the assets, the Company's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2015.

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Revaluation of floating docks

The Company's management evaluates whether there have been significant changes in the fair values floating docks which are carried at their revalued amounts. The management considers that the fair values of the revalued assets approximate their carrying amounts, and, therefore, no significant adjustments to the carrying amounts of the are necessary as of 31 December 2015.

Carrying amounts of issued loans

The Company's management evaluates the carrying amounts of issued loans and evaluates their recoverability, making an allowance for doubtful loans, if necessary. The Company's management has evaluated the issued loans and considers that it is not necessary to make an additional significant allowance as of 31 December 2015.

Deferred tax asset on tax losses to be carried forward

A deferred tax asset is recognised on all tax losses to be carried forward as of 31 December 2015. The Company's management assumes that it is probable that the Company will have sufficient taxable profits in the future against which the tax losses will be utilised.

The carrying amounts of investments in associate

The Company's management reviews the carrying amounts of the investments in associates and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on investments in associates based on the expected future returns of the assets. The Company's management considers that no significant adjustments to the carrying values of the investments in associates are necessary as of 31 December 2015.

The determination of ship buildings construction contract stage of completion

At each balance sheet date the Company's management evaluates the stage of completion of unfinished construction contracts and the associated revenue and costs. Based on the assessment made as of 31 December 2015 and information available at the date of these financial statements, the Company's management considers that the no additional significant adjustments in relation to construction contracts are necessary as of 31 December 2015.

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3. Net sales

	2015	2014
	EUR	EUR
Business segments:		
Ship repair	17 342 867	9 640 988
Shipbuilding	3 530 025	7 710 590
Mechanical engineering	323 434	299 512
Other works	2 234	8 090
Total	<u>21 198 560</u>	<u>17 659 180</u>

	2015	2014
	EUR	EUR
Geographical markets:		
Denmark	3 914 881	3 827 469
Cyprus	2 441 529	2 289 316
Greece	1 898 631	1 067 974
Germany	1 732 461	1 464 336
Russia	1 637 358	173 895
Marshall Island	1 532 458	373 197
Belgium	1 504 812	1 467 931
Norway	1 205 254	686 591
Poland	1 097 997	-
Latvia	1 041 044	785 176
Bulgaria	925 026	-
Singapore	897 251	879 195
Monako	722 580	5 124
Finland	281 996	2 393 031
The Netherlands	186 340	694 418
Sweden	143 689	786 402
Estonia	27 369	220 410
Lithuania	6 932	-
Iceland	952	243 855
Italy	-	293 500
Malta	-	7 360
Total	<u>21 198 560</u>	<u>17 659 180</u>

4. Cost of sales

	2015	2014
	EUR	EUR
Purchase costs of goods sold	(12 925 603)	(11 427 238)
Salary expenses	(3 789 864)	(3 904 979)
Depreciation of fixed assets	(1 228 087)	(1 251 838)
Social insurance	(858 516)	(888 906)
Provisions for annual leave expenses	(1 817)	-
Other costs	(697 048)	(352 546)
Total	<u>(19 500 935)</u>	<u>(17 825 507)</u>

5. Selling expenses

	2015	2014
	EUR	EUR
Advertising expenses	(19 827)	(11 435)
Total	<u>(19 827)</u>	<u>(11 435)</u>

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6. Administrative expenses

	2015	2014
	EUR	EUR
Remuneration of the Council members	(228 796)	(199 268)
Remuneration of the Board members	(168 717)	(187 281)
Salary expenses (administration)	(145 210)	(190 329)
Transportation costs, travelling allowances	(118 637)	(96 114)
Social insurance	(113 951)	(125 738)
Representative vehicle maintenance expenses	(59 511)	(96 228)
Depreciation of fixed assets	(40 918)	(38 389)
Representation costs	(21 026)	(23 462)
Communication costs	(18 407)	(19 589)
Audit expenses	(17 000)	(17 000)
Office rent and utilities	(10 649)	(14 108)
Insurance	(3 657)	(5 376)
Legal services	(1 120)	(42 459)
Total	(947 599)	(1 055 341)

