

"Rigas kugu buvetava" JSC

ANNUAL REPORT

for the 12 months period ended 31 December 2016

(not audited)

AS "Rīgas kuģu būvētava"
GADA PĀRSKATS
par periodu līdz 2016.gada 31.decembrim

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INFORMATION ON THE COMPANY

Name of the company	Rīgas kuģu būvētava JSC
Legal status of the company	Joint stock company
Number, place and date of registration	40003045892, August 26, 2004, Commercial register, Riga 000304589, December 5, 1991, Companies register, Riga
Address	Gales street, Riga, LV-1015 Latvia
Share capital of the Company	16 340 950 EUR
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.
Associates	Tosmares kuģubūvētava JSC (49.72%) Reg.No. 42103022837 Generāla Baloza Street 42/44, Liepāja, Latvia Remars Granula LTD (49.80%) Reg.Nr. 54103022521 Gales street 2, Riga, LV-1015, Latvia
Members of the Board	Janis Skvarnovics - chairman of the board Einars Buks - member of the board Jekaterina Melnika - member of the board
Members of the Council	Vasilijš Melniks - chairman of the council Aleksandrs Cernavskis - deputy chairman of the council Linards Baumanis - member of the council Valentina Andrejeva - member of the council Gaidis Andrejs Zeibots - member of the council
Financial year	1 January - 31 December, 2016
Auditor's name and address:	Orients Audit & Finance SIA License No. 28 Gunara Astras str.8b Riga LV-1082 Latvia Certified auditor in charge Natalija Zaiceva Certificate No.138

REPORT OF THE MANAGEMENT

Company profile

In 2016 JSC Rigas kugu buvetava repaired 71 ships, which is by 2 ships more than in 2015, when repairs were made to 69 ships. Such results were achieved providing ship hulls reinforcement and insulation works during 2016 winter months without using the docks. In 2016 3 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.

As a new segment of our production range is industrial metal constructions. The Company's Board and specialists dedicated a lot of time and energy to get the company certified and receive real orders for this market sector. In 2016, upon receipt of positive references, the Company 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 under negotiation is receipt of the next orders. This new production sector allows maintaining at the high level Company's technical personnel's professional qualification, as well as to align workforce capacity during the winter months and generate extra revenue.

JSC Rīgas kuģu būvētava products and services, as well as the principal raw material suppliers have not changed. Shipbuilding customers are mainly from Scandinavian countries, ship repair – Western ship service agencies and shipping companies. The main materials and spare parts suppliers are the companies registered in Latvia and in the European Union.

Company development and financial results during reporting year

In 2016 the total net turnover of Joint-Stock Company Rigas kugu buvetava was EUR 20 653 209 EUR, including revenue from ship repair of EUR 15 416 186 and shipbuilding of EUR 5 000 120 (if compared to 2015, net turnover made up EUR 21 198 560, including shipbuilding of EUR 3 530 025 and ship repair of EUR 17 342 867).

The Company finished the reporting year with gross profit of EUR 974 297 (in 2015 - gross profit made EUR 1 564 407), in 2016 net profit amounted EUR 169 850 (2015 - net profit of EUR 222 182). In 2016 Joint-Stock Company Rigas kugu buvetava continued the investment programme, which was launched during preceding years. In 2016 investments amounted 1.7 million EUR.

Purchased fixed assets: a CNC Press Brake HPAT 220-3000, an RPD-200C Light Machine Gun, a JDN Mini 1000 air hoist, a JDN Profi 2Ti air hoist, an HDS 8/17 Hot Water High-Pressure Cleaner, a CARPARI HDD 50/2C Vertical Multistage Electric Pump + V3015 Flexible High-Speed Doors, an IL 80/220-30/2 pump, weighbridge of 60t with weighting indicator, support beams crane with lifting capacity of 30t and six basket lifts

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.

Financial risk management

The policy of financial risk management of the Company is described in financial report's Notes 43

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.

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 2016.

Proposals on distribution of the Company's profit

The management board of Joint-Stock Company Rigas kugu buvetava proposes to retain 2016 net profit of EUR 168 950 for further development of the Company.

