LATVIJAS KUĢNIECĪBA

Public Joint Stock Company
"Latvian Shipping Company"

Consolidated Financial Statements

31 December 2016

Contents

Information about JSC "Latvian Shipping Company" in brief

Mission

JSC "Latvian Shipping Company" (hereinafter – LSC or Company)) and its subsidiaries (hereafter – LSC Group or Group) mission is to service its customers with a modern tanker fleet run by a team of professional Latvian officers, crew and shore based staff that guarantees a highly professional service in compliance with international safety standards. We endeavour to ensure that the cargo is always transported safely in accordance with strict environmental standards and punctually in accordance with customer requirements. A key element in the success of LSC is the professionalism of its "in-house" ship-management company which is a fully owned subsidiary of LSC Group.

Strategy

It is our vision to continue to strengthen our reputation as a reliable and professional shipping company and continue to provide our valued customers with a highly qualified shipping service focused on their specific needs. In order to achieve our objectives we will continue to ensure that we proactively encourage our highly motivated, professional and dedicated Latvian workforce to share our vision.

"Latvian Shipping Company" Group performance

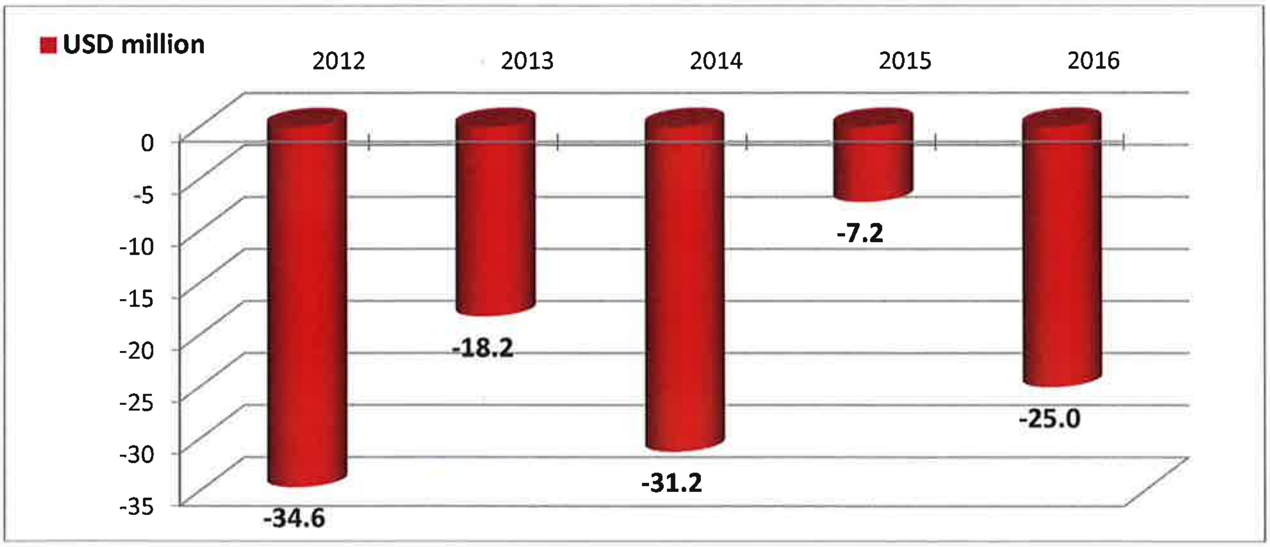
"Latvian Shipping Company" is a joint stock company listed on the Nasdaq Riga and is primarily engaged in the transportation of oil products, chemicals and crude oil utilizing its handy size and medium range tanker fleet. The Company is proud of its professional and well-trained Latvian officers, crew and shore based staff in Riga. The LSC Group's fleet trades worldwide ranging from the Baltic Sea and Northern Europe to the Black Sea, Mediterranean Sea, Atlantic Ocean, the Caribbean region as well as the far and Middle East. Additionally the tankers within the LSC Group's fleet are specifically designed for trading in ice conditions giving its valued customers even greater trading flexibility during harsh winter periods.

Management report

Dear shareholders and stakeholders,

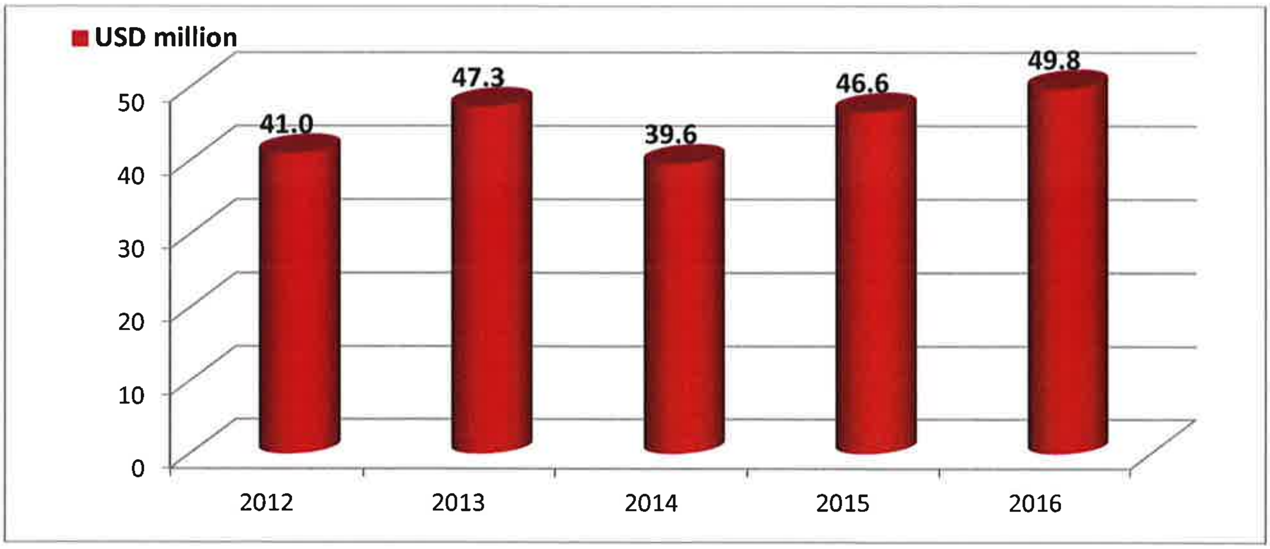
The Latvian Shipping Company (LSC or Company) and its subsidiaries (LSC Group or Group) consolidated financial result for 2016 realised a net loss of USD 25.0 million (2015: net loss USD 7.2 million). The result was mainly attributable to the steady erosion in the value of the LSC Group's fleet throughout 2016 in the amount of USD 24.1 million. The balance of the net loss expressed in USD - USD 3.2 million - was influenced by changes in USD/EUR exchange rate.

LSC Group net loss for the period 01.01.2012 – 31.12.2016:



Notwithstanding the negative financial result of the Group there was an increase in its operating profit before interest, tax, depreciation and amortisation (EBITDA) in the amount of USD 49.8 million (2015: USD 46.6 million) due to slightly higher average TCE (time charter equivalent earnings) achieved in the reporting year as well as an increase in revenue from technical management services to third parties and rent revenue from the groups real estate portfolio.

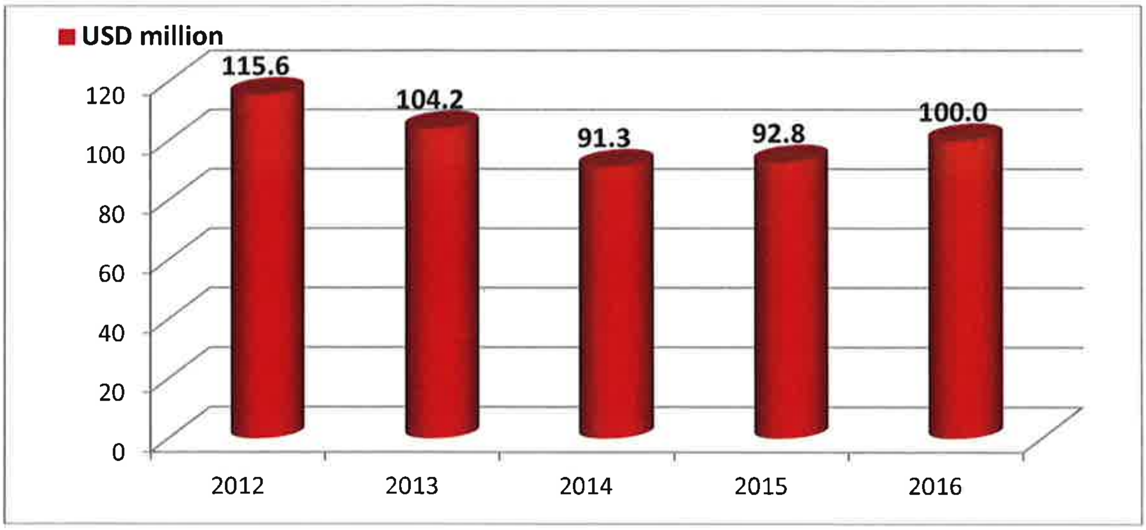
LSC Group EBITDA for the period 01.01.2012 – 31.12.2016:



Total revenue increased to USD 100.0 million (2015: USD 92.8 million) due to slightly higher earnings from existing time charters negotiated during the stronger shipping cycle in mid 2015 and as a consequence of more vessels trading on the spot market where revenue includes the purchase of bunkers, port expenses and commissions i.e. costs incurred by owners which nevertheless resulted in an overall increase in operational revenues of USD 3.1 million. The balance of the increase in revenue related to the increase in technical management activities and rent from the Groups real estate portfolio. During 2016 the Group entered into various transactions with related parties (entities under joint control of the shareholder) which enabled the Group to generate USD 33.5 million equal to 33 % of its total revenues (2015: USD 31.7 million or 34%).