7. Other operating income

	2015	2014
	EUR	EUR
Income from rent and delivered utility services	635 736	951 633
Sale of materials	393 874	345 559
Proceeds from the sale of quotas	209 677	-
Written-off accounts payable	134 330	132 585
Net income from sales of fixed assets (Note 14)	87 649	150 993
Tugboat services income	81 318	96 916
Income from EU fund projects	72 120	60 698
Net income from exchange rate fluctuations	11 715	10 513
Transport services	10 708	12 458
Chemical analyses	875	430
Decrease of provisions for unused annual leave	-	77 767
Other income	44 025	52 303
Total	1 682 027	1 891 855

8. Other operating expenses

	2015	2014
	EUR	EUR
Leased fixet assets maintenance costs	(711 429)	(778 131)
Provisions for inventories	(370 000)	-
Material expenses	(353 347)	(332 051)
Costs on tugboat services	(39 660)	(76 615)
Representation costs 60%	(33 571)	(38 082)
Provisions for bad and doubtful debts	(56 152)	(203 251)
Medical services	(13 151)	(12 234)
Material allowances, gifts	(12 704)	(9 941)
Warranty repairs	(10 000)	(15 000)
Burial expenses	(4 895)	(3 063)
Donations	(3 219)	(3 575)
Net loss from sale of foreign currency	(336)	(123)
Other expenses	(21 247)	(54 546)
Total	(1 629 711)	(1 526 612)

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9. Interest and similar income

	2015	2014
	EUR	EUR
Interest income on loans issued	78 751	56 419
Penalties received	54	-
Total	<u>78 805</u>	<u>56 419</u>

10. Interest and similar expenses

	2015	2014
	EUR	EUR
Interest expenses for loans	(231 500)	(228 800)
Penalties paid	(126 139)	(80 294)
Bank charges for guarantees	(49 154)	(87 246)
State fee	(1 009)	(25 322)
Total	<u>(407 802)</u>	<u>(421 662)</u>

11. Corporate income tax

11. (a) Components of corporate income tax:

	2015	2014
	EUR	EUR
Changes in deferred income tax	(97 125)	317 657
Corporate income tax of the financial year	-	-
Total	<u>(97 125)</u>	<u>317 657</u>

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the 15% rate stipulated by the law to profit before taxation:

	2015	2014
	EUR	EUR
Profit/(loss) before tax	453 518	(1 233 103)
Real estate tax	(134 211)	(133 231)
Profit/(loss) before corporate income tax	<u>319 307</u>	<u>(1 366 334)</u>
Corporate income tax at the statutory rate of 15%	47 896	(204 950)
Tax effect of:		
Non-deductible expenses for tax purposes	42 024	57 041
Effect of unrecognised deferred tax asset from previous years	-	(220 267)
Other	7 205	50 519
Total	<u>97 125</u>	<u>(317 657)</u>

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11. (b) Movement and components of deferred tax:

	31.12.2015	31.12.2014
	EUR	EUR
Deferred tax liability:		
Difference between residual value of fixed assets in financial accounting and tax purposes	21 601 937	20 884 820
Total deferred tax liability	21 601 937	20 884 820
Deferred tax (assets):		
Accumulated tax loss	(3 135 391)	(3 432 705)
Provisions for inventories	(370 000)	-
Provisions for leave expenses	(192 048)	(190 231)
Provisions for warranty repair	(1 643)	(6 530)
Total deferred tax (assets)	3 699 082	3 629 466
Total temporary differences	17 902 855	17 255 354
Deferred tax liability, rate 15%	2 685 427	2 588 302
Recognised deferred tax liability	2 685 427	2 588 302

11. (c) Deferred income tax change:

	2015	2014
	EUR	EUR
Tax at the beginning of the financial year	2 588 302	2 905 959
Deferred income tax decrease	97 125	(317 657)
Total	2 685 427	2 588 302

12. Other taxes:

	2015	2014
	EUR	EUR
Real estate tax	(134 211)	(133 231)
Total	(134 211)	(133 231)