These financial statements were signed on 28 February 2017 on the Company's behalf by:

Janis Skvarnovics
(Chairman of the Board)

Einars Buks
(Member of the Board)

Jekaterina Melnika
(Member of the Board)

AS "Rīgas kuģu būvētava"
GADA PĀRSKATS
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Management report

The management of Rīgas kuģu būvētava 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, 2016 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 6 to 28. 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:

2017 February 28

Janis Skvarnovics
Chairman of the Board

Einars Buks
Member of the Board

Jekaterina Melnika
Member of the Board

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INCOME STATEMENT

	Notes	2016 EUR	2015 EUR
Net turnover	(2)	20 653 209	21 198 560
Costs for goods sold or costs of services provided	(3)	(19 678 912)	(19 634 153)
Gross profit		974 297	1 564 407
Distribution expenses	(4)	(8 585)	(19 827)
Administrative costs	(5)	(896 206)	(947 599)
Other operating income	(6)	1 418 042	1 682 027
Other operating expenses	(7)	(933 116)	(1 630 704)
Interest and similar income incl.	(8)	101 500	78 805
<i>a) from group companies</i>		0	0
<i>a) from other parties</i>			
Interest and similar expenses incl.	(9)	(386 262)	(407 802)
<i>a) from group companies</i>		0	0
<i>b) for other parties</i>			
Profit before corporate income tax		_____	_____
Corporate income tax	(10)	0	0
Profit after corporate income tax		_____	_____
Changes in deferred tax assets or liabilities	(10)	(100 720)	(97 125)
Net profit		=====	=====
Profit per share		0,014	0,019

Notes on pages 11 to 28 are an integral part of these financial statements.

Janis Skvarnovics
Chairman of the Board

Einars Buks
Member of the Board

Marina Pudova
Chief Accounting Officer

Jekaterina Melnika
Member of the Board

Rīga, 2017 February 28

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BALANCE SHEET

		31.12.2016. EUR	31.12.2015. EUR
<u>ASSETS</u>			
Non-current assets			
Intangible assets:			
Other intangible assets	(11)	6 139	55 458
Total intangible assets:		6 139	55 458
Fixed assets:			
Immovable properties:			
a) lands, buildings and engineering structures		7 764 941	8 022 928
b) investment properties		468 283	490 502
Technological equipment and machinery		4 544 751	4 516 767
Floating docks		16 522 479	16 562 568
Other fixed assets		389 287	434 967
Fixed assets under construction		753 170	525 090
Advances for fixed assets		18 550	9 562
Total fixed assets:	(12)	30 461 461	30 562 384
Non-current financial investments:			
Investments in associates	(13)	4 830 590	4 830 590
Other securities and investments	(14)	235	235
Other loans and non-current receivables	(15)	1 630 182	1 158 614
Total non-current investments:		36 928 607	36 607 281
Current assets			
Inventories:			
Raw materials and consumables	(16)	1 984 908	1 933 874
Work in progress	(17)	204 824	165 823
Advances for inventories	(18)	191 658	164 437
Total inventories:		2 381 390	2 264 134
Account receivable:			
Trade receivables	(19)	1 586 286	1 702 607
Receivables from associates	(20)	1 293 464	1 277 673
Other receivables	(21)	939 722	1 276 418
Deferred expenses	(22)	9 986	28 678
Accrued income	(23)	3 331 241	1 062 734
Total receivables:		7 160 699	5 348 110
Cash and bank:	(24)	18 005	132 200
Total current assets:		9 560 094	7 744 444
<u>Total assets</u>		<u>46 488 701</u>	<u>44 351 725</u>

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BALANCE SHEET

		31.12.2016. EUR	31.12.2015. EUR
	Notes		
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(25)	16 340 950	16 340 950
Non-current investments revaluation reserve	(26)	11 891 225	12 056 273
Reserves:			
f) other reserves		266 962	266 962
Retained profit or uncovered losses brought forward from previous years		2 453 233	2 231 051
Current year profit or losses		168 950	222 182
Total equity:		31 121 320	31 117 418
Provisions:			
Other provisions	(27)	58 362	1 643
Total provisions:		58 362	1 643
Liabilities:			
Non-current liabilities:			
Loans from banks	(28)	0	1 900 000
Other borrowings	(29)	1 201 756	1 225 079
Deferred tax liabilities		2 757 021	2 685 427
Deferred income	(35)	566 247	638 367
Total non-current liabilities:		4 525 024	6 448 873
Current liabilities:			
Loans from banks	(28)	1 900 000	0
Other borrowings	(29)	534 132	792 569
Advances from customers	(30)	2 560 300	1 589 864
Trade payables	(31)	2 907 665	2 686 385
Payables to associates	(32)	548 916	472 203
Taxes and state social insurance payments	(33)	936 398	275 239
Other creditors	(34)	809 913	452 692
Deferred income	(35)	72 120	72 120
Unpaid dividends	(36)	18 617	25 680
Accrued liabilities	(37)	495 934	417 039
Derivative financial instruments		0	0
Total current liabilities:		10 783 995	6 783 791
Total liabilities:		15 309 019	13 232 664
<u>Total equity, provisions and liabilities</u>		<u>46 488 701</u>	<u>44 351 725</u>

