

"Rīgas kuģu būvētava" AS

*Financial statements of three month of the year 2016
prepared in accordance with
requirements of Latvian statutory requirements,
(not audited)*

** 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.*

RĪGAS KUĢU BŪVĒTAVA AS REPORT ON PERIOD TILL 31ST OF MARCH 2016
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RĪGAS KUĢU BŪVĒTAVA AS REPORT ON PERIOD TILL 31ST OF MARCH 2016
GENERAL INFORMATION

Name of the company	Rīgas kuģu būvētava AS	
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	Gales street 2, Riga, LV-1015, Latvia	
Share capital of the Company	16 340 950 EUR	
Associates	Tosmares kuģubūvētava AS (49.72%) Remars Granula SIA (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	Jānis Skvarnovičs	Chairman of the Board
	Einārs Buks	Member of the Board
	Jekaterina Meļņika	Member of the Board
Names and positions of the Council	Vasiļijs Meļņiks	Chairman of the Council
	Aleksandrs Čerņavskis	Deputy Chairman of the Council
	Linards Baumanis	Member of the Council
	Valentīna Andrējeva	Member of the Council
	Gaidis Andrejs Zeibots	Member of the Council
Financial period	1 January 2016 - 31 March 2016	
Previous financial period	1 January 2015 - 31 March 2015	
Auditor's name and address	“Orients Audit & Finance” SIA LZRA Licence No. 28 Gunara Astras street 8b , Riga, LV-1082 Latvija Natalija Zaiceva SNatalija Zaiceva, LACA certificate. No. 138 Certificate No. 182	

RĪGAS KUĢU BŪVĒTAVA AS REPORT ON THREE MONTHS OF YEAR 2016
STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of Rīgas kuģu būvētava AS (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 31 March 2016 and the results of its operations and cash flows for the period 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 10 to 29. 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)

Einars Buks
(Member of the Board)

Jekaterina Meļņika
(Member of the Board)

RĪGAS KUĢU BŪVĒTAVA AS REPORT OF THREE MONTH 2016
PROFIT OR LOSS STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

	Notes	3 months 2016 EUR	3 months 2015 EUR
Net sales	3	4 143 292	4 653 047
Cost of sales	4	<u>(4 119 992)</u>	<u>(4 762 749)</u>
Gross profit (loss)		23 300	(109 702)
Distribution expenses	5	(800)	(15 433)
Administrative expenses	6	(241 855)	(234 764)
Other operating income	7	252 140	358 577
Other operating expenses	8	(220 698)	(265 860)
Interest and similar income			
Interest and similar expenses	9	<u>(67 837)</u>	<u>(76 365)</u>
Loss before taxes		(255 750)	(343 547)
Corporate income tax			
Deferred income tax			
Other taxes	10	<u>(39 086)</u>	<u>(33 553)</u>
Net loss for the period		<u>(294 836)</u>	<u>(377 100)</u>
Loss per share		(0.025)	(0.032)

The accompanying notes on pages 10 to 29 are an integral part of these financial statements.

These financial statements were signed on 31 May 2016 on the Company's behalf by:

Janis Skvarnovics
(Chairman of the Board)

Einars Buks
(Member of the Board)

Jekaterina Meļņika
(Member of the Board)

BALANCE SHEET AS OF 31 MARCH 2016

ASSETS	Notes	31.03.2016 EUR	31.03.2015 EUR
Non-current assets			
Intangible assets	11	43 125	83 612
Fixed assets			
Land and buildings		7 949 810	8 169 679
Leasehold improvements		-	3 358
Equipment and machinery		4 511 190	4 335 761
Floating docks		16 498 759	16 020 753
Other fixed assets		413 489	190 051
Fixed assets under construction		658 964	1 154 916
Advances for fixed assets		18 550	7 114
Total fixed assets	12	30 050 762	29 881 632
Investment property	12 (a)	482 122	515 642
Non-current financial investments			
Investments in associates	13	4 830 590	4 830 590
Securities		235	235
Loans and non-current receivables	14	1 158 614	1 218 022
Total non-current financial investments		5 989 439	6 048 847
Total non-current assets		36 565 448	36 529 733
Current assets			
Inventories			
Raw materials and consumables	15	1 923 942	2 489 557
Work in progress	16	81 653	190 542
Unfinished orders	17	89 107	41 532
Advances for inventories	18	165 605	170 492
Total inventories		2 260 307	2 892 123
Account receivable			
Trade receivables	19	826 959	1 615 908
Receivables from associates	20	1 277 708	1 263 534
Other receivables	21	1 378 996	734 151
Deferred expense	22	6 743	12 961
Accrued income	23	2 764 789	5 030 873
Total receivables		6 255 195	8 657 427
Cash and bank	24	40 545	10 064
Total current assets:		8 556 047	11 559 614
TOTAL		45 121 495	48 089 347