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13. Intangible assets

	Software
	EUR
Cost	
As of 01.01.2014.	344 716
Additions	-
Disposals	-
As of 31.12.2014.	344 716
Accumulated amortisation	
As of 01.01.2014.	(201 083)
Calculated	(48 076)
As of 31.12.2014.	(249 159)
Net carrying amount	
As of 01.01.2014.	143 633
As of 31.12.2014.	95 557
Cost	
As of 01.01.2015.	344 716
Additions	7 679
Disposals	(445)
As of 31.12.2015.	351 950
Accumulated amortisation	
As of 01.01.2015.	(249 159)
Calculated	(47 778)
Disposals	445
As of 31.12.2015.	(296 492)
Net carrying amount	
As of 01.01.2015.	95 557
As of 31.12.2015.	55 458

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14. Fixed assets

	Buildings, constructions	Advance payments	Leasehold improvements	Equipment and machines	Floating docks	Unfinished construction	Other Fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation								
As of 01.01.2014.	10 793 889	42 387	9 951	12 044 968	18 312 958	1 322 056	1 483 190	44 009 399
Additions	-	211 127	-	-	-	2 705 138	-	2 916 265
Disposals	-	-	(6 593)	(642 866)	-	-	(23 694)	(673 153)
Reclassified	1 910 802	(246 400)	-	1 876 777	120 685	(3 698 140)	36 276	-
As of 31.12.2014.	12 704 691	7 114	3 358	13 278 879	18 433 643	329 054	1 495 772	46 252 511
Depreciation								
As of 01.01.2014.	(4 162 362)	-	-	(8 568 111)	(2 085 893)	-	(1 234 341)	(16 050 707)
Calculated	(300 547)	-	-	(500 364)	(265 003)	-	(76 237)	(1 142 151)
Disposals	-	-	-	324 632	-	-	20 336	344 968
As of 31.12.2014.	(4 462 909)	-	-	(8 743 843)	(2 350 896)	-	(1 290 242)	(16 847 890)
Net carrying amount								
As of 01.01.2014.	6 631 527	42 387	9 951	3 476 857	16 227 065	1 322 056	248 849	27 958 692
As of 31.12.2014.	8 241 782	7 114	3 358	4 535 036	16 082 747	329 054	205 530	29 404 621
Cost/revaluation								
As of 01.01.2015.	12 704 691	7 114	3 358	13 278 879	18 433 643	329 054	1 495 772	46 252 511
Additions	-	20 491	-	-	-	2 019 096	-	2 039 587
Disposals	(88)	-	(3 358)	(918 407)	-	-	(60 054)	(981 907)
Reclassified	81 879	(18 043)	-	726 280	728 197	(1 823 060)	304 747	-
As of 31.12.2015.	12 786 482	9 562	-	13 086 752	19 161 840	525 090	1 740 465	47 310 191
Depreciation								
As of 01.01.2015.	(4 462 909)	-	-	(8 743 843)	(2 350 896)	-	(1 290 242)	(16 847 890)
Calculated	(300 733)	-	-	(600 713)	(248 376)	-	(71 405)	(1 221 227)
Disposals	88	-	-	774 571	-	-	56 149	830 808
As of 31.12.2015.	(4 763 554)	-	-	(8 569 985)	(2 599 272)	-	(1 305 498)	(17 238 309)
Net carrying amount								
As of 01.01.2015.	8 241 782	7 114	3 358	4 535 036	16 082 747	329 054	205 530	29 404 621
As of 31.12.2015.	8 022 928	9 562	-	4 516 767	16 562 568	525 090	434 967	30 071 882

Real Estate (buildings) cadastral value as of 31.12.2015. : 5 723 487 EUR (31.12.2014.: 5 723 487 EUR).
Information about assets used as collaterals for borrowings included in Notes 31 and 44.

Financial result of disposed, eliminated and sold fixed assets:

	31.12.2015.	31.12.2014.
	EUR	EUR
Historical value	978 994	666 560
Accumulated depreciation	(831 253)	(344 968)
Residual value	147 741	321 592
Revenue from selling the fixed assets	235 390	472 585
Profit from disposal of fixed assets	87 649	150 993

A number of assets that have been fully depreciated are still used in the Company's core business. The total value of such fixed assets as at 31 December 2015 is EUR 4 869 058 (31.12.2014. EUR 5 436 891).