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Janis Skvamovics
Chairman of the Board

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Rīga, 2017 February 28

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STATEMENT OF CHANGES IN EQUITY

	2016 EUR	2015 EUR
Notes		
Share capital		
Opening balance	16 340 950	16 607 912
Prior year adjustments	0	0
Increase/decrease in share capital	0	(266 962)
Closing balance	<u>16 340 950</u>	<u>16 340 950</u>
Stock (share) premium account		
Opening balance	0	0
Prior year adjustments	0	0
Increase/decrease in share capital	0	0
Closing balance	<u>0</u>	<u>0</u>
Long-term investment revaluation reserve		
Opening balance	12 056 273	12 056 273
Prior year adjustments	0	0
Increase/decrease of long-term investment revaluation reserve	(165 048)	0
Closing balance	<u>11 891 225</u>	<u>12 056 273</u>
Fair value reserve of financial instruments		
Opening balance	0	0
Prior year adjustments	0	0
Increase/decrease of the fair value reserve of financial instruments	0	0
Closing balance	<u>0</u>	<u>0</u>
Reserves		
Opening balance	266 962	0
Prior year adjustments	0	266 962
Increase/decrease of the balance of the reserves	0	0
Closing balance	<u>266 962</u>	<u>266 962</u>
Retained earnings		
Opening balance	2 453 233	2 231 051
Prior year adjustments	0	0
Increase/decrease in retained earnings	168 950	222 182
Closing balance	<u>2 622 183</u>	<u>2 453 233</u>
Equity		
Opening balance	31 117 418	3 117 418
Prior year adjustments	0	0
Closing balance	<u>31 121 320</u>	<u>3 117 418</u>

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CASH FLOW STATEMENT

	Notes	2016 EUR	2015 EUR
Cash flow from operating activities			
Revenue from the sale of goods and provision of services		19 978 887	23 295 613
Payments to suppliers, employees, other expenses of principal activity		(19 568 085)	(22 523 355)
Gross cash flow generated from operating activities		410 802	772 258
Interest payments		(191 515)	(299 298)
Corporate income tax payments		0	(79)
Net cash flow generated from operating activities		219 287	472 881
Cash flow from investing activities			
Acquisition of fixed assets and intangible assets		(146 779)	(595 505)
Proceeds from sale of fixed assets and intangible investments		111	240 317
Loans issued		0	(493 841)
Repayment of loans		23 841	2 441
Interest received		18 543	15 748
Net cash flow generated from investing activities		(104 284)	(830 840)
Cash flow from financing activities			
Loans received		50 000	860 000
Repayment of loans		(279 201)	(435 000)
Net cash flow generated from financing activities		(229 201)	425 000
Net foreign exchange gains/losses		3	32
Net increase / (decrease) in cash and cash equivalents		(114 195)	67 073
Cash and cash equivalents at the beginning of the financial year	(21)	132 200	65 127
Cash and Cash equivalents at the end of the financial year	(21)	18 005	132 200

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Rīga, 2017 February 28

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting, On the Annual Reports and Latvian Accounting Standards.

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 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 year, 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 December.

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

	31.12.2016	31.12.2015
	EUR	EUR
1 USD	1,054	0,9185
1 RUB	64,300	0,0124
1 GBP	0,856	1,3625

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.

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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 recognised 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 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	2.5-20
Equipment and machinery	5-50
Other fixed assets	8-40

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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.

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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.

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.

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.

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 2016.

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 2016.

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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.

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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 2016.

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 2016.

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 2016.

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 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 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 2016.

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 2016 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 2016.

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(2) Revenue		2016	2015
		EUR	EUR
By operating activities	NACE2		
Ship repair	3011	15 416 186	17 342 867
Shipbuilding	3011	5 000 120	3 530 025
Mechanical engineering	3315	226 078	323 434
Other works	3315	10 825	2 234
		<u>20 653 209</u>	<u>21 198 560</u>
By location			
Denmark		4 105 618	3 914 881
Cyprus		1 124 409	2 441 529
Greece		1 713 454	1 898 631
Germany		5 349 535	1 732 461
Russia		1 694 970	1 637 358
Marshall Islands		33 549	1 532 458
Belgium		204 034	1 504 812
Norway		922 329	1 205 254
Poland		0	1 097 997
Latvia		27 535	1 041 044
Bulgaria		556 627	925 026
Singapore		0	897 251
Monaco		1 079 197	722 580
Finland		61 864	281 996
the Netherlands		295 880	186 340
Sweden		2 057 196	143 689
Estonia		679 362	27 369
Lithuania		64 777	6 932
Iceland		0	952
Italy		0	0
Panama		40 999	0
England		79 892	0
Antigua		561 982	0
		<u>20 653 209</u>	<u>21 198 560</u>
(3) Costs for goods sold or costs of services provided		2016	2015
		EUR	EUR
Material costs and services from outside		3 917 322	3 579 541
Contragents services		6 308 997	7 558 515
Salary expenses		4 543 289	3 789 864
Social insurance		1 033 581	858 516
Electricity costs		1 079 665	1 146 661
Heat energy costs		714 119	640 886
Provisions for annual leave expenses		245 881	1 817
Depreciation of fixed assets		1 043 254	1 228 087
Other costs		637 451	697 048
Utility expenses		155 353	133 218
		<u>19 678 912</u>	<u>19 634 153</u>
(4) Distribution expenses		2016	2015
		EUR	EUR
Advertising expenses		8 585	19 827
		<u>8 585</u>	<u>19 827</u>