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 (Chairman of the Board)

 Jekaterina Melņika
 (Member of the Board)

 Einars Buks
 (Member of the Board)

**RĪGAS KUĢU BŪVĒTAVA AS REPORT OF THREE MONTH 2016
BALANCE SHEET AS OF 31 MARCH 2016**

	Notes	31.03.2016. EUR	31.03.2015. EUR
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	25	16 340 950	16 607 912
Non-current investments revaluation reserve	26	12 056 273	12 056 273
Reserves			
other reserves		266 962	-
Retained earnings			
prior year's retained earnings		2 453 233	2 211 395
net loss for the year		(294 836)	(377 100)
Total retained earnings		2 158 397	1 834 295
Total equity		30 822 582	30 498 480
Provisions	27	1 643	6 530
Non-current liabilities			
Loans from banks	29 (a)	1 900 000	-
Deferred income	28 (a)	620 337	692 457
Leasing liabilities	30 (a)	36 690	62 018
Other loans	31 (a)	1 182 669	1 165 000
Deferred tax liabilities		2 685 427	2 661 850
Total non-current liabilities		6 425 123	4 581 325
Current liabilities			
Loans from banks	29 (b)	-	1 900 000
Other loans	31 (b)	762 909	1 165 000
Leasing liabilities	30 (b)	25 704	39 314
Advances from customers	32	2 461 829	4 188 434
Trade payables	33	2 786 802	3 934 754
Payables to associates	34	476 901	93 184
Taxes and social insurance payments	35	436 155	497 314
Other liabilities	36	467 869	410 215
Deferred income	28 (b)	72 120	72 120
Dividends unpaid	37	25 680	32 540
Accrued liabilities	38	356 178	670 137
		7 872 147	13 003 012
Total current liabilities:		14 297 270	17 584 337
Total liabilities:		45 121 495	48 089 347

The accompanying notes on pages 10 to 29 are an integral part of these financial statements.

These financial statements were signed on 31 May 2016 on the Company's behalf by:

Janis Skvarnovics
(Chairman of the Board)

Einars Buks
(Member of the Board)

Jekaterina Meļņika
(Member of the Board)

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

	Share capital	Non-current investments revaluation reserve	Other reserves	Retained earnings	Total
	EUR	EUR		EUR	EUR
Balance as of 31 December 2014	16 607 912	12 056 273	-	2 211 395	30 875 580
Net loss for the period	-	-	-	(377 100)	(377 100)
Dividends	-	-	-	-	-
Balance as of 31 March 2015	16 607 912	12 056 273	-	1 834 295	30 498 480
Balance as of 31 December 2015	16 340 950	12 056 273	266 962	2 453 233	31 117 418
Net loss for the period	-	-	-	(294 836)	(294 836)
Dividends	-	-	-	-	-
Balance as of 31 March 2016	16 340 950	12 056 273	266 962	2 158 397	30 822 582

The accompanying notes on pages 10 to 29 are an integral part of these financial statements.