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Impairment assessment

At the end of 2015 the Company's management assessed recoverable value of fixed assets. Recoverable value was determined using discounted cash flow model, which in this case is very sensitive to WACC rate and forecasted increase of income of coming years. Future cash flow was projected with assumption that all Company's assets are one cash generating unit. Estimated cash flows for next 5 year period were prepared using prudent forecasts, and for period exceeding 5 years the calculations were performed using extrapolation and fixed growth rate of 2%. Calculations contained assumptions that the Company will reach 25.8 million EUR turnover in 2016 and 27.3 million EUR turnover in 2017. Applied WACC rate was 11.3 %.

It was concluded that fixed assets recoverable amount calculated using discounted cash flows is lower than the fixed assets net book value, which is an indication of possible impairment. Floating docks in financial statements are recognised at their fair value of 16.5 million EUR and no indication of impairment was identified. For other fixed assets separate recoverable value calculation using discounted cash flow model has not been performed. However, based on the management's estimate of the fixed assets potential market value, impairment was not identified, therefore management, based on aforementioned, believes that the fixed assets value reported in 2015 financial statements is appropriate.

14. (a) Investment property

	Investment property EUR
Cost	
As of 01.01.2014.	839 583
Additions	5 644
As of 31.12.2014.	845 227
Accumulated depreciation	
As of 01.01.2014.	(285 113)
Calculated	(36 090)
As of 31.12.2014.	(321 203)
Net carrying amount	
As of 01.01.2014.	554 470
As of 31.12.2014.	524 024
Cost	
As of 01.01.2015.	845 227
Additions	-
As of 31.12.2015..	845 227
Accumulated depreciation	
As of 01.01.2015.	(321 203)
Calculated	(33 522)
As of 31.12.2015.	(354 725)
As of 01.01.2015.	524 024
As of 31.12.2015.	490 502

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15. Investments in associates

Shares in the capital of associates and their carrying values:

Name	31.12.2015.	Participating	Equity	Profit / (loss)
	EUR	interest	31.12.2015.	2015.
		%	EUR	EUR
Tosmares kugubuvetava JSC *	3 630 590	49.72	5 980 698	145 453
Remars Granula LTD	1 200 000	49.80	244 195	(9 866)
Total	4 830 590		6 224 893	135 587

* audited

Name	31.12.2014.	Participating	Equity	Profit / (loss)
	EUR	interest	31.12.2014.	2014
		%	EUR	EUR
Tosmares kugubuvetava JSC *	3 630 590	49.72	5 835 245	(362 204)
Remars Granula LTD	1 200 000	49.80	254 060	37 984
Total	4 830 590		6 089 305	(324 220)

* audited

16. Other loans and non-current receivables

Name / Type of Loan	As of 31.12.2014.	Loans issued in 2015	Loans granted in 2015	Disposals	Interest accrued	Currency exchange rate change	As of 31.12.2015.	Term of repayment
					Reallocati on at a short-term			
Loans to employees (students)	107 204	-	(2 595)	(68 586)	-	11 773	47 796	Y2020-2029
Loans for Tosmares kugubuvetava JSC shares	1 110 818	-	-		95 036 (95 036)	-	1 110 818	Y2020
Total	1 218 022	-	(2 595)	(68 586)	0	11 773	1 158 614	

Total amount receivable after 5 years: 24 286 EUR.

* Loans for students are with a rate of 0%, the collateral is a guarantee.

** Loans for JSC "Tosmare shipyard" shares are with a rate of 6% and in the case of non-repayment, the security shall be shares.

17. Raw materials and consumables

	31.12.2015.	31.12.2014.
	EUR	EUR
Metal, non-ferrous metals, pipes	1 549 021	1 699 192
Metal ware	67 532	73 327
Technical rubber ware	58 095	8 848
Cables	31 442	15 631
Equipment	29 864	29 248
Varnish and paint	18 473	23 977
Wire cables	8 648	7 011
Fuel	7 778	24 556
Coveralls	7 622	10 835
Household goods	3 938	3 094
Timbering	2 171	29 816
Other	519 290	666 026
Provisions for inventories	(370 000)	-
Total	1 933 874	2 591 561

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Change in allowance for obsolete and slow moving inventories:

	2015 EUR	2014 EUR
At the beginning of the reporting year	-	-
Charged to statement of profit and loss	370 000	-
Released to statement of profit and loss	-	-
Net change to statement of profit and loss*	(370 000)	-
Inventory write-off during the reporting year	-	-
At the end of the reporting year	370 000	-

* Change in the allowance is included in the statement of profit and other operating expenses (Note 8).