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(5) Administrative costs	2016	2015
	EUR	EUR
Salary expenses (administration)	165 758	145 210
Remuneration of the Board members	129 732	168 717
Remuneration of the Council members	221 044	228 796
Social insurance	117 943	113 951
Office expenses	7 004	10 649
Representation costs	30 328	21 026
Depreciation of fixed assets	36 552	40 918
Transportation costs	111 519	118 637
Representative vehicle maintenance expenses	34 267	59 511
Insurance	3 357	3 657
Legal services	155	1 120
Communication costs	23 047	18 407
Annual report audit expenses	15 500	17 000
	896 206	947 599
(6) Other operating income	2016	2015
	EUR	EUR
Rental income	558 125	635 736
Net revenue from sale of foreign currency	1 627	0
Net revenue from fluctuations in currency exchange rates	0	11 715
Sale of materials	285 201	393 874
Proceeds from the sale of quotas	0	209 677
Written-off accounts payable	195 630	134 330
Net income from sales of fixed assets	0	87 648
Tugboat services income	54 550	81 318
Income from EU fund projects	72 120	72 120
Chemical analyses	1 352	875
Decrease of provisions for unused annual leave	192 048	0
Other revenue	57 389	54 734
	1 418 042	1 682 027
(7) Other operating expenses	2016	2015
	EUR	EUR
Net losses from disposal of fixed assets	4 089	0
Expensed part of VAT	190	0
Leased fixed assets maintenance costs	516 294	711 429
Provisions for inventories	0	370 000
Material expenses	248 913	353 347
Costs on tugboat services	33 647	39 660
Representation costs 60%	48 236	33 571
Medical services	10 655	13 151
Material allowances, gifts	12 708	12 704
Warranty repairs	9 000	10 000
Burial expenses	2 773	4 895
Donations	9 787	3 219
Net loss from sale of foreign currency	0	336
Provisions for bad and doubtful debts	6 000	56 152
Other costs	30 824	22 240
	933 116	1 630 704
(8) Interest and similar income	2016	2015
	EUR	EUR
from other parties		
Interest income on loans issued	101 500	78 751
Penalties received	0	54
	101 500	78 805
(9) Interest and similar expenses	2016	2015
	EUR	EUR
other parties		
Interest expenses for loans	215 183	231 500
Penalties paid	153 330	126 139
Bank charges for guarantees	4 150	49 154
State fee	13 599	1 009
	386 262	407 802

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(10) Corporate income tax

a) Components of corporate income tax	2016	2015
	EUR	EUR
Corporate income tax according to the tax return	0	0
Changes in deferred income tax	(100 720)	(97 125)
	<u>(100 720)</u>	<u>(97 125)</u>

b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	2 685 427	2 588 302
Deferred tax charged to the income statement	100 720	97 125
Changes in deferred tax recognised in non-current investment (fixed assets)	(29 126)	0
Deferred tax liabilities (asset) at the end of the financial year	<u>2 757 021</u>	<u>2 685 427</u>

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2016.	31.12.2015.
	EUR	EUR
Temporary difference on depreciation of fixed and intangible assets	<u>22 054 513</u>	<u>21 601 937</u>
Gross deferred tax liabilities	22 054 513	21 601 937
Temporary difference on accruals for annual leave	0	(192 048)
Provisions for warranty repair	(1 999)	(1 643)
Temporary difference on provisions for slow moving and obsolete stock	0	(370 000)
Tax losses carried forward	(3 615 703)	(3 135 391)
Remuneration of agents	(56 664)	
Gross deferred tax assets	<u>(3 674 366)</u>	<u>(3 699 082)</u>
Net deferred tax liability (assets)	<u>18 380 147</u>	<u>17 902 855</u>