These financial statements were signed on 31 May 2016 on the Company's behalf by:

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RĪGAS KUĢU BŪVĒTAVA AS REPORT OF THREE MONTH 2016
CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

	Notes	3 months 2016 EUR	3 months 2015 EUR
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Sales and service income		4 306 773	4 980 840
Cash to suppliers, personnel and other primary activity costs		(4 310 595)	(4 904 491)
Gross cash flow generated from/(used in) operating activities		(3 822)	76 349
Interest paid		(63 334)	(76 365)
Corporate income tax paid			
Net cash flow generated from /(used in) operating activities		(67 156)	(16)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Sale of shares		-	-
Acquisition of fixed and intangible assets		(15 002)	(504 334)
Proceeds from sales of fixed assets and intangible assets		-	134 237
Loans issued		-	-
Interest received		-	-
Net cash flow used in investing activities		(15 002)	(370 097)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received		-	315 000
Loans repaid		(9 482)	-
Received subsidies		-	-
Dividends paid		-	-
Net cash flow (used in)/ generated from financing activities		(9 482)	315 000
Net foreign exchange gains/losses		(15)	50
Net decrease in cash and cash equivalents		(91 655)	(55 063)
Cash and cash equivalents at the beginning of the financial year		132 200	65 127
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		40 545	10 064

The accompanying notes on pages 10 to 29 are an integral part of these financial statements.

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Jekaterina Meļņika
(Member of the Board)

1. GENERAL INFORMATION

Rīgas kuģu būvētava AS 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.

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 March 2016.

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 period, unless otherwise stated.

ACCOUNTING POLICIES

Foreign currencies

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 March.

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

	31.03.2016.	31.03.2015.
	EUR	EUR
1 USD	0.8783	0.9221
1 RUB	0.0131	0.0160
1 GBP	1.2633	1.3646

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.

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;
- 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.

Property, plant and equipment

The cost of an item of property, plant and equipment is recognized 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 recognized 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 the value is calculated using the straight-line method in compliance with the following depreciation rates on fixed assets set by the management to allocate their cost to their residual values over their estimated useful lives, as follows:

	Depreciation rate:
Buildings	2 - 15
Other buildings and constructions	2.5 - 20
Equipment and machinery	2 - 50
Other fixed assets	8 - 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.

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.

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.

RĪGAS KUĢU BŪVĒTAVA AS REPORT OF THREE MONTH 2016
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

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 revenue

Accrued revenue 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.

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 revenue

Deferred revenue 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 revenue is initially recognised at the present value of consideration received. Revenue 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 period, additionally calculating employers' mandatory social insurance contributions.

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.

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.

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.

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.

Revaluation of floating docks

The Company's management evaluates whether there have been significant changes in the fair values of floating docks which are carried at their revalued amounts. The management considers that the fair values of the revalued floating docks approximate their carrying amounts.

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.

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 March 2016. 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 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.

RĪGAS KUĢU BŪVĒTAVA AS REPORT OF THREE MONTH 2016
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

3. Net sales

	3 months of 2016	3 months of 2015
	EUR	EUR
Business segments:		
Ship repair	2 505 328	3 588 392
Shipbuilding	1 510 858	970 912
Mechanical engineering	124 623	92 591
Other works	2 483	1 152
Total	4 143 292	4 653 047

4. Cost of sales

	3 months of 2016	3 months of 2015
	EUR	EUR
Material costs and services from outside	(1 020 274)	(1 403 049)
Contragents services	(1 050 751)	(1 480 128)
Salary expenses	(962 826)	(891 616)
Depreciation of fixed assets	(317 911)	(306 277)
Social insurance	(218 829)	(202 409)
Electricity costs	(168 522)	(197 469)
Heat energy costs	(165 890)	(162 680)
Other costs	(214 989)	(119 121)
Total	(4 119 992)	(4 762 749)

5. Distribution expenses

	3 months of 2016	3 months of 2015
	EUR	EUR
Advertising expenses	(800)	(15 433)
Total	(800)	(15 433)

6. Administrative expenses

	3 months of 2016	3 months of 2015
	EUR	EUR
Remuneration of the Council members	(72 942)	(55 206)
Salary expenses (administration)	(44 970)	(32 825)
Remuneration of the Board members	(32 400)	(43 200)
Social insurance	(34 419)	(30 285)
Transportation costs, travelling allowances	(31 115)	(37 317)
Depreciation of fixed assets	(10 640)	(10 048)
Representative vehicle maintenance expenses	(5 629)	(14 056)
Communication costs	(4 387)	(3 323)
Representation costs	(3 179)	(5 415)
Office rent and utilities	(1 613)	(2 114)
Insurance	(561)	(905)
Legal services	-	(70)
Total	(241 855)	(234 764)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