18. Work in progress

	31.12.2015. EUR	31.12.2014. EUR
Shipbuilding orders	137 070	389 534
Total	137 070	389 534

Work in progress contains orders with up to 10% (zero cycle) performed from total contractual value.

19. Unfinished orders

	31.12.2015. EUR	31.12.2014. EUR
Ship repair orders	24 608	39 163
Mechanical engineering orders	2 512	54
Various	1 633	2 727
Total	28 753	41 944

20. Advances for inventories

	31.12.2015. EUR	31.12.2014. EUR
For materials	164 437	582 149
Total	164 437	582 149

21. Trade receivables

	31.12.2015. EUR	31.12.2014. EUR
Book value of trade receivables	2 319 072	2 210 872
Provisions for bad and doubtful debts	(616 465)	(560 313)
Trade receivables, net	1 702 607	1 650 559

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Change in provisions	Trade receivables	Other receivables	Total
Provisions as of 31.12.2014.	560 313	46 748	607 061
Increase in provisions	56 152	-	56 152
Provisions as of 31.12.2015.	616 465	46 748	663 213

22. Receivables from associates

	31.12.2014. EUR	31.12.2015. EUR
Remars Granula LTD debt for loan according to assignment agreement *	770 000	770 000
Remars Granula SIA loan **	507 673	491 925
Tosmares kuģubūvētava AS debt for service and materials	-	5 903
Total	1 277 673	1 267 828

* Debt related to assignment (cession) agreement signed with JSC SEB Bank, JSC Rigas kugu buvetava and Remars Granula LTD, no interest charged. Property balance for the amount of EUR 2 424 579 (not audited) is pledged and secured claim amounts EUR 2 297 938.

** Loan interest rate 5%, repayment term on demand. No collateral received.

23. Other receivables

	31.12.2015. EUR	31.12.2014. EUR
Book value	1 323 166	383 588
Provisions established	(46 748)	(46 748)
Other receivables, net	1 276 418	336 840

	31.12.2015. EUR	31.12.2014. EUR
Short-term loans (interest rate 6 %)*	500 531	-
Advance payments for services	419 789	53 714
Value added tax overpaid (37 Note)	158 738	167 260
Interests	95 036	38 724
Payments personal debts	76 862	851
Payment of salary	22 259	16 204
Corporate income tax (37 Note)	-	56 207
Other receivables	3 203	3 880
Total	1 276 418	336 840

*The loan has no security, maturity date 31.12.2016.

24. Deferred expenses

	31.12.2015. EUR	31.12.2014. EUR
Travelling allowances	12 964	-
Property insurance	11 004	9 506
Renovation costs of leased fixed assets	3 358	6 592
Health insurance	1 034	9 111
Advertising expenses	-	9 585
Subscription to the press	-	86
Other expenses	318	3 235
Total	28 678	38 115

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25. Accrued income

	31.12.2015.	31.12.2014.
	EUR	EUR
Shipbuilding	721 103	3 366 752
Ship repair	141 898	421 662
Mechanical engineering orders	199 733	-
Total	<u>1 162 734</u>	<u>3 788 414</u>

26. Cash and bank

	31.12.2015.	31.12.2014.
	EUR	EUR
Cash at bank on current accounts	115 019	58 047
Cash on hand	17 181	7 080
Total	<u>132 200</u>	<u>65 127</u>

27. Share capital

Rigas kugu buvetava JSC was founded in 1991. Share capital of the Company is 16 340 950 EUR, which is comprised of 11 672 107 ordinary shares, nominal value of one share is 1 LVL (1.40 EUR). Currently there are in total 11 672 107 shares of which 10 000 000 shares are publicly traded and 1 672 107 shares are in closed issue. The joint stock company is public and its shares are quoted on exchange market JSC NASDAQ Riga on the secondary list. All shares give equal rights for receiving dividends, liquidation quotes and voting rights at the shareholders meeting. 1 share gives 1 voting right.