Management report *(continued)*

LSC Group turnover for the period 01.01.2012 – 31.12.2016:



The key financial indicators* for the last five financial years are as follows (million USD):

	2012	2013	2014	2015	2016
Turnover (million USD)	115.56	104.21	91.29	92.84	100.03
Net loss (million USD)	-34.60	-18.15	-31.16	-7.22	-25.00
% of turnover	-29.94%	-17.42%	-34.13%	-7.78%	-24.99%
Gross profit before depreciation (million USD)	52.22	54.32	46.57	53.81	56.73
% of turnover	*45.19%*	*52.13%*	*51.01%*	*57.96%*	*56.72%*
EBITDA (million USD)	40.99	47.33	39.59	46.62	49.77
% of turnover	*35.47%*	*45.42%*	*43.37%*	*50.22%*	*49.75%*
EBIT (million USD)	12.51	24.43	20.85	26.68	9.13
% of turnover	*10.83%*	*23.44%*	*22.84%*	*28.74%*	*9.13%*
Profit (loss) before tax and exceptionals * (million USD)	*-6.21*	*9.00*	*12.68*	*18.85*	*-2.44*
% of turnover	*-5.37%*	*8.64%*	*13.89%*	*20.30%*	*-2.44%*
Return on Assets (%)	-5.70%	-3.22%	-6.62%	-1.69%	-6.47%
Return on Equity (%)	-14.20%	-8.00%	-16.33%	-4.53%	-16.36%
EPS (USD)	-0.18	-0.09	-0.16	-0.04	-0.13
Liquidity ratio (quick)	1.5	1.5	1.3	0.8	1.5
P/E ratio	n/a	n/a	n/a	n/a	n/a

* see Note 2.1.2. for methodology of calculation of the financial indicators

Administrative costs have continued to decrease and were USD 5.7 million for the reporting period down from USD 7.2 million in 2015 predominantly due to lower legal costs. Administrative costs are also gradually reducing due to the liquidation and restructuring of subsidiaries in Latvia and foreign jurisdictions. During 2016 25 companies in foreign jurisdictions were dissolved, including those which were involved in settlement agreements concluded in July 2015. In Latvia, the reorganisation of SIA "NAFTA Invest", SIA "Skonto nafta" and real estate SPVs' SIA "LASCO nekustamie īpašumi", SIA "Darījumu Centrs Daugava" and SIA "Rīgas līcis" was carried out by incorporating them into the parent company SIA "LASCO Investment". Subsidiary SIA "LSC IT" was established in November 2016 to provide a more cost efficient IT service within the Group. The LSC Group continues the disposal of non-core assets to help meet its financial obligations and maintain its focus on its core shipping business. The sale of real estate property "Lejastiezumi" was carried out in 2016. Several speculative offers have been received for the other properties within the property portfolio. The real estate market remains depressed with little liquidity which suggests that the disposal of the remaining real estate assets could take time. However the company's management is actively working with potential buyers from several countries and would hope to conclude further disposals throughout 2017.

Management report *(continued)*

The Group's cash position at the end of 2016 was USD 47.7 million down from USD 52.7 million at the end of 2015. During 2016, the Group repaid USD 27.1 million in regular loan payments and also made an additional voluntary payment of USD 11 million under the USD 360 million syndicated shipping loan facility. In 2016 the Group repaid USD 16 million to joint stock company "Ventspils nafta" with the USD 3 million balance due in June 2017.

In June, 2016 the Group reached agreement with "Crédit Agricole Corporate and Investment Bank" on the extension of the Medium Range tankers Latgale and Zemgale loan facility for a further period of two years in the amount of USD 33.2 million. In December 2016 the Group reached agreement with a syndicate of three banks on main terms and conditions to re-finance the remaining outstanding balance under the existing USD 121 million loan facility which is due to mature in June 2017. The refinancing remains subject to final documentary agreement, however LSC expects to be able to repay the remaining USD 121 million by 30 June, 2022. As at the 31 December 2016, LSC Group was in compliance with all its financial covenants relating to all existing loan agreements.

As at the 31 December 2016 the total value of the Group's assets was USD 355.9 million (31st December 2015: USD 417.0 million), as already highlighted the decrease was predominantly due to depreciation and the revaluation of the fleet. The continued deterioration in earnings experienced by ship-owners in the tanker segment throughout 2016 has had a negative impact on current re-sale values which the management board could not ignore. As a consequence, LSC Group's management was obliged to review the current methodology for determining the value of the fleet. In order to ensure full transparency for investors and stakeholders, the management board decided at the end of Q3 to change the measurement model of vessels and to use the revaluation method to determine the value of the fleet. The previous methodology allowed to determine the value of the fleet using the "higher" of fair (market) value or the "value in use" applied over fifteen years useful life. Given the further deterioration in asset values in Q4 the revaluation model based on fair value (market value) applied for the balance of 2016 and it is anticipated that this model of valuation will continue to be used further. The Group's fleet fair (market) value as at 31 December 2016 was USD 266.5 million. The market value of the LSC Group's fleet at end 2015 was USD 364.8 million. The total equity value of the Group as at 31 December 2016 was USD 150.2 million (31 December 2015: USD 155.4 million).

LSC's fleet remains unchanged at sixteen vessels, with LSC Group subsidiary, LSC Shipmanagement Ltd, appointed to technically manage the LSC Group owned fleet as well as seven third party tankers thus bringing the number of vessels under technical management to twenty-three. In addition to generating additional revenue, this illustrates the confidence third party owners have in the competence and professionalism of LSC group employees. The provision of ship management services to third parties will continue be developed in 2017 and beyond.

The fleet's operating profit for 2016 rose slightly to USD 54.2 million (2015: USD 52.4 million) due to higher time charter income from contracts signed at attractive rates throughout 2015.

As at 31 December 2016, 69% (eleven vessels) of the LSC Group's fleet were employed on period business (time-charter and bareboat charter). The average employment period for the portion of the LSC fleet on time charter plus bareboat charter (i.e. Latgale and Zemgale) is 8.2 months. The average employment period for the portion of the fleet (nine vessels) on time charter only (i.e. excluding the bareboat charters) is 6.0 months. Below is a summary of the average daily TCE revenue for the portion of the fleet trading on the spot market for the fourth quarter of 2016:

MRs: USD 10,700 per revenue day (four vessels).
Handymaxes: USD 14,380 per revenue day (one vessel).

Below is a summary of the average daily TCE revenue estimated thus far for the portion of the fleet trading on the spot market for the first quarter of 2017:

MRs: approximately USD 12,600 per day for 66% of 2017 Q1 revenue days (four vessels).
Handymaxes: approximately USD 12,200 per day for 66% of 2017 Q1 revenue days (one vessel).

At the date of this report 25% of the LSC Group's fleet are trading on the spot markets, this increases to 44pct by mid 2017 and 75pct by the end of 2017 if no further time charter fixtures are agreed.

Management report *(continued)*

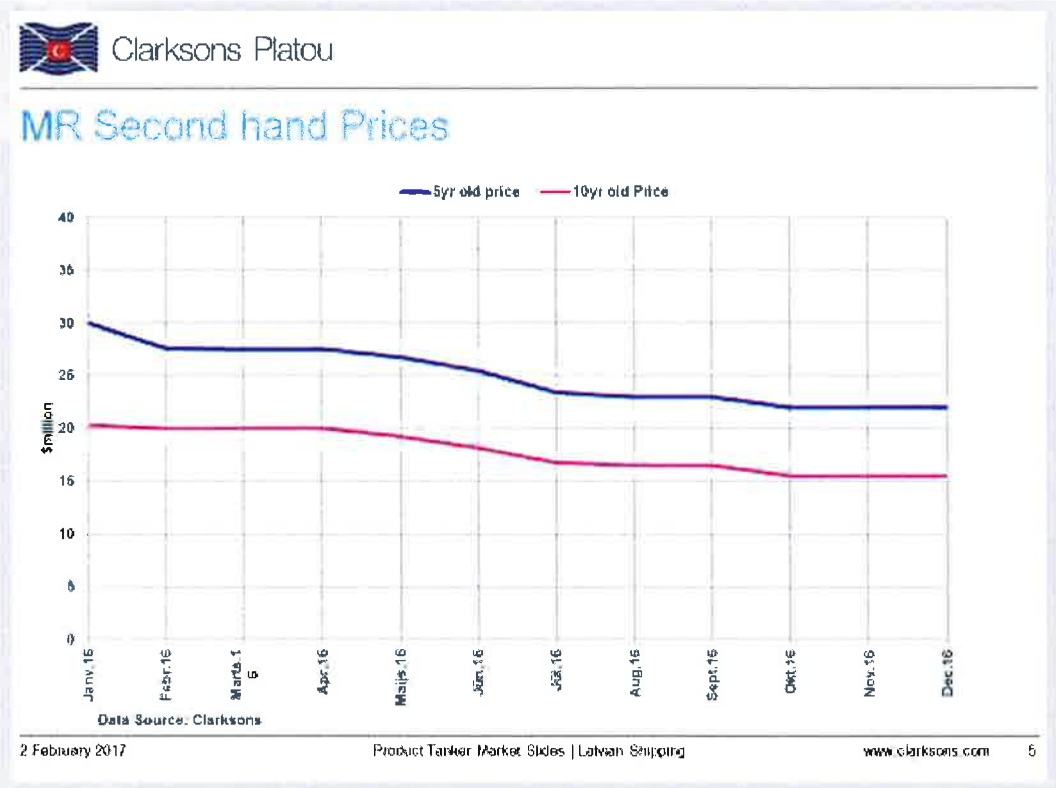
Average LSC Group's Fleet net TCE (time charter equivalent) USD/per day - Earnings calculated combining time charter and spot voyages of the fleet

Fleet	Y 2012	Y 2013	Y2014	Y 2015	Q1 2016(A)	Q2 2016 (A)	Q3 2016 (A)	Q4 2016 (A)
HS (4 vessels)*	12 703	13 468	13 594	14 310	15 435	16 252	15 545	16 571
MR (12 vessels)**	13 168	14 174	14 130	16 232	17 660	16 953	15 241	13 222

**3 HS vessels sold in 2013; remaining number of HS vessels in fleet – 4.*
***From Q3 2013 m/t Latgale and m/t Zemgale removed from above statistics as they are employed on bareboat charter basis.*
Explanations:
HS = handy size (37 dwt); MR = medium range (52 dwt)
Net TCE (time charter equivalent) = a non IFRS measure which is used primarily to compare period to period changes in a shipping company's performance irrespective of changes in mix of charter. It is calculated after deduction of commissions payable to shipbrokers/charterers, port costs, bunker costs and any other applicable voyage related costs from vessel revenue and divided by the number of revenue days in the period. Revenue days are the number of days the vessel is trading, less the number of days vessel is carrying out repairs or is in dry dock. The above figures reflect combined earnings of fleet for both time charters and spot market trading. The spot TCE is calculated on a pro-rata basis for the quarter after the voyage has commenced but completed prior the date of this report.
Previous quarter TCE is updated on a regular basis from estimate (E) to actual (A) to reflect finalised TCE when voyages are completed and fully realized.

The LSC Group's handy size vessels trade predominantly within Europe, and are also suitable for ice bound regions such as the Baltic and East Coast Canada. The medium range tankers, with their greater cargo carrying capacity, trade world-wide and can also operate in most ice bound regions of the world.