7. Other operating income

	3 months of 2016	3 months of 2015
	EUR	EUR
Income from rent and delivered utility services	148 340	173 026
Sale of materials	79 360	81 059
Income from projects financing	18 030	18 030
Tugboat services income	5 011	12 807
Chemical analyses	85	305
Net income from sales of fixed assets	-	45 361
Remuneration to insurance expenditures	-	21 144
Net income from exchange rate fluctuations	-	66
Other income	1 314	6 779
Total	252 140	358 577

8. Other operating expenses

	3 months of 2016	3 months of 2015
	EUR	EUR
Leased fixet assets maintenance costs	(130 338)	(162 280)
Material expenses	(69 327)	(74 406)
Costs on tugboat services	(8 188)	(11 446)
Representation costs 60%	(5 134)	(8 404)
Medical services	(2 599)	(3 171)
Donations	(1 001)	-
Burial expenses	(828)	(2 825)
Net loss from exchange rate fluctuations	(15)	-
Net loss from sale of foreign currency	(7)	(195)
Other expenses	(3 261)	(3 133)
Total	(220 698)	(265 860)

9. Interest and similar expenses

	3 months of 2016	3 months of 2015
	EUR	EUR
Interest expenses for loans	(46 387)	(26 763)
Penalties paid	(11 521)	(8 682)
State fee	(5 779)	(430)
Bank charges for guarantees	(4 150)	(40 490)
Total	(67 837)	(76 365)

10. Other taxes:

	3 months of 2016	3 months of 2015
	EUR	EUR
Real estate tax	(39 086)	(33 553)
Total	(39 086)	(33 553)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

11. Intangible assets	Software	Advances for intangible assets	Total
	EUR		EUR
Cost			
As of 01 01 2015	344 716		344 716
Additions	-		-
Disposals	-		-
As of 31 03 2015	344 716		344 716
Acumulated amortizations			
As of 01.01.2015	(249 159)		(249 159)
Calculated	(11 945)		(11 945)
As of 31 03 2015	(261 104)		(261 104)
Net carrying amount			
As of 01 01 2015	95 557		95 557
As of 31 03 2015	83 612		83 612
Cost			
As of 01 01 2015	351 950		351 950
Additions	-		-
As of 31 03 2015	351 950		351 950
Acumulated amortizations			
As of 31 12 2015	(296 492)		(296 492)
Calculated	(12 333)		(12 333)
As of 31 03 2016	(308 825)		(308 825)
Net carrying amount			
As of 01 01 2016	55 458		55 458
As of 31 03 2016	43 125		43 125

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

12. Fixed assets

	Buildings, constru- ctions EUR	Advance payments EUR	Leasehold improve- ments PL EUR	Equipment and machines EUR	Floating docks EUR	Unfinished con- struction EUR	Other Fixed assets EUR	Total EUR
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	-	-	-	-	-	853 032	-	853 032
Disposals	-	-	-	(105 834)	-	-	-	(105 834)
Reclassified	3 406	-	-	22 426	-	(27 170)	1 338	-
As of 31 03 2015	12 708 097	7 114	3 358	13 195 471	18 433 643	1 154 916	1 497 110	46 999 709
Depreciations								
As of 01 01 2015	(4 462 909)	-	-	(8 743 843)	(2 350 896)	-	(1 290 242)	(16 847 890)
Calculated	(75 509)	-	-	(153 623)	(61 994)	-	(16 817)	(307 943)
Disposals	-	-	-	37 756	-	-	-	37 756
As of 31 03 2015	(4 538 418)	-	-	(8 859 710)	(2 412 890)	-	(1 307 059)	(17 118 077)
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 03 2015	8 169 679	7 114	3 358	4 335 761	16 020 753	1 154 916	190 051	29 881 632
Cost/revaluation								
As of 01 01 2016	12 786 482	9 562	-	13 086 752	19 161 840	525 090	1 740 465	47 310 191
Additions	-	8 988	-	-	-	277 750	-	286 738
Disposals	(270)	-	-	(27 705)	-	-	(1 019)	(28 994)
Reclassified	-	-	-	142 929	-	(143 876)	947	-
As of 31 03 2016	12 786 212	18 550	-	13 201 976	19 161 840	658 964	1 740 393	47 567 935
Depreciations								
As of 01 01 2016	(4 763 554)	-	-	(8 569 985)	(2 599 272)	-	(1 305 498)	(17 238 309)
Calculated	(73 098)	-	-	(148 506)	(63 809)	-	(22 425)	(307 838)
Disposals	250	-	-	27 705	-	-	1 019	28 974
As of 31 03 2016	(4 836 402)	-	-	(8 690 786)	(2 663 081)	-	(1 326 904)	(17 517 173)
Net carrying amount								
As of 01 01 2016	8 022 928	9 562	-	4 516 767	16 562 568	525 090	434 967	30 071 882
As of 31 03 2016	7 949 810	18 550	-	4 511 190	16 498 759	658 964	413 489	30 050 762