Amendments to the Statutes:

1. Increase of the share capital up to EUR 15 651 590 on 30 December 1998.
2. Increase of the share capital up to EUR 16 607 912 on 30 December 1999.
3. Denomination of the share capital was done in May 2015. The share capital after the denomination is 16 340 950 EUR, the nominal value of one share is 1.40 EUR.

Rigas kugu buvetava JSC shareholders:

	31.12.2015.		31.12.2014.	
	EUR	%	EUR	%
Remars-Riga JSC	8 146 872	49.86	8 279 967	49.86
Individuals	5 102 817	31.22	5 082 656	30.60
Other legal entities	3 091 261	18.92	3 245 289	19.54
Total	<u>16 340 950</u>	<u>100</u>	<u>16 607 912</u>	<u>100</u>

28. Non-current investments revaluation reserve

Based on certified appraisers valuation report, Company performed revaluation of floating docks. In 2007 Baltic Kontor LTD performed valuation of the Company's real estate (three floating docks) and as a result of the valuation estimated fair value of three floating docks which as of 20.12.2007. amounted to 17 107 000 EUR. Company's management considers that floating docks value increase is permanent and it is appropriate to value assets at their fair value. Difference arising from revaluation for the amount of 12 056 273 EUR was recognized in equity under Long-term investments revaluation reserve that was decreased by the related deferred tax liability. Subsequently in 2012 and 2014 certified appraisers performed floating docks' revaluation and concluded that estimated value does not significantly differ from previously evaluated value and no amendments into value of floating docks was recognized. In performing valuation the appraisers used a cost approach including adjustments for the docks technical condition, age and technological usefulness of the assets. The values obtained were compared to available information in the market for the similar assets.

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29. Provisions

	31.12.2015.	31.12.2014.
	EUR	EUR
Provisions for warranty repairs	1 643	6 530
Total	1 643	6 530

In accordance with the concluded agreements, the Company provides to the customers free of charge guarantee repair in accordance with universal agreement conditions during 6 months for the executed qualitative repair works and for the quality of materials during 12 months. The Board has created the provisions taking as a basis the experience of the previous years to execute such kind of the repair works.

30. Deferred income

	31.12.2015.	31.12.2014.
	EUR	EUR
1) Financing in accordance with the signed agreement in 2013 with the Ministry of Environmental Protection and Regional Development for the project implementation "Measure of the Energy efficiency in the production buildings"	414 600	457 801
2) Financing in accordance with an agreement signed in 2012 with the government agency LIAA about the EU co-financed project "Rigas kugu buvetava JSC Heating system reconstruction".	295 887	324 806
Total	710 487	782 607
Total long-term part	638 367	710 487
Total short-term part	72 120	72 120

31. Loans from banks

	31.12.2015.	31.12.2014.
	EUR	EUR
ABLV Bank JSC		
long-term part	1 900 000	-
short-term part	-	1 900 000
Total	1 900 000	1 900 000

1. In October 2013 the Company concluded with ABLV Bank JSC the Creditline contract No. 13-FP-0207 for current assets needs. The repayment term is October 18, 2017. The interest rate is 4,5% + 6 months EURIBOR. Mortgage agreement on real estate properties was signed. Pledged real estate net book value as of December 31, 2015 is 5 691 607 EUR.

2. On the 8 December 2014 there was signed the Bank Guarantee limit Agreement with JSC Baltic International Bank No. 05/10/14. As of December 31, 2015 the total Guarantee limit available is 3 514 000 EUR, used Guarantee limit is 1 374 250 EUR. As security 1st stage mortgage agreement for floating dock No 170 was signed. The mortgaged property balance sheet value as of December 31, 2015 is 10 416 958 EUR.

3. According to the JSC Baltic International Bank Client service agreement NR.952 / 01/14 and the Annex "The request for payment cards" No.1 concluded on the December 8, 2014, Company received a corporate payment cards with a total credit limit of EUR 60 000.

As collateral on November 17, 2015 entered into a pledge agreement No. 8/12/15 per tug "Nikolay Nechiporenko" pledge. The book value of the mortgaged property shall draw up a EUR 102 366.