(11) Intangible assets

	Software	EUR
Cost		<u>0</u>
01.01.2015		344 716
Additions		7 679
Disposals		(445)
31.12.2015		<u>351 950</u>
Accumulated amortisation		<u>0</u>
01.01.2015		(249 159)
Calculated		(47 778)
Disposals		445
31.12.2015		<u>(296 492)</u>
Net carrying amount		<u>0</u>
01.01.2015		95 557
31.12.2015		<u>55 458</u>
Cost		<u>0</u>
01.01.2016		351 950
Additions		0
Disposals		0
31.12.2016		<u>351 950</u>
Accumulated amortisation		<u>0</u>
31.12.2016		(296 492)
Calculated		(49 319)
Disposals		0
31.12.2016		<u>(345 811)</u>
Net carrying amount		<u>0</u>
01.01.2016		55 458
31.12.2016		<u>6 139</u>

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(12) Fixed assets

	Buildings, constru- ctions	Advance payments	Leasehold improve- ments	Equipment and machines	Floating docks	Unfinished con- struction	Other Fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost/ revaluation								
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	0	20 491	0	0	0	2 019 096	0	2 039 587
Disposals	(88)	0	(3 358)	(918 407)	0	0	(60 054)	(981 907)
Reclassified	81 879	(18 043)	0	726 280	728 197	(1 823 060)	304 747	0
31.12.2015	12 786 482	9 562	0	13 086 752	19 161 840	525 090	1 740 465	47 310 191
Depreciation								
01.01.2015	(4 462 909)	0	0	(8 743 843)	(2 350 896)	0	(1 290 242)	(16 847 890)
Calculated	(300 733)	0	0	(600 713)	(248 376)	0	(71 405)	(1 221 227)
Disposals	88	0	0	774 571	0	0	56 149	830 808
31.12.2015	(4 763 554)	0	0	(8 569 985)	(2 599 272)	0	(1 305 498)	(17 238 309)
Net carrying amount	0	0	0	0	0	0	0	0
01.01.2015	8 241 782	7 114	3 358	4 535 036	16 082 747	329 054	205 530	29 404 621
31.12.2015	8 022 928	9 562	0	4 516 767	16 562 568	525 090	434 967	30 071 882
Cost/ revaluation								
01.01.2016	12 786 482	9 562	0	13 086 752	19 161 840	525 090	1 740 465	47 310 191
Additions	0	8 988	0	0	0	1 141 153	0	1 150 141
Disposals	(270)	0	0	(116 523)	0	0	(4 720)	(121 512)
Reclassified	33 721	0	0	625 009	214 209	(913 073)	40 134	0
31.12.2016	12 819 933	18 550	0	13 595 238	19 376 049	753 170	1 775 879	48 338 820
Depreciation								
01.01.2016	(4 763 554)	0	0	(8 569 985)	(2 599 272)	0	(1 305 498)	(17 238 309)
Calculated	(291 688)	0	0	(592 862)	(60 123)	0	(85 814)	(1 030 487)
Disposals	250	0	0	112 360	0	0	4 720	117 330
Relocated *	0	0	0	0	(194 175)	0	0	(194 175)
31.12.2016	(5 054 992)	0	0	(9 050 487)	(2 853 570)	0	(1 386 592)	(18 345 641)
Net carrying amount	0	0	0	0	0	0	0	0
01.01.2016	8 022 928	9 562	0	4 516 767	16 562 568	525 090	434 967	30 071 882
31.12.2016	7 764 941	18 550	0	4 544 751	16 522 479	753 170	389 287	29 993 179

Real estate (buildings) cadastral value as of 31.12.2016: 5 723 487 EUR (31.12.2015: 5 864 830 EUR).

Information about assets used as collaterals for borrowings included in Notes

* Depreciation of the Reporting Period for which the long-term investment revaluation reserve in being reduced.

Financial result of disposed, eliminated and sold fixed assets:	2016 EUR	2015 EUR
Historical value	121 512	978 994
Accumulated depreciation	(117 330)	(831 253)
Residual value	4 182	147 741
Revenue from selling the fixed assets	(92)	235 390
Profit from disposal of fixed assets	4 090	87 649

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	Investment property EUR
Cost	
01.01.2015	845 227
Additions	0
31.12.2016	<u>845 227</u>
	0
Accumulated depreciation	
01.01.2015	(321 203)
Calculated	(33 522)
31.12.2015	<u>(354 725)</u>
	0
Net carrying amount	
01.01.2015	<u>524 024</u>
31.12.2015	<u>490 502</u>
	0
Cost	
01.01.2016	845 227
Additions	11 356
31.12.2016	<u>856 583</u>
	0
Accumulated depreciation	
01.01.2016	(354 725)
Calculated	(33 575)
31.12.2016	<u>(388 300)</u>
	0
Net carrying amount	
01.01.2016	<u>490 502</u>
31.12.2016	<u>468 283</u>