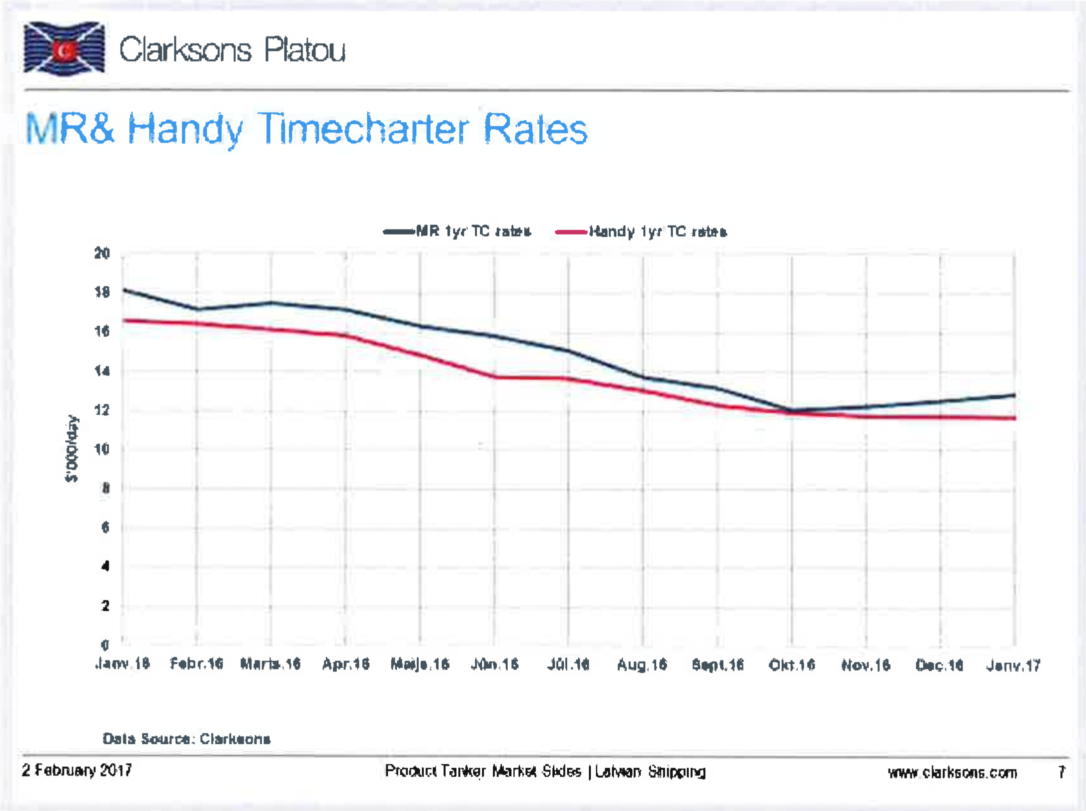
Throughout 2016 the tanker industry has experienced a steady erosion in earnings, a decrease in asset values and for publicly quoted tanker companies, a significant decrease in shareholder value.



Increased exposure to the spot market has had a negative impact on LSC Group's earnings especially in Q3 and Q4 where daily spot earnings have been below breakeven. As mentioned in previous reports the main contributory factors for the weaker shipping markets have been fewer ton miles (shorter voyages increase the pool of vessels available at any one time to transport oil), less inefficiencies in the oil market, for example in respect to gasoline deliveries into Nigeria, where earning days idle with cargo on board waiting for discharge have decreased enormously.

Management report *(continued)*

A sharp increase in the cost of bunkers in Q4 as a consequence of OPEC' announced agreement to limit crude oil output has not been compensated with additional freight earned. Lastly we are witnessing an ever expanding products tanker fleet. The world MR tanker fleet grew by approximately 6.5pct in 2016 with 87 Medium range tankers delivered. In 2017 a further 63 Medium range tankers will be delivered resulting in a further 6pct year on year growth in the Medium range tanker fleet. This incremental increase in the size of the fleet will continue to have a negative impact on ship-owners earnings should the weak economic environment continue. Post 2017 the order-book is minimal so one would hope, from a ship-owners perspective that the fleet growth we have experienced in the last few years will abate.



However overall the LSC Group's earnings for 2016 were protected from the full impact of a weak spot market due to the fact that a large portion of the fleet (as at 31 December 2016 - 69pct) was on time charter, mostly negotiated during a stronger shipping cycle in mid 2015. This has provided some protection from the severity of the downturn in earnings and these contracts will continue to afford some protection in the coming months. However as we progress into 2017, given current evidence, spot and time charter earnings will decrease. Additionally due to the weak shipping markets there is a reluctance on the part of charterers to time charter tonnage so this may well mean that there will be a much smaller proportion of the LSC Group's fleet with time charter coverage in the future, at least at the attractive levels witnessed in the recent past.

Looking back on 2016 and reflecting on the challenges faced by LSC Group we can be confident the Group achieved its key objective of being in a position to renew the 360m USD loan facility expiring in June 2017. With the support of our key lending banks this will allow for a reasonable and realistic repayment schedule spread over a five year term. The ability to renew this facility was helped by the Group's prudent trading strategy ensuring a steady and guaranteed revenue stream in a very uncertain economic environment and to keep its debt obligations at sensible levels, reflected in our ability to make voluntary prepayments to our lending banks and joint stock company "Ventspils nafta". This was achieved with a minimal decrease in our cash position year on year which will ensure the Group remains with sufficient liquidity to afford some protection from the potentially challenging shipping markets in the future.

Management report *(continued)*

LSC Shipmanagement Ltd. as anticipated has continued to grow its third party activities throughout 2016 adding three vessels under technical management, providing additional revenue to the Group. It is anticipated that two additional vessels already contracted to LSC Shipmanagement Ltd. for technical management will be delivered in the first half of 2017.

Share performance

During 2016 the price of LSC shares quoted on the Nasdaq Riga experienced an increase of 7.31%. The OMX Baltic Benchmark GI index in 2016 increased by 21.57%. There were 1 021 trades of "Latvian Shipping Company's" shares during 2016 involving 1.4 million shares worth 0.69 million EUR which is 8% of the total share turnover and 50% of trading volume in value terms of all the Latvian companies listed on the Baltic Main List. On 31st December 2016 the capitalization of "Latvian Shipping Company" shares at Nasdaq Riga was 94 million EUR.

Future prospects

Looking forward to 2017 the key objective will be to focus on trying to achieve sufficient earnings to service the Group's opex/capex costs without any further deterioration in the cash position of the Group.

On a more cautious note the Group was unable to raise sufficient support from its shareholders to improve the equity of the Company, that may have enabled the Group to modernise the existing fleet which now has an average age of ten years. At this present time there are insufficient funds within the Group to expand the fleet and we are acutely aware that shipping is an asset with a finite life span.

Subsequent events

On 28 February 2017 the Group successfully completed its loan refinancing procedure, receiving a loan of USD 121 million from a syndicate of three banks and simultaneously repaying the previous loan. The new loan has been issued with a repayment deadline of the 30 June, 2022 (See Note 29).

As of the last day of the reporting year and until the date of signing these consolidated financial statements there have been no other events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company Latvian Shipping Company
Riga, 17 March 2017

Supervisory Council

Chairman of the Supervisory Council	Vladimir Egger
Deputy Chairman of the Supervisory Council	Kaspars Bunne (from April 29, 2016)
	Boris Bednov (until April 26, 2016)
Members of the Supervisory Council:	Dzmitry Yudzin
	Aleksej Tarasov
	Andrea Schlaepfer
	Varvara Maximova
	Olga Kurenkova
	Artūrs Neimanis
	Kristo Oidermaa
	Giovanni Fagioli
	Kaspars Bunne (from April 26, 2016 until April 29, 2016)

Professional experience of the members of the Supervisory Council

Vladimir Egger

Re-elected in the position of the chairman of the Supervisory Council on April 29, 2016. Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. The chief Representative of Vitol Services B.V Moscow. Mr. Egger has almost 30 years experience in trade of raw materials. Before joining Vitol he was Managing Director of Lukoil Asia Pacific based in Singapore and Beijing (China). Professional education: Bachelor's Degree in Economics and Business Management Master's Degree. Vladimir Egger does not own shares of "JSC Latvian Shipping Company".

Kaspars Bunne

Elected in the position of the deputy chairman of the Supervisory Council on April 29, 2016. Elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. Kaspars Bunne has been working for JSC "Ventspils nafta" since 2008. Since August 2011 he has worked in the position of Finance Manager. In the period from 2003 to 2008 he worked with Deloitte Audits Latvia Ltd and had experience in auditing services of annual reports for companies of different industries. From 2000 to 2003 he worked for Hansabanka JSC (now Swedbank JSC) at Internal Audit Department and Retail Lending Department. Mr. Bunne holds Social Sciences Bachelor Degree in Management from University of Latvia. Kaspars Bunne does not own any shares of JSC "Latvian Shipping Company".

Dzmitry Yudzin

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. D.Yudzin has worked for Belarussian Oil Company since 2009. In May 2014, he joined Vitol Services B.V. (The Netherlands) Representative office. In December 2014, he joined the SIA "Vitol Baltics" and since then has continuously worked there as trader. Professional education: degree in Economy from Belarussian National Polytechnic University. Dzmitry Yudzin does not own any shares of JSC "Latvian Shipping Company".

Aleksej Tarasov

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. Aleksej Tarasov has worked as a member of the Management Board of JSC "Ventspils Nafta" since January 6, 2011 and was re-elected for a period of 3 years on June 26, 2013. He has worked for Mazeikiu Nafta since 1986. In 1997, he joined the Vitol Lithuania office and since then has continuously worked there as Technical Specialist. Main fields of his expertise include logistics, transportation, storage, and product quality preservation. Professional education: degree in Engineering from the St-Petersburg VVMURE Academy (currently – the Naval Institute of Marine Radioelectronics, VVMURE named after A.S. Popov). Aleksej Tarasov does not own any shares of "JSC Latvian Shipping Company".

Professional experience of the members of the Supervisory Council *(continued)*

Andrea Schlaepfer

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. Andrea Schlaepfer is Head of Corporate Affairs at Vitol. She joined Vitol in February 2013. Prior to this she was Executive Director of Communications at LCH.Clearnet. She has over 15 years' experience in communications, primarily in the financial sector and has worked in an advisory capacity in communication firms, including Citigate Dewe Rogerson, and as head of European communications for Schroders Investment Management. She has a degree in Philosophy and Modern Languages from the University of Oxford. Andrea Schlaepfer does not own shares of JSC "Latvian Shipping Company".

Varvara Maximova

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. V.Maximova is employed by Business Development Finance at Vitol since 2013. Previously she has worked for Natixis Bank and VTB Capital in Moscow. V.Maximova has degree in banking and finance from London School of Economics and Political Science and degree in economics from Russian State University "Higher School of Economics". Varvara Maximova does not own shares of "JSC Latvian Shipping Company".

Olga Kurenkova

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. O.Kurenkova works at representative office of "Vitol Services B.V., The Netherlands" since 2012 as a head of logistic department. Previously since 2000 she was employed by representative office of "VNT S.A., Switzerland" as a logistic manager and head of logistic department. O.Kurenkova has graduated Moscow Aircraft Institute (MAI), economical department in 1990. Olga Kurenkova does not own shares of JSC "Latvian Shipping Company".

Artūrs Neimanis

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. Artūrs Neimanis is the adviser of Welfare Minister in the issues related to administration, finance and human resources since January 2014. Previously he was employed in leading positions related to the security at "GE Money Bank". Professional education: bachelor degree in business management from Information system management institution of higher education and qualification of lawyer from Latvian Police academy. Artūrs Neimanis does not own any shares of JSC "Latvian Shipping Company".