32. Leasing liabilities

	31.12.2015.	31.12.2014.
	EUR	EUR
Total long-term part of leasing liabilities	42 216	71 477
Total short-term part of leasing liabilities	29 660	38 736
Total	71 876	110 213

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33. Other loans

	31.12.2015.	31.12.2014.
	EUR	EUR
Long-term part (interest 6%)**	1 182 863	872 100
Short-term part (interest rate 4,5%)*	762 909	1 200 776
Total	<u>1 945 772</u>	<u>2 072 876</u>

*In 2014 Company received a loan from private person, repayment term is 2016.

**In 2014 Company received a loan from international Fund, repayment term is 2018.

No assets are pledged as collateral.

34. Advances from customers

	31.12.2015.	31.12.2014.
	EUR	EUR
For shipbuilding	1 418 000	2 555 754
For ship repair	105 000	478 504
Others	66 864	382
Total	<u>1 589 864</u>	<u>3 034 640</u>

35. Trade payables

	31.12.2015.	31.12.2014.
	EUR	EUR
Payables for services	2 059 145	2 736 895
Payables for materials	627 240	1 065 653
Total	<u>2 686 385</u>	<u>3 802 548</u>

36. Payables to associates

	31.12.2015.	31.12.2014.
	EUR	EUR
Short-term part from Tosmares kugubuvetava JSC (interest rate 6 %)	472 203	70 214
Total	<u>472 203</u>	<u>70 214</u>

In 2014 Company received loan from Tosmares kugubuvetava JSC, repayment term is 2016. No collateral has been provided.

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37. Taxes and social insurance payments

	01.01.2015.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to other taxes	31.12.2015.
	EUR	EUR	EUR	EUR	EUR	EUR
Social insurance payments	131 787	1 404 478	16 588	(246 517)	(1 167 687)	138 649
Value added tax	(167 260)	(1 559 355)	-	-	1 567 877	(158 738)
Personal income tax	318 577	808 914	29 534	(569 789)	(456 200)	131 036
Corporate income tax	(56 207)	79	197	(79)	56 010	-
Real estate tax	49 234	134 211	9 985	(188 878)	-	4 552
Natural resources tax	684	3 955	-	(3 797)	-	842
Risk duty	165	1 966	-	(1 971)	-	160
Customs duty on import	-	49	-	(49)	-	-
Total	276 980	794 297	56 304	(1 011 080)	-	116 501
Tax debt	500 447					275 239
Tax overpayment*	(223 467)					(158 738)

*The overpayment of taxes is included in Other receivables (Note 23)

38. Other liabilities

	31.12.2015.	31.12.2014.
	EUR	EUR
Salaries	248 362	244 113
Other accounts payable	200 506	67 990
Payments for credit cards	2 181	6 831
Payments to personnel	893	30 423
Retention from salaries	750	-
Total	452 692	349 357

39. Dividends unpaid

	31.12.2015.	31.12.2014.
	EUR	EUR
As at the beginning of the period	32 540	37 954
Dividends calculated	-	-
Dividends paid	-	(180)
Written-off (older than 10 years)	(6 860)	(5 234)
As at the end of the period	25 680	32 540

40. Accrued liabilities

	31.12.2015.	31.12.2014.
	EUR	EUR
For services	224 991	489 379
Accrued liabilities for unused annual leave expenses	192 048	190 231
Total	417 039	679 610

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41. Staff costs and number of employees

	2015	2014
	EUR	EUR
Total remuneration to personnel		
Salary	4 332 587	4 438 252
Social insurance payments	972 467	1 004 358
Total	5 305 054	5 442 610
	2015	2014
	EUR	EUR
Incl. Personnel salary (production department)		
Salary	3 789 864	3 904 979
Social insurance payments	858 516	888 906
Total	4 648 380	4 793 885
	2015	2014
	EUR	EUR
Incl. Administration		
Salary	145 210	146 724
Social insurance payments	32 549	33 433
Total	177 759	180 157
	2015	2014
	EUR	EUR
Incl. Remuneration of the Board members		
Salary	168 717	187 281
Social insurance payments	44 629	43 898
Total	213 346	231 179
	2015	2014
	EUR	EUR
Incl. Remuneration of the Council members		
Salary	228 796	199 268
Social insurance payments	36 773	38 121
Total	265 569	237 389
	2015	2014
Average number of employees during reporting year	425	477