(13) Equity investments

a) movement of investments

	31.12.2016	Participating interest	Equity 31.12.2016	Profit/ (loss) 2016
Name	EUR	%	EUR	EUR
Tosmares kugubuvetava JSC	3 630 590	49.72	5 961 149	51 840
Remars Granula LTD	1 200 000	49.80	227 371	(16 824)
Total	<u>4 830 590</u>	<u>100</u>	<u>6 188 520</u>	<u>35 016</u>

	31.12.2015	Participating interest	Equity 31.12.2015	Profit/ (loss) 2015
Name	EUR	%	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	<u>4 830 590</u>	<u>100</u>	<u>6 188 520</u>	<u>135 587</u>

(14) Other active assets

Name	Stock value		31.12.2016		31.12.2015	
	2016	2015	Q-ty	EUR	Q-ty	EUR
Baltic International Bank JSC	7	7	33	235	33	235
Total	7	7	33	235	33	235

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(15) Other loans and non-current receivables

Name / Type of Loan	31.12.2016	Loans issued in 2016	Disposals	Interest accrued Reallocation at a short-term	Reclassified debt	Currency exchange rate change	31.12.2016	Term of repayment
Loans to employees (students) *	47 796					1 569	49 364	2020-2029
Loans for Tosmares kugubūvētava JSC shares **	1 110 818			151 503			1 110 818	2020
Loans (interest rate 6%)				17 390	470 000		470 000	year 2020
Total	1 158 614			168 893	470 000	1 569	1 630 182	

Total amount receivable after 5 years: 25 083 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.

Change in allowance for obsolete and slow moving inventories:

	2016 EUR	2015 EUR
At the beginning of the reporting year	370 000	0
Charged to statement of profit and loss	0	370 000
Released to statement of profit and loss	0	0
Net change to statement of profit and loss*	0	(370 000)
Inventory write-off during the reporting year	370 000	0
At the end of the	0	370 000

(16) Raw materials and consumables

	31.12.2016 EUR	31.12.2015 EUR
Metal, non-ferrous metals, pipes	1 371 967	1 549 021
Metal ware	63 431	67 532
Technical rubber ware	29 535	58 095
Cables	30 938	31 442
Equipment	33 491	29 864
Varnish and paint	15 078	18 473
Wire cables	11 240	8 648
Fuel	9 637	7 778
Coveralls	1 297	7 622
Household goods	2 899	3 938
Timbering	1 387	2 171
Other	414 008	519 290
Provisions for inventories	0	(370 000)
Total	1 984 908	1 933 874

(17) Work in progress

	31.12.2016. EUR	31.12.2015. EUR
Shipbuilding orders	147 605	137 070
Ship repair orders	50 787	24 608
Mechanical engineering orders	2 226	2 512
Various	4 206	1 633
Total	204 824	165 823

(18) Advance payments

	2016 EUR	2015 EUR
For goods	191 658	164 436
Total	191 658	164 436

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(19) Trade receivables	31.12.2016. EUR	31.12.2015. EUR
Book value of trade receivables	1 817 426	2 319 072
(Provisions for bad and doubtful debts)	<u>(231 140)</u>	<u>(616 465)</u>
	<u>1 586 286</u>	<u>1 702 607</u>

Provisions for bad and doubtful debts have been made 100 % of their book value.

Change in provisions

	Trade receivables	Other receivables	Total
Provisions as of 31.12.2015.	616 465	46 748	663 213
Increase in provisions	6 000	0	6 000
Decrease in provisions	<u>(391 325)</u>	<u>(46 748)</u>	<u>(438 073)</u>
Provisions as of 31.12.2016.	<u>231 140</u>	<u>0</u>	<u>231 140</u>

(20) Receivables from associates

	31.12.2016 EUR	31.12.2015 EUR
Remars Granula LTD debt for loan according to assignment agreement*	770 000	770 000
Remars Granula LTD loan **	<u>523 464</u>	<u>507 673</u>
	<u>1 293 464</u>	<u>1 277 673</u>

* Debt related to assignment (cession) agreement signed with JSC SEB Bank, JSC Rīgas kuģu būvētava 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.