Professional experience of the members of the Supervisory Council *(continued)*

Kristo Oidermaa

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. Kristo Oidermaa has been working in the financial sector since 2006 and currently hold the portfolio manager's position in LHV Asset Management. Previously he was working as a senior analyst in LHV Bank and also filled the analyst roles in Avaron Asset Management and Trigon Capital. K. Oidermaa have a BA Economics degree from the University of Manchester and he is also a CFA charterholder. Kristo Oidermaa does not own shares of JSC "Latvian Shipping Company".

Giovanni Fagioli

Re-elected in the position of the member of the Supervisory Council on April 26, 2016 for 5 years term. Giovanni Fagioli is the chief executive officer of Finaval S.p.A. and BCC1 S.p.A. He has almost 25 years experience in the shipping sector. He is also Chairman of the private equity fund FH S.p.A. He was previously member of the Board of Directors of SACE (MEF), Meta S.p.A. and Fineco Bank. G.Fagioli does not own shares of JSC "Latvian Shipping Company".

Management Board

Chairman of the Management Board	Robert Kirkup
Members of the Management Board	Paul Thomas Christopher James Kernon

Professional experience of the members of the Management Board

The Chairman of the Management Board since March 1, 2014, elected for a 5 years term. Previously he held the position of the Chairman of the Supervisory Council since October 17, 2013. Robert Kirkup is also Chairman of JSC "Ventspils nafta" Management Board since 1 September 2013. R. Kirkup also holds positions in JSC Ventspils nafta subsidiaries, he is Chairman of the Supervisory Council of LatRosTrans Ltd, as well as a member of the Supervisory Council of Ventspils nafta terminals Ltd. He has worked in the oil and sugar business for more than 20 years. In 1996 he joined the Vitol Group and has held various commercial positions. Professional education: BA Honours Degree in Business. Robert Kirkup does not own any shares of JSC "Latvian Shipping Company".

Robert Kirkup

Head of Vitol Group's World Wide Shipping, employed by Vitol Group since 1988, director of the shipping company Finaval Spa since 2007, Member of the Management Board of Latvian Shipping Company since July 2010, re-elected for 5 years on March 1, 2016. Paul Thomas does not own shares of JSC "Latvian Shipping Company".

Paul Thomas

Christopher holds more than 20 years experience in the shipping industry. Previously C. Kernon was responsible for shipping and chartering in Asia and Australia for Vitol Group. Since 2003 he is responsible for projects and shipping time charters at Vitol Group. He has B.Eng in Naval Architecture from Newcastle upon Tyne University. Member of the Management Board of Latvian Shipping Company since February, 2011, re-elected for 5 years term on March 1, 2016. Christopher Kernon does not own shares of the JSC "Latvian Shipping Company".

Christopher James Kernon

The election of the Supervisory Council, the Management Board and committees

Supervisory Council

Current Supervisory Council of JSC "Latvian Shipping Company" was elected at the extraordinary shareholders' meeting on 26 April, 2016 for five years period and currently consists of ten members: Chairman Vladimir Egger, deputy chairman Kaspars Bunne and members Andrea Schlaepfer; Varvara Maximova; Olga Kurenkova; Dzmitry Yudzin; Aleksej Tarasov; Giovanni Fagioli, Kristo Oidermaa; Artūrs Neimanis.

Management Board

The Management Board of JSC "Latvian Shipping Company" consists of three members including Chairman Robert Kirkup and members Paul Thomas and Christopher James Kernon. Robert Kirkup is the Chairman of the Management Board since March 1, 2014, elected for 5 years term. Paul Thomas and Christopher James Kernon were re-elected as members of the Management Board for another 5 years term starting from March 1, 2016.

Audit Committee

The extraordinary shareholders' meeting on 27 April, 2015 re-elected the audit committee for a three year term starting from July 25, 2015 consisting of three members: Lahsen Idiken, Nafiset Negouch and Jozef Hubertus Johannes Baardemans.

Shareholders

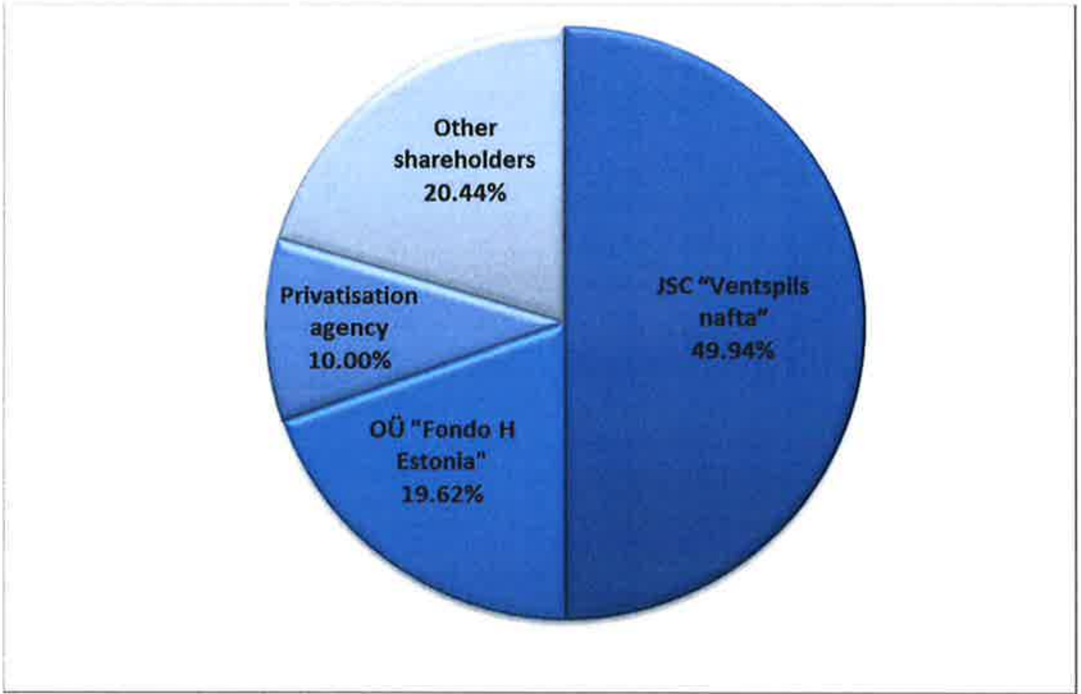
JSC "Latvian Shipping Company" shareholders (over 5%) as of date when the report is released:

Name	Description	Ownership interest
JSC "Ventspils nafta"	Private company	49.94%
OÜ "Fondo H Estonia"	Private company	19.62%
Privatisation agency	Government institution	10.00%

No individual shareholder of JSC "Latvian Shipping Company" has legal control.

JSC "Ventspils nafta" has de facto control, therefore JSC "Latvian Shipping Company" and its subsidiaries are consolidated into JSC "Ventspils nafta" consolidated financial statements.

JSC "Latvian Shipping Company" shareholders' structure as of date when the consolidated report is signed:



Review of the shares

Information on share price/index dynamics for the period from 01.01.2016 until 31.12.2016

Securities information

ISIN	LV0000101103
Ticker	LSC1R
Market	BALTIC MAIN LIST
Issuer	Latvijas kuģniecība (LSC)
Nominal value	0.30 EUR
Total number of securities	200 000 000
Number of listed securities	200 000 000
Listing date	26.06.2002
Liquidity providers	None
Indexes	B2000GI, B2000PI, B2700GI, B2700PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI

Securities trading history, EUR

Price	2011	2012	2013	2014	2015	2016
Open	0.526	0.444	0.359	0.550	0.360	0.431
High	0.655	0.492	0.593	0.580	0.649	0.528
Low	0.428	0.289	0.327	0.352	0.360	0.400
Last	0.438	0.359	0.559	0.360	0.438	0.470
Average	0.487	0.406	0.437	0.453	0.399	0.477
Traded volume	13,526,230	985,943	4,575,982	1,449,529	13,160,987	1,443,900
Turnover, million	8.32	0.38	2.15	0.66	5.25	0.69
Capitalisation, million	87.65	71.71	111.84	72.00	87.60	94.00

Information source: *JSC „Nasdaq Riga" webpage* www.nasdaqbaltic.com

Review of the shares *(continued)*

JSC "Latvian Shipping Company" share price development for the period 01.01.2012 – 31.12.2016

JSC "Latvian Shipping Company" share price development in comparison with OMX Baltic Benchmark GI index and OMX Riga index for the period 01.01.2012 – 31.12.2016

Index/Equity	01.01.2016	31.12.2016	+/-%
OMX Baltic Benchmark GI	648.32	788.17	21.57
OMX Riga	594.35	733.77	23.46
LSC1R	0.438 EUR	0.470 EUR	7.31

Information source: JSC "Nasdaq Riga" web page www.nasdaqbaltic.com

Review of shares *(continued)*

Characteristics of the shares

JSC "Latvian Shipping Company" has issued 200 000 000 (two hundred million) dematerialized bearer shares. The nominal value of one share is EUR 0.30 (thirty euro cents). All shares are of the same category providing equal rights to receive dividends, liquidation quotas and voting rights at the Shareholders' Meeting.

The shares have no alienation restrictions or requirement to receive approval of the Company or other shareholders for alienation of shares.

JSC "Latvian Shipping Company" has not issued any employees' shares. The shares do not have any voting restrictions or shareholders right to claim a share of the profit that is not related to the proportion of one's shares in possession.

JSC "Latvian Shipping Company" is not aware of any agreements that may cause restrictions to the shareholders in respect of use of their voting rights.

JSC "Latvian Shipping Company" Members of the Management Board have no extraordinary mandate to issue or repurchase the shares, except for the cases provided in the Commercial Law.

Environment protection

One of the most important JSC "Latvian Shipping Company" Group areas of responsibility is environmental protection. Acknowledging that our responsibility reaches further than the Group's growth, all the issues in respect of JSC "Latvian Shipping Company" Group development are assessed also in context with safety and environment protection.

JSC "Latvian Shipping Company" Group's key objectives in respect of environmental protection are ensuring appropriate environmental protection management targeted at "zero-spill" practice and safe management of its vessels operations eliminating environmental pollution and minimising the possibility of accidents. In order to achieve these objectives JSC "Latvian Shipping Company" Group has set the following rules to be observed by the crew members:

- organise regular training and courses to master the necessary skills of action in case of contamination;
- follow all the procedures set for preventing all kinds of environmental pollution;
- identify security risks and take corresponding measures to minimise possibilities of accidental contamination;
- be prepared professionally to take actions in case of pollution and eliminate the consequences.

A motivated, highly professional and responsible personnel is an integral part of the environmental protection policy. The Group's personnel must follow such basic principles as continuous improvement of individual skills with respect to security requirements both on-board the vessels and ashore, building personal responsibility and personal involvement in health, safety and environment issues.