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42. Last year's correction

In Year 2015 after the tax audit

<u>Income statements items</u>	31.12.2014. Before corrections, EUR	Correction amount EUR	31.12.2014. After corrections, EUR
Administrative expenses	(1 001 450)	(53 891)	(1 055 341)
Deferred income tax	244 110	73 547	317 657
Net profit (loss) for the year	(1 068 333)	19 656	(1 048 677)
<u>Balance sheet items</u>			
<u>Assets</u>			
Other receivables	366 500	(29 660)	336 840
Total current assets:	10 781 731	(29 660)	10 752 071
<u>Equity,provisions and liabilities</u>			
net profit (loss) for the year	(1 068 333)	19 656	(1 048 677)
Total equity	30 875 580	19 656	30 895 236
Deferred tax liabilities	2 661 850	(73 548)	2 588 302
Taxes and social insurance payments	476 231	24 216	500 447
Total liabilities	15 972 670	(49 316)	15 923 354

43. Transactions with related parties

	Type of relationship	Goods or services sold	Purchased goods or services	Other transactions
	EUR	EUR	EUR	EUR
Remars-Riga JSC	Significant influence	412 289	1 257 571	
Tosmares kugubuvetava JSC	Associated company	283 116	2 091	588 292
Remars-Granula LTD	Associated company	-	-	15 748
Total		695 405	1 259 662	604 040

44. Off-balance liabilities

1.The Company has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid till 31.08.2028. The Comapny has the priority to extend the agreement term.

2. On the December 28, 2010 there was issued ship covered bond No.EH 28.12.2010/KO about foalting dock deposit in the favour of UniCreditBank JSC and bond is valid until the secured obligations are fully met. Ship bond is issued as a guarantee for Eiroholdings LTD obligations, that results from credit line agreement Nr. EH 01.07.2008/CL dated on July 1, 2008; creditline obligations as of December 31, 2015 is EUR 1 169 994. Maximum guarantee claim is EUR 4 183 243 . Mortgaged floating dock 791, with the balance sheet value as of December 31, 2015 EUR 5 142 292. At the date of approval of these financial statements Management considers that there is low probability that the settlement of the obligation resulting from the above mentioned agreement is likely.

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3. On December 12, 2014 between Rigas kugu buvetava JSC and ABLV Bank JSC was signed mortgage agreement No. 14-FP-0328/01 for the first mortgage on Rigas kugu buvetava JSC real estate - as security for Remars- Riga JSC liabilities that are resulting from December 12, 2014 credit agreement No. 14-FP-032. As of December 31, 2015 liabilities amounted to EUR 1 924 663. Total amount of secured claim is EUR 2 860 000. The pledged property balance sheet value as of December 31, 2015 is EUR 6 199 567. At the date of approval of these financial statements Management considers that there is low probability that the settlement of the obligation resulting from the above mentioned agreement is likely.

45. Risk management

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation. The Company manages its liquidity risk by using the cash and the bank credit line.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and cash at bank. The Company has significant exposure of credit risk with its foreign customers. The Company's policy is to ensure that cooperation is carried out with customers having appropriate credit history. In accordance with construction and repair agreements Customers are required to pay part of agreement amount in advance. If necessary, provisions for doubtful receivables are made. Receivables in the financial statements are presented at net value of receivables nominal value and provisions for doubtful receivables.

Interest rate risk

The Company is exposed to interest rate risk due to borrowings with variable interest rates. No instruments for risk hedging are used.

46. Going concern

The Company's net result for 2015 is a profit in the amount of EUR 0,2 million (net result for 2014 - loss in the amount of EUR 1.1 million), while total carrying value of fixed assets included in Company's balance sheet as of December 31, 2015 is EUR 30.1 million. The Company's ability to continue as a going concern and recoverability of fixed assets depends management's ability to ensure profitable operations of the Company and ability to settle current liabilities. These financial statements are prepared on a going concern basis and do not contain any adjustments that might be necessary if going concern assumption would not be applicable.