Real Estate (buildings) cadastral value as of 31 03 2016: 5 723 487 EUR(as of 31 03 2015: : 5 723 487 EUR).

Information about assets used as collaterals for borrowings included in Notes 29 and 39.

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12a. Investment property

	Investment property EUR
Cost	
As of 01 01 2015	845 227
Additions	-
As of 31 03 2015	845 227
Accumulated depreciation	
As of 01 01 2015	(321 203)
Calculated	(8 382)
As of 31 03 2015	(329 585)
Net carrying amount	
As of 01 01 2015	524 024
As of 31 03 2015	515 642
Cost	
As of 01 01 2016	845 227
Additions	-
As of 31 03 2016	845 227
Accumulated depreciation	
As of 01 01 2016	(354 725)
Calculated	(8 380)
As of 31 03 2016	(363 105)
Net carrying amount	
As of 01 01 2016	490 502
As of 31 03 2016	482 122

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13. Investments in associates

Shares in the capital of associates and their carrying values:

Name	31 03 2016	Participating interest	Equity	Profit/ (loss)
	EUR	%	31 03 2016 EUR	01 01 2016- 31 03 2016 EUR
AS "Tosmares kuģubūvētava"	3 630 590	49.72	5 992 110	11 413
SIA "Remars Granula"	1 200 000	49.80	244 178	(16)
Total	4 830 590		6 236 288	11 397

Name	31 03 2015	Participating interest	Equity	Profit/ (loss)
	EUR	%	31 03 2015 EUR	01 01 2015- 31 03 2015 EUR
AS "Tosmares kuģubūvētava"	3 630 590	49.72	5 779 881	(55 364)
SIA "Remars Granula"	1 200 000	49.80	246 825	(7 235)
Total	4 830 590		6 026 706	(62 599)

14. Other loans and non-current receivables

Name / Type of Loan	As of	Loans	Interest	Currency	As of	Term of
	31.03.2015	issued in	accrued	exchange	31.03.2016	repayment
		2015		rate		
				change		
Loans to employees (students)	47 796	-	-	-	47 796	2015-2029
Loans for Tosmares Kuģubūvētava AS shares	1 110 818	-	-	-	1 110 818	Year 2020
Total	1 158 614				1 158 614	

Total amount receivable after 5 years: 24 286 EUR.

15. Raw materials and consumables

	3months of 2016	3months of 2015
	EUR	EUR
Metal, non-ferrous metals, pipes	1 535 068	1 648 010
Metal ware	66 441	70 005
Equipment	34 283	60 628
Fuel	7 190	3 789
Varnish and paint	20 380	19 239
Cables	30 346	28 284
Coveralls	11 448	6 698
Technical rubber ware, isolation materials	62 062	2 355
Wire cables	7 564	15 234
Household goods	8 905	840
Other	510 255	634 475
Provisions for inventories	(370 000)	-
Total	1 923 942	2 489 557