To ensure the implementation of the environmental protection policy of JSC "Latvian Shipping Company" Group in accordance with the highest standards, the Group has developed an effective safety and quality management system ensuring complete adherence with national and international environmental regulations and guidelines. The safety and quality system is maintained in accordance with the requirements of International Safety Management (ISM) Code.

The Group carries insurance to protect itself against most of the accident-related risks involved in the conduct of its business, including marine hull and machinery insurance and protection and indemnity insurance, which provide sufficient cover for the Group's liabilities and costs related to oil pollution risks.

Personnel policy

Highly professional and motivated personnel is a key factor of the Group success in today's globally competitive environment. JSC "Latvian Shipping Company" Group's Personnel Policy is aimed at promoting equal development opportunities for all the employees and facilitating professional growth of the personnel in order to achieve maximum performance results of the Group. To reach the objectives set, the Group expects its employees to apply their skills and competence to efficient and dynamic work, as well as to develop their professional knowledge and skills further.

The Group provides technical management and crewing services to the owners of various oil and chemical tankers through its subsidiary - "LSC Shipmanagement" Ltd. The vessels under the management of "LSC Shipmanagement" Ltd are manned with highly qualified Officers and Ratings and the Group is committed to development of the seafarers' training and qualification levels in compliance with the industry standards. The personnel policy implemented by "LSC Shipmanagement" Ltd includes annual personnel performance evaluation, setting objectives for each employee, assessing the progress made in the achievement of the objectives, and evaluating individual input of each employee into the Group's overall result. Implementation of this policy is a key element of the Group's efficient operational performance.

Statement of Management's responsibility

The following statement, which should be read in conjunction with the independent auditors' report set out on pages 24 to 30, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of JSC "Latvian Shipping Company" and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present truly and fairly the financial position of the Group as of 31 December 2016, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") as adopted by EU.

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS as adopted by EU are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial statements; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS as adopted by EU;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

For and on behalf of the Management Board

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 17 March 2017

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Independent Auditors' Report

To the shareholders of JSC "Latvian Shipping Company"

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JSC "Latvian Shipping Company" ("the Company") and its subsidiaries ("the Group") set out on pages 31 to 81 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2016,
- the consolidated statements of income and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of JSC "Latvian Shipping Company" and its subsidiaries as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services'of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of fleet	
Key audit matter	***Our response***
The carrying amount of fleet in the consolidated financial statements as at 31 December 2016: USD 266.5 m. (EUR 252.8 m.); downward revaluation recognised in 2016: USD 24 m. (EUR 22 m.) *We refer to the consolidated financial statements: Note 2.3 (i) and 4 (accounting policy), Notes 11 and 20 (financial disclosures).* The Group's tanker fleet as at 31 December 2016 is stated at carrying amounts determined based on the revaluation model, adopted by the Group in 2016, as explained in Note 20. Pursuant to the model, the carrying amount represents the vessels' fair value at the date of most recent revaluation less subsequent depreciation and subsequent impairment losses. The Group estimates the fair values of the vessels included in its fleet by reference to their resale values provided by external brokers engaged by the Group, based on recent transactions with similar assets. Therefore, the determination of these fair values involves application of significant judgements and estimates by the management, including primarily those in respect of the selection of comparable transactions and adjustments to the brokers' quotes to reflect the vessel specific attributes, such as age, origin and deadweight.	Our procedures, performed, where applicable, using our own valuation specialists, included, among others: • assessing the methodologies used by the brokers engaged by the Group to determine resale values, and evaluating those experts' competence, capabilities and objectivity; • by reference to the respective acquisition documents, evaluating, for each individual vessel, the accuracy and relevance of the input data provided by the Group to the brokers, such as age, origin and deadweight of the vessels; • considering the appropriateness and relevance of the comparable transactions and of the adjustments applied by the external brokers engaged by the Group, based on our knowledge of the shipping industry and the Group's business; • considering the adequacy and appropriateness of the financial statements disclosures on the change in accounting policy in respect of the measurement of fleet, and the judgments and assumptions used by the Group in that respect.

Valuation of investment properties	
Key audit matter	***Our response***
The carrying amount of Investment properties in the consolidated financial statements as at 31 December 2016: USD 26.5 m. (EUR 25.1 m.). *We refer to the consolidated financial statements: Note 2.3 (n) and 4 (accounting*	Our procedures, performed, where applicable, using our own valuation specialists, included, among others: • based on our understanding of the Group's impairment testing methodology in respect of its investment properties, assessing the

policy), Notes 11 and 22 (financial disclosures). Investment property is the property the Group holds either to earn rental income or for capital appreciation or for both. This includes primarily commercial real estate held by one the Group's subsidiaries. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses. As investment property is partly unoccupied and partly generating low rental income streams, there are indications that its carrying value may be below the recoverable amount. The determination of the recoverable amounts of the investment properties, established by the Group primarily as their fair values less cost to sell, involves significant management judgement and estimates, using the input from valuation reports produced by the external valuation experts engaged by the Group, in particular in respect of the assumptions such as discount rates applied, cash flow projections and comparable market transactions.	methodology against relevant financial reporting standards; • tracing the fair values less costs to sell, as determined by the Group's external valuation experts, to the its accounting records; • challenging, on a sample basis, the valuation methods and key assumptions applied by the Group's external experts, including those in respect of discount rates, capitalisation rates, potential rental income and maintenance expenditure and comparable market transactions; • performing a sensitivity analysis in respect of the above significant assumptions to evaluate the effects of their potential changes on the fair value amounts used in the impairment assessment; • considering the adequacy and appropriateness of the financial statements disclosures in relation to the judgments and assumptions used by the Group in that respect.
Going concern basis of accounting	
Key audit matter	***Our response***
We refer to the consolidated financial statements: *Note 41* The Group's consolidated financial statements are prepared on a going concern basis. In 2016, mostly due to a significant decrease in the carrying amount of its fleet as a result of a revaluation, the Group has incurred net losses in the amount of USD 25 million (EUR 21 million) (2015: USD 7.2 million (EUR 5.8 million)). Furthermore, the Group's business continues to be cash flow negative in the range of USD 6.1 million (EUR 5.7 million) (2015: USD 5.9 million (EUR 5.4 million)). The above factors were identified by the Group as events and conditions that may cast significant doubt on its ability to continue as a going concern.	Our procedures included, among others: • discussing with the chairman of the board and board member responsible for Group business strategy their plans for future actions in relation to the going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances; • analysing the Group's net working capital position as at 31 December 2016 to assess the availability of liquid funds to settle short-term financial obligations; • evaluating the reliability of the cash flow forecasts used by the Group in its going concern assessment by, among

The Group's going concern assessment was based on cash flow forecasts which in management's view support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 41 to the consolidated financial statements further explains how the judgment was formed by the management. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Group's plans for future actions and their financial impact.	others, comparing the forecast cash operating costs with those incurred historically, inspecting the terms of contracts and agreements with customers, and challenging the key assumptions and judgements with most significant impact on these forecasts, including: – forecast voyage income and income from other services; – forecast cash operating costs; – forecast financing cash flows. • considering whether any additional facts or information have become available since the date on which the Group made its assessment; • confirming the existence of the Group's banking facilities to third party confirmations and re-performing the Group's calculations which indicated that the forecasts involved no breaches of the covenants and that extension of the existing facilities is approved by the lenders as at 31 December 2016 and, as a result, the facilities are adequate for the Group's requirements; • evaluating whether, in view of the requirements of the applicable financial reporting framework, the consolidated financial statements provide adequate disclosures about the events or conditions that had been identified that may cast significant doubt on the entity's ability to continue as a going concern.

Reporting on Other Information

The Group's management is responsible for the other information. The other information comprises:

- information about JSC "Latvian Shipping Company", as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages from 4 to 9 of the accompanying consolidated Annual Report,
- the composition and professional experience of Supervisory Council and Management Board of JSC "Latvian Shipping Company", as set out on pages from 10 to 16 of the accompanying consolidated Annual Report,

- information about shareholders and review of shares, as set out on pages from 17 to 20 of the accompanying consolidated Annual Report,
- information of environment protection, as set out on page 21 of the accompanying consolidated Annual Report,
- personnel policy, as set out on page 22 of the accompanying consolidated Annual Report,
- the Statement on Management Responsibility, as set out on page 23 of the accompanying consolidated Annual Report,
- the Statement of Corporate Governance, as published on homepage www.lk.lv and publicly available.

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The responsible certified auditor on the audit resulting in this independent auditors' report is Armine Movsisjana.

KPMG Baltics SIA
Licence No 55

Armine Movsisjana
Chairman of the Board
Sworn Auditor
Certificate No 178
Riga, Latvia
17 March 2017

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.

Consolidated income statement for the year ended 31 December 2016

(all from continuing operations)

	Notes	2016 USD'000	2015 USD'000	2016 EUR'000	2015 EUR'000
Vessel income	7	97 467	91 435	88 362	82 217
Income from other services		2 562	1 408	2 320	1 275
Revenue		**100 029**	**92 843**	**90 682**	**83 492**
Voyage costs and commissions	8	(11 804)	(8 879)	(10 853)	(8 117)
Cost of sales	9	(73 322)	(50 710)	(66 529)	(45 950)
Gross profit		**14 903**	**33 254**	**13 300**	**29 425**
Administrative expenses	10	(5 707)	(7 211)	(5 178)	(6 531)
Revaluation/impairment of non-financial assets	11	(24 126)	(21 221)	(21 879)	(18 906)
Other operating income	12	340	1 933	310	2 773
Other operating expenses	13	(403)	(5 855)	(372)	(5 229)
Operating (loss)/profit		**(14 993)**	**900**	**(13 819)**	**1 532**
Finance income	15	452	1 563	411	1 438
Finance costs	16	(12 021)	(9 392)	(9 004)	(8 509)
Loss before tax		**(26 562)**	**(6 929)**	**(22 412)**	**(5 539)**
Income tax	17	1 561	(290)	1 425	(261)
Loss for the year		**(25 001)**	**(7 219)**	**(20 987)**	**(5 800)**
Attributable to:					
Equity holders of the parent		(25 001)	(7 091)	(20 987)	(5 686)
Non-controlling interests		-	(128)	-	(114)
		(25 001)	**(7 219)**	**(20 987)**	**(5 800)**
Loss per share	18	USD (0.13)	USD (0.04)	EUR (0.10)	EUR (0.03)

The notes on pages 37 to 81 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 17 March 2017 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 17 March 2017

Consolidated statement of comprehensive income for the year ended 31 December 2016

	2016 USD'000	2015 USD'000	2016 EUR'000	2015 EUR'000
Loss for the year	**(25 001)**	**(7 219)**	**(20 987)**	**(5 800)**
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(421)	(2 040)	5 975	12 788
Net movement on cash flow hedges (*Note 30*)	218	473	201	368
Other comprehensive (loss)/income for the year, net of tax	**(203)**	**(1 567)**	**6 176**	**13 156**
Total comprehensive (loss)/income for the year, net of tax	**(25 204)**	**(8 786)**	**(14 811)**	**7 356**
Attributable to:				
Equity holders of the parent	(25 204)	(8 175)	(14 811)	7 470
Non-controlling interests	-	(611)	-	(114)
	(25 204)	**(8 786)**	**(14 811)**	**7 356**