(21) Other receivables

	31.12.2016. EUR	31.12.2015. EUR
Book value	939 722	1 323 166
Provisions established	<u>0</u>	<u>(46 748)</u>
Other receivables, net	<u>939 722</u>	<u>1 276 418</u>
Short-term loans (interest rate 6 %)	0	500 531
Advance payments for services	395 973	419 789
Value added tax overpaid	295 996	158 738
Interests	168 893	95 036
Payments personal debts	48 090	76 862
Payment of salary	23 652	22 259
Other receivables	<u>7 118</u>	<u>3 203</u>
Total	<u>939 722</u>	<u>1 276 418</u>

(22) Deferred expenses

	31.12.2016. EUR	31.12.2015. EUR
Travelling allowances	343	12 964
Property insurance	9 643	11 004
Renovation costs of leased fixed assets	0	3 358
Health insurance	0	1 034
Other expenses	<u>0</u>	<u>318</u>
Kopā	<u>9 986</u>	<u>28 678</u>

(23) Accrued income

	31.12.2016 EUR	31.12.2015 EUR
Shipbuilding	2 936 667	721 103
Ship repair	394 574	141 898
Mechanical engineering orders	<u>0</u>	<u>199 733</u>
Total	<u>3 331 241</u>	<u>1 062 734</u>

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(24) Cash and bank

	31.12.2016.	31.12.2015.
	EUR	EUR
Cash at bank on current accounts	8 887	115 019
Cash on hand	9 118	17 181
	18 005	132 200

(25) Share capital

Rīgas kuģu būvētava 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.

Rīgas kuģu būvētava JSC shareholders:

	31.12.2016	%	31.12.2015	%
Remars-Riga JSC	8 146 872	49,86%	8 146 872	49,86%
Individuals	5 726 697	35,05%	5 102 817	31,22%
Other legal entities	2 467 381	15,10%	3 091 261	18,92%
Total	16 340 950	100%	16 340 950	100%

(26) 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, 2014 and 2016 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.

As of 31 December 2016, the revaluation reserve is reduced by an amount equal to the difference between the depreciation calculated on the basis of the revaluated value of the fixed asset and the depreciation calculated on the basis of the acquisition value of the fixed asset.

	2016	2015
	EUR	EUR
As at the beginning of the year	12 056 273	12 056 273
Decreasing long-term asset reevaluation reserve to the calculated depreciation	(194 174)	0
Increase in long-term asset reevaluation reserve to the deferred tax amount	29 126	0
Total	11 891 225	12 056 273

(27) Provisions

	31.12.2016	31.12.2015
	EUR	EUR
Provisions for remuneration of agents	56 663	0
Provisions for warranty repairs	1699	1 643
Total	58 362	1 643

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)

Loans from banks

	31.12.2016	31.12.2015
	EUR	EUR
ABLV Bank JSC		
long-term part		1 900 000
short-term part	1 900 000	
Total	<u>1 900 000</u>	<u>1 900 000</u>

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 December 31, 2016 is 5 537 175 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, 2016 the total Guarantee limit available is 3 514 000 EUR, used Guarantee limit is 1 930 200 250 EUR. As security 1st stage mortgage agreement for floating dock No 170 was signed. The mortgaged property balance sheet value as of December 31, 2016 is 10 344 129 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 100 098.

(29) **Other borrowings**

	31.12.2016	31.12.2015
	EUR	EUR
Total long-term part of leasing liabilities	18 893	42 216
Long-term part (interest 6%)**	1 182 863	1 182 863
Total short-term part of leasing liabilities	23 782	29 660
Short-term part (interest rate 4,5%)*	510 350	762 909
Total	<u>1 735 888</u>	<u>2 017 648</u>

*In 2014 Company received a loan from private person, repayment term is 2017.

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

No assets are pledged as collateral.

(30) **Advances from customers**

	31.12.2016.	31.12.2015.
	EUR	EUR
For shipbuilding	2 544 200	1 418 000
For ship repair	15 191	105 000
Others	909	66 864
Total	<u>2 560 300</u>	<u>1 589 864</u>

(31) **Trade payables**

	31.12.2016.	31.12.2015.
	EUR	EUR
Payables for services	1 846 781	2 059 145
Payables for materials	1 060 884	627 240
Total	<u>2 907 665</u>	<u>2 686 385</u>

(32) **Payables to associates**

	31.12.2016.	31.12.2015.
	EUR	EUR
Current		
Short-term part from Tosmares kugubuvetava JSC (interest rate 6 %)	544 011	472 203
Tosmares kugubuvetava JSC debt for services	4 905	0
Total	<u>548 916</u>	<u>472 203</u>

In 2014 Company received loan from Tosmares kugubuvetava JSC, repayment term is 2017. No collateral has been provided.