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16. Work in progress	3 months of 2016	3 months of 2015
	EUR	EUR
Shipbuilding orders	81 653	190 542
Total	81 653	190 542
Work in progress contains orders with up to 10% (zero cycle) performed from total contractual value.		
17. Unfinished orders	3 months of 2016	3 months of 2015
	EUR	EUR
Ship repair orders	68 504	35 965
Mechanical engineering orders	16 739	3 198
Various	3 864	2 369
Total	89 107	41 532
18. Advances for inventories	3 months of 2016	3 months of 2015
	EUR	EUR
For materials	165 605	170 492
Total	165 605	170 492
19. Trade receivables	3 months of 2016	3 months of 2015
	EUR	EUR
Book value of trade receivables	1 443 424	2 176 221
Provisions for bad and doubtful debts	(616 465)	(560 313)
Trade receivables, net	826 959	1 615 908
Change in provisions (EUR)	Trade	Other
	receivables	receivables
Provisions as of 31.12.2015.	616 465	46 748
Increase in provisions	-	-
Provisions as of 31.03.2016.	616 465	46 748
20. Receivables form associates	3 months of 2016	3 months of 2015
	EUR	EUR
SIA "Remars Granula" debt for loan according to assignment agreement *	770 000	770 000
SIA "Remars Granula" loan **	507 673	491 925
AS "Tosmares kuģubūvētava" debt for service and materials	35	1 609
Total	1 277 708	1 263 534
* Debt related to assignement (cession) agreement signed with SEB bank AS, Rigas Kugu buvetava and SIA Remars Granula, collateralated by a pledge.		
** Loan interest rate 5%, repayment term on demand.		

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21. Other receivables

	3 months of 2016	3 months of 2015
	EUR	EUR
Book value	1 425 744	780 899
Provisions established	(46 748)	(46 748)
Other receivables, net	1 378 996	734 151
	3 months of 2016	3 months of 2015
	EUR	EUR
Value added tax overpaid	160 190	246 346
Corporate income tax	-	56 207
Advance payments for services	595 254	332 571
Short-term loans (interest rate 6 %)*	500 531	-
Interests	95 036	38 725
Payments personal debts	2 252	42 335
Payment of salary	22 529	16 892
Other receivables	3 204	1 075
Total	1 378 996	734 151

*The loans has no security, maturity date 31.12.2016

22. Deferred expenses

	3 months of 2016	3 months of 2015
	EUR	EUR
Property insurance	4 739	7 323
Renovation costs of leased fixed assets	1 710	4 944
Other expenses	294	694
Total	6 743	12 961

23. Accrued income

	3 months of 2016	3 months of 2015
	EUR	EUR
Shipbuilding	2 211 800	4 337 664
Ship repair	552 989	693 209
Total	2 764 789	5 030 873

24. Cash and bank

	3 months of 2016	3 months of 2015
	EUR	EUR
Cash at bank on current accounts	30 822	6 958
Cash on hand	9 723	3 106
Total	40 545	10 064

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25. 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.

AS "Rigas kuģu būvētava" shareholders

	31.03.2016	%	31.03.2015	%
	EUR		EUR	
Remars-Riga AS	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	16 340 950	100	16 607 912	100

26. Non-current investments revaluation reserve

Based on certified appraisers valuation report, Company performed revaluation of floating docks. In 2007 Baltic Kontor SIA 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 20.12.2017 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.

27. Provisions

	3 months of 2016	3 months of 2015
	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.

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28. Deferred income

	3 months of 2016 EUR	3 months of 2015 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"	403 799	447 001
2) Financing in accordance with an agreement signed in 2012 with the government agency LIAA about the EU co-financed project Rīgas kuģu būvētava AS Heating system reconstruction.	288 658	317 576
Total	692 457	764 577
(a) Total long-term part	620 337	692 457
(b) Total short-term part	72 120	72 120

29. Loans from banks

	3 months of 2016 EUR	3 months of 2015 EUR
ABLV Bank AS		
long-term part	1 900 000	-
short-term part	-	1 900 000
Total	1 900 000	1 900 000

1. On October 28, 2015 the Company had concluded with ABLV Bank JSC amendments to the October 18, 2013 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 March 31, 2016 is 5 646 421 EUR.

2. On December 8, 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 2 411 750 EUR. As security 1st stage mortgage agreement for floating dock No 170 was signed. The mortgaged property balance sheet value as of March 31, 2016 is 10 379 673 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 mortgaged property balance sheet value as of March 31, 2016 is EUR 100 398.