The notes on pages 37 to 81 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 17 March 2017 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 17 March 2017

Consolidated statement of financial position as at 31 December 2016

	Notes	2016 USD'000	2015 USD'000	2016 EUR'000	2015 EUR'000
Assets					
Non-current assets					
Intangible assets	19	15	12	14	11
Fleet	20	266 500	328 491	252 822	301 728
Repairs and upgrades in progress	20	833	-	790	-
Property, plant and equipment	21	2 389	2 560	2 267	2 352
Investment properties	22	26 464	27 917	25 105	25 643
Trade and other receivables	24	-	14	-	13
Other non-current financial assets	26	250	250	237	229
Total non-current assets		**296 451**	**359 244**	**281 235**	**329 976**
Current assets					
Inventories	23	2 950	2 362	2 798	2 169
Trade and other receivables	24	7 132	2 192	6 765	2 014
Prepayments	25	1 681	529	1 594	485
Other current financial assets	26	31 814	30 710	30 181	28 208
Cash and cash equivalents	27	15 865	21 987	15 052	20 195
Total current assets		**59 442**	**57 780**	**56 390**	**53 071**
Total assets		**355 893**	**417 024**	**337 625**	**383 047**
Equity and liabilities					
Equity					
Share capital		76 392	76 392	60 000	60 000
Retained earnings		79 589	104 590	61 693	82 680
Other components of equity		(5 746)	(25 593)	20 832	49
Equity attributable to equity holders of the parent		**150 235**	**155 389**	**142 525**	**142 729**
Total equity	28	**150 235**	**155 389**	**142 525**	**142 729**
Non-current liabilities					
Interest bearing loans	29	127 900	131 647	121 335	120 922
Trade and other payables	33	38 499	57 514	36 523	52 827
Deferred tax liabilities	31	106	1 918	100	1 762
Total non-current liabilities		**166 505**	**191 079**	**157 958**	**175 511**
Current liabilities					
Trade and other payables	33	12 799	8 719	12 141	8 009
Interest bearing loans	29	24 605	57 964	23 342	53 241
Derivative financial instruments	30	-	281	-	258
Deferred revenue	32	1 749	3 592	1 659	3 299
Total current liabilities		**39 153**	**70 556**	**37 142**	**64 807**
Total liabilities		**205 658**	**261 635**	**195 100**	**240 318**
Total equity and liabilities		**355 893**	**417 024**	**337 625**	**383 047**

The notes on pages 37 to 81 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 17 March 2017 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 17 March 2017

Consolidated statement of changes in equity for the year ended 31 December 2016

		Attributable to the equity holders of the parent								
		Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As at 1 January 2015		**76 392**	**5 824**	**(691)**	**(15 264)**	**(20 050)**	**111 681**	**157 892**	**5 565**	**163 457**
Loss for the period		-	-	-	-	-	(7 091)	**(7 091)**	(128)	**(7 219)**
Other comprehensive income/ (loss)		-	-	473	(1 557)	-	-	**(1 084)**	(483)	**(1 567)**
Total comprehensive income/ (loss)		**-**	**-**	**473**	**(1 557)**	**-**	**(7 091)**	**(8 175)**	**(611)**	**(8 786)**
Fair value adjustment of loans from shareholder	28	-	-	-	-	5 672	-	**5 672**	-	**5 672**
Decrease in non-controlling interests		-	-	-	-	-	-	**-**	(4 954)	**(4 954)**
As at 31 December 2015		**76 392**	**5 824**	**(218)**	**(16 821)**	**(14 378)**	**104 590**	**155 389**	**-**	**155 389**
Loss for the period		-	-	-	-	-	(25 001)	**(25 001)**	-	**(25 001)**
Other comprehensive income/ (loss)		-	-	218	(421)	-	-	**(203)**	-	**(203)**
Total comprehensive income/ (loss)		**-**	**-**	**218**	**(421)**	**-**	**(25 001)**	**(25 204)**	**-**	**(25 204)**
Other reserves	28	-	-	-	-	20 050	-	**20 050**	-	**20 050**
As at 31 December 2016		**76 392**	**5 824**	**-**	**(17 242)**	**5 672**	**79 589**	**150 235**	**-**	**150 235**

Consolidated statement of changes in equity for the year ended 31 December 2016 *(continued)*

		Attributable to the equity holders of the parent								
		Share capital	Reserve of share capital denomination	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2015		**60 000**	**4 574**	**(569)**	**(7 715)**	**(14 607)**	**88 366**	**130 049**	**4 584**	**134 633**
Loss for the period		-	-	-	-	-	(5 686)	**(5 686)**	(114)	**(5 800)**
Other comprehensive income		-	-	368	12 788	-	-	**13 156**	-	**13 156**
Total comprehensive income/ (loss)		-	-	**368**	**12 788**	-	**(5 686)**	**7 470**	**(114)**	**7 356**
Fair value adjustment of loans from shareholder	28	-	-	-	-	5 210	-	**5 210**	-	**5 210**
Decrease in non-controlling interests		-	-	-	-	-	-	-	(4 470)	**(4 470)**
As at 31 December 2015		**60 000**	**4 574**	**(201)**	**5 073**	**(9 397)**	**82 680**	**142 729**	-	**142 729**
Loss for the period		-	-	-	-	-	(20 987)	**(20 987)**	-	**(20 987)**
Other comprehensive income		-	-	201	5 975	-	-	**6 176**	-	**6 176**
Total comprehensive income/ (loss)		-	-	**201**	**5 975**	-	**(20 987)**	**(14 811)**	-	**(14 811)**
Other reserves	28	-	-	-	-	14 607	-	**14 607**	-	**14 607**
As at 31 December 2016		**60 000**	**4 574**	-	**11 048**	**5 210**	**61 693**	**142 525**	-	**142 525**

The notes on pages 37 to 81 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 17 March 2017 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 17 March 2017

Consolidated statement of cash flows for the year ended 31 December 2016

	Notes	2016 USD'000	2015 USD'000	2016 EUR'000	2015 EUR'000
Operating activities					
Loss before tax		**(26 562)**	**(6 929)**	**(22 412)**	**(5 539)**
Non-cash adjustment to reconcile loss before tax to net cash flows:					
Depreciation of property, plant and equipment and fleet	20,21	40 091	19 743	36 404	17 880
Amortisation of intangible assets	19	8	14	7	12
Depreciation of investment properties	22	536	191	487	175
Net profit on disposal of non-financial assets	12	(17)	(272)	(16)	(241)
Net profit from disposal of subsidiary	12	-	(1)	-	(1 031)
Currency translation difference		3 483	(1 654)	1 597	(1 371)
Finance income	15	(452)	(336)	(411)	(305)
Finance costs	16	8 654	8 921	7 889	8 086
Revaluation/impairment loss of the fleet	11	24 126	2 395	21 879	2 198
Impairment reversal of investment property	12	(323)	-	(294)	-
Impairment of asset available-for-sale	13	-	911	-	815
Impairment of loans receivable	13	-	3 917	-	3 476
Impairment loss of goodwill at acquisition	6	-	18 826	-	16 708
Gain on step acquisition of "Skonto Nafta" SIA shares (negative goodwill)	12	-	(982)	-	(882)
Working capital adjustments:					
Decrease in trade and other receivables and prepayments		9 805	391	8 490	81
Increase in inventories		(588)	(786)	(629)	(872)
(Decrease)/increase in trade and other payables		(1 440)	2 616	(962)	3 523
Income tax paid		(369)	(377)	(333)	(339)
Net cash flows generated from operating activities		**56 952**	**46 588**	**51 696**	**42 374**
Investing activities					
Proceeds from sale of non-current assets		459	230	407	206
Purchase of non-current assets		(2 234)	(6 681)	(2 019)	(6 015)
Investments in subsidiary		-	(4 019)	-	(3 588)
Income from sale of asset available-for-sale		-	17 533	-	15 650
Income from sale of subsidiary		-	1	-	1
Placement of deposits with maturity more than three months	26a	(31 800)	(31 400)	(30 408)	(28 649)
Deposits settled at maturity	26a	30 700	18 350	28 847	16 737
Loans received		-	445	-	400
Interest received		439	220	396	198
Net cash flows (used in)/generated from investing activities		**(2 436)**	**(5 321)**	**(2 777)**	**(5 060)**
Financing activities					
Repayment of borrowings		(54 074)	(40 088)	(48 791)	(36 360)
Interest paid		(6 256)	(6 994)	(5 653)	(6 297)
Prepaid financing expenses		(248)	(46)	(224)	(41)
Net cash flows used in financing activities		**(60 578)**	**(47 128)**	**(54 668)**	**(42 698)**
Net decrease in cash and cash equivalents		**(6 062)**	**(5 861)**	**(5 749)**	**(5 384)**
Cash and cash equivalents at the beginning of the year		**21 987**	**27 925**	**20 195**	**23 001**
Acquired with subsidiary	6	-	17	-	15
Result of currency exchange transactions		(60)	(94)	606	2 563
Cash and cash equivalents at the end of the year	27	**15 865**	**21 987**	**15 052**	**20 195**

The notes on pages 37 to 81 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 17 March 2017 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 17 March 2017

Notes to the consolidated financial statements

1. Corporate information

JSC "Latvian Shipping Company" (hereinafter the Company or the Parent company or the Parent) is a public joint stock company organised under the laws of the Republic of Latvia. The Company was first registered in the Enterprise Register on 13 September 1991, and then re-registered in the Commercial Register on 17 November 2004 (under the number 40003021108).

The core activities of the Company are commercial management of the fleet owned by JSC "Latvian Shipping Company" Group (LSC Group or the Group) and the management of the investments in subsidiary undertakings.

The Group is a participant of the global shipping market; therefore, it has commercial activities all over the world and it is not dependent on one particular country's economy only; however, is dependent on global geo-politic climate and demand for refined oil and hence for oil tankers.

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Management Board on 17 March 2017. The Shareholders of the Group have the right to dispute the accuracy of the consolidated financial statements and to postpone the approval of the consolidated financial statements in the shareholders' meeting.

The Auditors of the consolidated financial Statements are KPMG Baltics SIA; with registered address at 7 Vesetas street, Riga LV-1013, Latvia, Licence No.55.

2. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the fleet and derivative financial instruments that have been measured applying revaluation method and fair value respectively.

The consolidated financial statements are presented in US dollars which is the functional and presentation currency of the primary business and Euro which is the secondary presentation currency of the Group, both values are rounded to the nearest thousand (USD'000) and (EUR'000) except when otherwise indicated. Principles of translation into presentation currency are provided in Note 2.3 b).