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(33) Taxes and social insurance payments

Taxes and social insurance payments

	01.01.2016	Calculated EUR	Calculated penalty and delay fees EUR	(Paid)/ repaid EUR	Transferred to other taxes EUR	31.12.2016 EUR
Social insurance payments	138 649	1 663 970	4 570	(192 141)	(1 321 357)	293 691
Value added tax	(158 738)	(1 598 151)	0	21 993	1 438 901	(295 995)
Personal income tax	131 036	957 747	43 926	(395 096)	(117 544)	620 069
Corporate income tax	0	0	0	0	0	0
Real estate tax	4 552	156 346	2 999	(142 986)	0	20 911
Natural resources tax	842	4 173	0	(3 465)	0	1 550
Risk duty	160	2 173	0	(2 156)	0	177
Total	116 501	1 186 258	51 495	(713 851)	0	640 403
Tax debt	275 239					936 398
Tax overpayment*	(158 738)					(295 995)

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

(34) Other creditors

	31.12.2016. EUR	31.12.2015. EUR
Salaries	296 595	248 362
Other accounts payable	504 119	200 506
Payments for credit cards	5 774	2 181
Payments to personnel	1 598	893
Retention from salaries	1 827	750
Total	809 913	452 692

(35) Deferred income

Deferred income	31.12.2016 EUR	31.12.2015 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"	371 398	414 600
2) Financing in accordance with an agreement signed in 2012 with the government agency LIAA about the EU co-financed project "Rīgas kugu buvetava JSC Heating system reconstruction".	266 969	295 887
Total	638 367	710 487
Total long-term part	566 247	638 367
Total short-term part	72 120	72 120

(36) Dividends unpaid

	31.12.2016 EUR	31.12.2015 EUR
As at the beginning of thr period	25 680	32 540
Dividends calculated	0	0
Dividends paid	0	0
Written-off (older than 10 years)	(7 063)	(6 860)
As at the end of the period	18 617	25 680

(37) Accrued liabilities

	31.12.2016. EUR	31.12.2015. EUR
Accrued trade payables	250 053	224 991
Accrued unused annual leave expenses	245 881	192 048
Total	495 934	417 039

(38) Fees paid to auditors

	2016 EUR	2015 EUR
For the audit of financial statements	15 500	17 000
Total	15 500	17 000

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(39) Staff costs and number of employees

Total remuneration to personnel	2016	2015
	EUR	EUR
Salary	5 059 823	4 332 587
Social insurance payments	1 151 524	972 467
Total	<u>6 211 347</u>	<u>5 305 054</u>

Tajā skaitā

Incl. Personnel salary (production department)

Salary	4 543 289	3 789 864
Social insurance payments	1 033 581	858 516
Total	<u>5 576 870</u>	<u>4 648 380</u>

Incl. Administration

Salary	165 758	145 210
Social insurance payments	36 773	32 549
Total	<u>202 531</u>	<u>177 759</u>

Incl. Remuneration of the Board members

Salary	129 732	168 717
Social insurance payments	30 604	44 629
Total	<u>160 336</u>	<u>213 346</u>

Incl. Remuneration of the Council members

Salary	221 044	228 796
Social insurance payments	50 566	36 773
Total	<u>271 610</u>	<u>265 569</u>

Average number of employees during reporting year	<u>491</u>	<u>425</u>
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(40) Subsequent events

Except the above mentioned facts, there are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2016.

(41) 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 December 28, 2010 there was issued ship covered bond No.EH 28.12.2010/KO about foaling 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, 2016 is EUR 839 994. Maximum guarantee claim is EUR 4 183 243. Mortgaged floating dock 791, with the balance sheet value as of December 31, 2016 EUR 5 139 945. 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 JSC and ABLV Bank JSC was signed mortgage agreement No. 14-FP-0328/01 for the first mortgage on Rīgas kuģu būvētava 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, 2016 liabilities amounted to EUR 1 641 615. Total amount of secured claim is EUR 2 860 000. The pledged property balance sheet value as of December 31, 2016 is EUR 6 031 778. 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.

(42) Transactions with related parties

	Type of relationship	Goods or services sold, EUR	Purchased goods or services, EUR	Other transactions, EUR
Remars-Riga JSC	Significant influence	424 807	1 348 318	0
Tosmares kugubūvētava JSC	Associated company	9 124	9 000	76 838
Remars-Granula LTD	Associated company	0	0	15 791
Total		<u>433 931</u>	<u>1 357 318</u>	<u>92 629</u>

(43) Risk management

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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.

The annual report of the year 2016 pages 1 to 28 we approve:

Janis Skvarnovics
Chairman of the Board

Einars Buks
Member of the Board

Jekaterina Melnika
Member of the Board

Rīga, 2017 February 28