30. Leasing liabilities

	3 months of 2016 EUR	3 months of 2015 EUR
a) Total long-term part of leasing liabilities	36 690	62 018
b) Total short-term part of leasing liabilities	25 704	39 314
Total	62 394	101 332

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31.	Other loans	3 months of	3 months of
		2016	2015
		EUR	EUR
	a) Long-term part (interest 6%) *	1 182 669	1 165 000
	b) Short -term part (interest 4,5%)**	762 909	1 165 000
	Total	1 945 578	2 330 000

.* In the Years 2014 and 2015 Company received a loan from Foreign Fund ,the repayment term is 2018.

** In the Year 2014 Company received 2 loans from private person repayment term is 2016.

No assets are pledged as collateral.

32.	Advances from customers	3 months of	3 months of
		2016	2015
		EUR	EUR
	For shipbuilding	2 222 150	3 513 454
	For ship repair	202 734	674 980
	Others	36 945	-
	Total	2 461 829	4 188 434

33.	Trade payables	3 months of	3 months of
		2016	2015
		EUR	EUR
	Payables for services	1 997 356	2 774 822
	Payables for materials	789 446	1 159 932
	Total	2 786 802	3 934 754

34.	Payables to associates	3 months of	3 months of
		2016	2015
		EUR	EUR
	Short-term part from Tosmares kugubuvetava JSC (interest rate 6 %)	476 901	93 184
	Total	476 901	93 184

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

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35. Taxes and social insurance payments

	01.01.2016.	Calculated	Calculated	(Paid)/	Transferred	31.03.2016
	EUR	EUR	penalty	repaid	to other	EUR
			and delay	EUR	taxes	
			fees	EUR	EUR	EUR
			EUR			
Social insurance payments	138 649	365 977	127	(25 000)	(336 781)	142 972
Value added tax	(158 738)	(396 034)	-	21 993	372 589	(160 190)
Personal income tax	131 036	209 878	4 794	(55 908)	(35 808)	253 992
Corporate income tax	-	-	-	-	-	-
Real estate tax	4 552	39 086	-	(4 979)	-	38 659
Natural resources tax	842	352	-	(842)	-	352
Risk duty	160	500	-	(480)	-	180
Customs duty on import	-	-	-	-	-	-
Total	116 501	219 759	4 921	(65 216)	-	275 965
Tax debt	275 239					436 155
Tax overpayment *	(158 738)					(160 190)

* The overpayment of taxes is included in Other receivables (Note 21).

36. Other liabilities

	3 months of	3 months of
	2016	2015
	EUR	EUR
Salaries	296 944	254 150
Payments for debts	165 321	98 493
Payments to personnel	4 227	33 222
Payments for credit cards	-	24 350
Retention from salaries	1 377	-
Total	467 869	410 215

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37. Dividends unpaid	3 months of 2016	3 months of 2015
	EUR	EUR
As at the beginning of the period	25 680	32 540
Dividends calculated	-	-
Dividends paid	-	-
Written-off (older than 10 years)	-	-
As at the end of the period	25 680	32 540

38. Accrued liabilities	3 months of 2016	3 months of 2015
	EUR	EUR
For services	164 130	479 906
Accrued liabilities for unused annual leave expenses	192 048	190 231
Total	356 178	670 137

39. 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 Company has the priority to extend the agreement term.

2. On the 28 December 2010 there was issued ship covered bond No.EH 28.12.2010/KO about floating dock deposit in the favour of UniCreditBank AS and bond is valid until the secured obligations are fully met. Ship bond is issued as a guarantee for Eiroholdings SIA obligations, that results from credit line agreement No.EH 01.07.2008/CL dated on 1 July 2008; creditline obligations as of 31 marchr 2016 is 1 079 994 EUR. Maximum guarantee claim is 4 183 243 EUR . Mortgaged floating dock 791, with the balance sheet value as of 31 March 2016 5 120 793 EUR. 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.

3. On December 12 2014 between Rīgas kuģu būvētava AS and ABLV Bank AS was signed mortgage agreement No. 14-FP-0328/01 for the first mortgage on Rīgas kuģu būvētava AS real estate - as security for Remars- Riga AS liabilities that are resulting from 12 December 2014 credit agreement No. 14-FP-0328. As of 31 March 2016 liabilities amounted to 1 855 046 EUR. Total amount of secured claim is 2 860 000 EUR. The pledged property balance sheet value as of 31 March 2016 is 6 151 034 EUR. 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.