2.1. Statement of compliance and explanation of the key financial indicators

2.1.1. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2.1.2. The explanation of the key financial indicators for the last five financial years

Turnover: Position "Revenue" of the LSC Group's Consolidated Income Statement.

Net loss: Position "Loss for the period" of the LSC Group's Consolidated Income Statement.

Gross profit before depreciation: Sum of the LSC Group's Segment information positions "Vessel operating profit" and "Other revenues" from which Segment information position "Costs of sales (Vessel operating costs excluding" is deducted.

EBITDA: Position "Operating profit/(loss)" of the LSC Group's Consolidated Income Statement from which position "Depreciation and amortization" of Segment information is deducted. In addition adjustments are made by profit or loss from the non-shipping business related assets sale or acquisition and vessels impairment.

EBIT: Position "Operating profit/(loss)" of the LSC Group's Consolidated Income Statement which adjusted by profit or loss from the non-shipping business related assets sale or acquisition and vessels impairment.

Profit before tax and exceptionals: Position "Net result before tax" of the LSC Group's Consolidated Income Statement which adjusted by profit or loss from the non-shipping business related assets sale or acquisition and vessels impairment.

Return on Assets: Calculated by dividing a position "Profit or loss for the period" of the LSC Group's Consolidated Income Statement by average position "Total assets" of the LSC Group's Consolidated Statement of Financial Position as at 31 December.

Return on Equity: Calculated by dividing a position "Profit or loss for the period" of the LSC Group's Consolidated Income Statement by average position "Total equity" of the LSC Group's Consolidated Statement of Financial Position as at 31 December.

EPS: The earnings per share ratio is measured by dividing the position "Loss for the period" of the LSC Group's Consolidated Income Statement by LSC total number of the shares.

Liquidity ratio: Position "Current assets" of the LSC Group's Consolidated Statement of Financial Position divided by Position "Current liabilities" of the LSC Group's Consolidated Statement of Financial Position.

P/E ratio: LSC share price as at 31 December of the reporting period divided to reporting period profit. Ratio is not calculated due to the fact that financial result for the reporting periods is loss.

Notes to the consolidated financial statements *(continued)*

2.2. Basis of consolidation

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at and for the year ended 31 December 2016.

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as for the Parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

In 2016 within the Group the reorganisation process was initiated and completed.

The acquiring companies took over the assets and liabilities of the acquired companies. As a result of reorganisation the parent companies lost their ownership interest in subsidiaries, accordingly the balance sheet item "Investments in subsidiaries" was excluded and the difference between the balance sheet item "Investments in subsidiaries" and balance item "Equity" was recognised in retained earnings, as all transactions were accounted as those under common control.

Intra-group reorganisation process does not impact the result of the Group as these transactions were eliminated in full.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in income statement;
- Reclassifies to Income Statement the Parent's share of components previously recognised in other comprehensive income statement.

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in income statement or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) Foreign currency translation

Primary economic environment of the Group is the international shipping market. Consequently, virtually all of the Group's revenues and the majority of operating expenses of the primary business are in the US dollars. The Group's consolidated financial statements are presented in U.S. dollars, which is the functional currency of the shipping business. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are prepared in U.S. dollars which is the functional currency of the business and euro (EUR) which is the presentation currency of the Group in accordance with the legislation of the Republic of Latvia. Functional currency of non-primary businesses is EUR, which is translated to the functional currency (USD) of the primary business as described below.

Monetary assets and liabilities of the Group entities denominated in other currencies are translated into functional currency at the rate of exchange prevailing at the end of the financial year. Share capital and reserves measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at the rates prevailing on the transaction dates and

(c) all resulting exchange differences are recognised in other comprehensive income.

Differences on exchange rates arising from retranslating the opening net investment in subsidiary undertakings, and from the translation of the results of those undertakings at the average rate of exchange, are taken to the Foreign currency translation reserve in other comprehensive income. On disposal of the foreign entity, such translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Presentation of financial statements in EUR is done using exchange rate set by the European Central Bank (ECB) according to the following rates:

ECB rate as at 31.12.2016 EUR/USD – 1.0541

ECB rate as at 31.12.2015 EUR/USD – 1.0887

Some of the cash flow working capital adjustments items, investing and financing activities items and some disclosures on movements of positions of statement of financial position are translated at average exchange rates prevailing on the respective period which approximates the exchange rates on the transaction dates:

Average rate for 2016 EUR/USD – 1.1068

Average rate for 2015 EUR/USD – 1.1106

Notes to the consolidated financial statements *(continued)*

2.3 Summary of significant accounting policies *(continued)*

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow into the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Freight and hire revenue

Freight and hire revenue includes gross income from freight, hire and demurrage.

Employing the vessel on spot market freight revenue (voyage revenue) is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage. The percentage is calculated based on the number of days completed of the estimated voyage period. Profits arising from voyage charters in progress at the end of the financial reporting period are apportioned into accounting periods on the basis of the proportion of the voyage completed at the end of the financial reporting period on a discharge / discharge port basis. Full provision is made for any losses forecast on voyages in progress at the end of the financial reporting period.

Employing the vessel on time charter (time charter out revenue) which is of operating lease in nature, hire revenues are earned for exclusive use of the services of the vessel by the charterer for an agreed period of time. If these conditions are breached, the Group is compensated for the additional time incurred in the form of demurrage revenue which is recognised upon delivery of service in accordance with the terms and conditions of the charter parties. Hire revenues are recognised on a straight-line basis over the period of each charter. Full provision is made for any losses forecast on voyages in progress at the end of the financial reporting period.

Income from other services

Other income from the rendering of services is recognized when service is provided.

Interest income

For all financial instruments measured at amortised cost interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Deferred revenue

Amounts invoiced (cash received) to charterers for future service periods are accounted as deferred revenue.

d) Voyage costs and commissions/ Cost of sales

Voyage costs include the costs related to the vessels that operate in the spot market, where the owner carries costs including bunkers, port expenses and commissions. For vessels operating on a time charter, these costs are carried by the charterer. Cost of sales include vessel operating costs that are costs related to the running of the vessels like crew, repairs, equipment, insurance and dry-docking depreciation costs and other costs directly related to the core service delivery process.

e) Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and paid vacation benefits are included in Cost of sales and administrative expenses on an accrual basis.

The Group pays social security contributions to state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. In accordance with the Rules of the Cabinet of Ministers of Latvia Republic 69.99% (2015: 71.55%) of the social insurance contributions are used to fund the state defined contribution pension system. State funded pension scheme is a defined contribution plan under which the Group pays fixed contributions determined by law and will have no legal or constructive obligation to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are accrued in the year in which the associated services are rendered by the employees of the Group.

f) Taxes

Corporate income tax

Corporate income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Corporate income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income, respectively and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies *(continued)*

f) Taxes *(continued)*

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and associates the deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the consolidated income statement is recognised outside the consolidated income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

g) Financial assets

Initial recognition and measurement

The Group's financial assets include cash and cash equivalents, deposits, assets available for sale, loans issued and trade and other receivables.

All Group's financial assets within the scope of IAS 39 are classified as loans and receivables or financial assets available for sale. The Group determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and receivables are recognised initially at fair value plus directly attributable transaction costs.

Purchases or sales of loans and receivables that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies *(continued)*

g) Financial assets *(continued)*

Financial assets available for sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at cost less impairment losses as the fair value cannot be reliably measured for unquoted equity instruments.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- If the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset. This policy by analogy is applied to equity instruments.
- In case of entering into put and call option agreements over equity instruments; and if the terms and conditions of put/call options are identical, the options are treated as a forward contract. The equity instruments are carried in that party's financial statements who has the risks and rewards with regard to the underlying equity instruments.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted using the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Financial assets available for sale

For unquoted equity instruments that are carried at cost because their fair value cannot be reliably measured, if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in *Note 38.*

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies *(continued)*

h) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost and derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities except for derivatives (at fair value) are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other consolidated comprehensive income.

The Group uses cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognised liability.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies *(continued)*

h) Financial liabilities *(continued)*

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as consolidated other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts recognised as other consolidated comprehensive income are transferred to the consolidated income statement when the hedged transaction affects consolidated income statement, such as when the hedged financial income or financial expense is recognised. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other consolidated comprehensive income remains in consolidated other comprehensive income until the forecast transaction or firm commitment affects consolidated income statement.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

i) Fleet

The Group's fleet in 2015 and before that date was recorded at historical cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the asset when that cost is incurred, if the recognition criteria are met.

The Group has changed the accounting policy in 2016, please refer to Section 2.4. "Changes in accounting policy and disclosures". From 2016 the vessels are recorded applying revaluation method and are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Revaluation is recognised by respectively adjusting cost and accumulated depreciation of the items.

The last revaluation was performed at the balance sheet date using fair value which is determined based on valuation carried out by an independent broker. Further valuations are planned to be performed twice a year. Any surplus arising on the revaluation is recognised in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in consolidated profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation is recognised in consolidated profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in other comprehensive income. Revaluation increases and decreases for separate assets cannot be offset, even within a class of assets.

Depreciation has been provided on the basis that the carrying value of the vessels, less recognised impairment and revaluation result, less an estimated scrap value of USD 300 per ton (2015: USD 300), is written off on a straight line basis over the remainder of their anticipated useful lives, taken to be 15 years from the date of building (2015: 25 years). The Group has changed the estimates regarding anticipated useful lives of the vessels in 2016, please refer to Note 4 "Significant accounting judgments, estimates and assumptions".

The vessels are required to undergo planned dry-dockings for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating. Each vessel is inspected by a classification society surveyor annually, with either the second or third annual inspection being a more detailed survey (an "Intermediate Survey") and the fifth annual inspection being the most comprehensive survey (a "Special Survey"). The inspection cycle resumes after each Special Survey.

Vessels are typically required to undergo Special Surveys, which include inspection of underwater parts ("Bottom Survey"), every 60 months. Dry-docking surveys are required to be held twice within the five-year survey cycle, with a maximum of 36 months between inspections, for bottom surveys and for repairs related to inspections. An in-water survey may be permitted in lieu of a dry-docking for the Intermediate Survey, although the vessel must carry out a dry-docking in conjunction with a Special Survey. The part of the cost of a new vessel or a newly acquired vessel representing assumed dry-docking costs is depreciated over the remaining period to the expected next dry-docking.

Where a vessel is acquired new or constructed, a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next dry-docking based on the expected costs related to the first-coming dry-docking, which is based on experience and past history of similar vessels.

Subsequent dry-docking and Special Survey costs are capitalised and written off to direct operating expenses on a straight line basis over the estimated period to the next dry-docking. Accelerated dry-docking was performed in 2015 resulting in increased depreciation charges.

The fleet's residual value, useful lives and methods are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies *(continued)*

j) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings 1.25 to 20 % per annum
- Other assets 14.29 to 50% per annum

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

The policies applied to the Group's intangible assets are as follows:

Licences

Licences for the use of software programmes are granted for periods ranging between 1 and 3 years. Therefore the licences are assessed as having finite useful life and are amortised on a straight line basis over the licence period.

l) Leases

Group as a lessee

An operating lease is a lease contract that allows the use of an asset, but does not convey rights similar to ownership of the asset. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets.

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies *(continued)*

n) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight line basis over the useful life of the asset using 2% per annum.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, cost value is used, net of accumulated depreciation and accumulated impairment losses, if any. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

o) Inventories

Inventories are stated at the lower of cost and net realisable value and comprise bunkers, luboils, victualling and slopchest stocks and other inventories. Cost is determined using the first-in, first-out (FIFO) method. Other stores and spares relating to vessel operations are charged to running costs when purchased and no balances are taken to inventory remaining on board at the end of the period.

p) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU- individual vessel) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses are recognised in the consolidated income statement as impairment of non-financial assets.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the consolidated income statement.

q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, on hand on board the vessels and short-term deposits with original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and 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 Group expects some or all of a provision 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. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the consolidated financial statements *(continued)*

2.3. Summary of significant accounting policies *(continued)*

s) Related parties

Related parties, as defined by IAS 24 "Related Party Disclosures", represent both legal entities and private individuals related to the Company in accordance with the following rules:

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii) Both entities are joint ventures of the same third party.
   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi) The entity is controlled, or jointly controlled by a person identified in (a).
   vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2.4. Changes in accounting policy and disclosures

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 2.3. to all periods presented in these financial statements.

In 2016 the Group has changed the measurement model of vessels in order to represent the Group's fleet using the revaluation method for the prudency reasons and as an instrument to reflect management's conservative approach to the fleet valuation. The change is applied prospectively.

The fleet as at 31 December 2016 is recorded applying revaluation model and vessels are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. According to the management view, the change of the accounting policy does not have significant impact on fleet value as the recoverable amount of fleet as at 31 December 2015 was assessed as the higher of the fair value less costs of disposal and value in use.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016.

The adoption of the following guidance with effective date of 1 January 2016 did not have any impact on these financial statements:

- IFRS 11: Accounting for Acquisitions of Interests in Joint Operations;
- IAS 1 – Presentation of Financial Statements;
- IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets;
- IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture;
- IAS 19 – Defined Benefit Plans: Employee Contributions;
- IAS 27 – Separate Financial Statements; and
- Annual Improvements to IFRSs.

Notes to the consolidated financial statements *(continued)*

3. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- **IFRS 9 Financial Instruments (2014) (effective for annual periods beginning on or after 1 January 2018)**

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.
Extensive additional disclosures regarding a Group's risk management and hedging activities are required.

The Group does not expect IFRS 9 (2014) to have material impact on the consolidated financial statements. The classification and measurement of the Group's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds. However the Group believes that impairment losses may increase and become more volatile for assets in the scope of expected credit loss impairment model. The Group has not yet finalised the impairment methodologies that it will apply under IFRS 9.

- **IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)**

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) a Company transfers control of goods or services to a customer at the amount to which the Company expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the Company's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that a Company shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Group's consolidated financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Group's consolidated financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

- **IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, this pronouncement is not yet endorsed by the EU)**

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

It is expected that the new Standard, when initially applied, will have no material impact on the Group's consolidated financial statements, however the Group has not yet fully completed its initial assessment of the potential impact of IFRS 16.

- **IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018, this pronouncement is not yet endorsed by the EU)**

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group because the Group does not enter into share-based payment transactions.

Notes to the consolidated financial statements *(continued)*

3. Standards issued but not yet effective *(continued)*

- **Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, this pronouncement is not yet endorsed by the EU)**

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

The Group does not expect that the amendments, when initially applied, will have material impact on the consolidated financial statements as the Group is not insurance provider.

- **Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (the effective date has not yet been determined by the IASB)**

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group does not expect that the amendments, when initially applied, will have material impact on the consolidated financial statements as the Group has no associates or joint ventures.

- **Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017, this pronouncement is not yet endorsed by the EU)**

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group.

- **Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017, this pronouncement is not yet endorsed by the EU)**

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group.

- **Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018, this pronouncement is not yet endorsed by the EU)**

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Group does not expect that the amendments will have a material impact on the Group's consolidated financial statements as the Group transfer into, or out of, investment property only if there has been a change in use of the property.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018, this pronouncement is not yet endorsed by the EU)**

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which a Company initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the consolidated financial statements as the Group uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

- **`Annual improvements to IFRSs**

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 Disclosure of Interest in Other Entities are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 Investments in Associates and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. Earlier application is permitted.

Notes to the consolidated financial statements *(continued)*

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Anticipated useful economic life of the fleet

Depreciation of vessels is charged so as to allocate the depreciable amount of these assets to their residual value over their respective estimated useful lives. Management is required to assess the useful economic lives and residual values of the assets so that depreciation is charged on a systematic basis to the estimated residual value. Estimates of useful economic life of vessels are based on managements' experience by comparison to similar vessels in the industry. However, the actual life of a vessel may be different. Carrying values are difficult to estimate given the long lives of vessels, the uncertainty as to future economic conditions and the future price of steel. Residual values are calculated by reference to the scrap value as of the reporting date, obtained from independent professional brokers. Changes to estimates of useful lives and residual values may affect the annual depreciation charge and thereby the results for the period.

The Group has changed the estimates regarding anticipated useful lives of the vessels in 2016. In the view of the current market trends and as a result of management discussions estimates of the useful economic life of the fleet were revised to reflect a more prudent and conservative future valuation and use of the fleet. Therefore the useful life of the Group's fleet has been reassessed and decreased from 25 years to 15 years. Annual depreciation charge for the year 2016 with estimated useful live 25 years would be USD 15.3 million/EUR 13.8 million.

As at 31 December 2016 management have tested sensitivity of the fleet carrying value considering changes in expected useful life increasing/decreasing by 5 years. The effect of this change in estimate would decrease depreciation expenses by USD 17.1 million/EUR 15.5 million in 2016 (2015: USD 3.4 million/EUR 3.1 million) or increase depreciation expense by USD 6.1 million/EUR 5.5 million in 2015. Sensitivity test by decreasing by 5 years in 2016 is not demonstrative due to close end of estimated useful lives.

Value in use of fleet

The value in use amount calculated in 2015 is the most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows. The key assumptions used to determine the value in use of vessels, including a sensitivity analysis, are further explained in *Note 20.*

Fair value measurement

The Group's approach to fair value measurement of financial assets and liabilities is disclosed in *Note 38.*
Fair value measurement of fleet is disclosed in *Note 20*, which is based on Level 3 input data for fair value measurement in the IFRS 13 hierarchy.

Provisions

Provision is made and represented on the balance sheet in recognition of a present obligation as a result of a past event (i.e. outstanding claim made against the Group in 2014 by bunker suppliers in respect of bunkers delivered to the Group's vessel at Santos in October 2014) and in view of probability that the Group by force of applicable laws, will be required to settle its respective obligations to the claimants. Provision is measured at the management best estimate of the expenditure required to settle the obligations at the balance sheet date and are disclosed in the *Note 33.*

Recoverable amount of investment properties

As the investment property has been impaired in the past, the recoverable amount of investment properties is assessed comparing fair values less costs to sell as of the period end to their carrying values. In 2016 and 2015 the Group engaged independent certified valuation specialist to determine fair value of assets. For valuation purposes the appraiser used a discounted cash flow model and comparable deal method. The valuations were done for each investment property on individual basis. The key assumptions used to determine the recoverable amount are explained in *Note 22.*

Notes to the consolidated financial statement *(continued)*

5. Corporate Structure

The subsidiary undertakings, all of which are effectively controlled by the Company, are stated below. All are wholly-owned (100%) at the date of statement of financial position if not stated otherwise.

Name	Country of Incorporation	Activity /Vessels
Latmar Holdings Corporation	Liberia	Holding company
Antonio Gramsi Shipping Corporation	Liberia	Liquidated in August 2016
Apollo Holdings Corporation	Cayman Islands	Liquidated in September 2016
Arctic Seal Shipping Company Limited	Cyprus	In liquidation
Atlantic Leader Shipping Company Limited	Cyprus	In liquidation
Cape Wind Trading Company	Liberia	Liquidated in August 2016
Clipstone Navigation S. A.	Liberia	Liquidated in August 2016
Dawnlight Shipping Company Limited	Cyprus	In liquidation
Faroship Navigation Company Limited	Cyprus	In liquidation
Gaida Shipping Corporation	Liberia	Liquidated in August 2016
Gevostar Shipping Company Limited	Cyprus	In liquidation
Kemeri Navigation Corporation	Liberia	Liquidated in August 2016
Klements Gotvalds Shipping Corporation	Liberia	Liquidated in August 2016
Latalpha Holdings Corporation	Liberia	Liquidated in May 2016
Latgale Shipping Company Limited	Malta	In liquidation
Latmar Shipping Company Limited	Cyprus	Liquidated in January 2016
Latstrand Holdings Corporation	Liberia	Liquidated in May 2016
Lattankers Holdings Corporation	Liberia	Intermediate holding company
Limetree Shipping Company Limited	Malta	In liquidation
"LSC Shipmanagement" SIA	Latvia	Ship management services
Noella Maritime Company Limited	Cyprus	In liquidation
Pinewood Shipping Corporation	Liberia	Liquidated in May 2016
Razna Shipping Corporation	Liberia	Liquidated in August 2016
Reeferlat Holdings Corporation	Liberia	Liquidated in May 2016
Riga Maritime LLC	Marshall Islands	Liquidated in April 2016
Sagewood Trading Inc.	Liberia	Liquidated in August 2016
Samburga Shipping Company Limited	Cyprus	In liquidation
Saturn Trading Corporation	Liberia	Liquidated in August 2016
Taganroga Shipping Corporation	Liberia	Liquidated in August 2016
Tangent Shipping Company Limited	Cyprus	In liquidation
Viktorio Shipping Corporation	Liberia	Liquidated in August 2016
Wilcox Holdings Limited	Liberia	Liquidated in August 2016
Zemgale Shipping Company Limited	Malta	In liquidation
Zoja Shipping Company Limited	Cyprus	In liquidation
Lattankers Holdings Corporation	Liberia	Intermediate holding company
Dzons Rids Shipping Corporation	Liberia	Liquidated in August 2016
Hose Marti Shipping Corporation	Liberia	Liquidated in August 2016
Imanta Shipping Company Limited	Malta	In liquidation
Majori Shipping Company Limited	Malta	In liquidation
Talava Shipping Company Limited	Malta	In liquidation
Reeferlat Holdings Corporation	Liberia	Liquidated in May 2016
Latstrand Holdings Corporation	Liberia	Liquidated in May 2016
Latalpha Holdings Corporation	Liberia	Liquidated in May 2016
Mahoe Shipping Company Limited	Cyprus	Liquidated in January 2016

Notes to the consolidated financial statement *(continued)*

5. Corporate Structure *(continued)*

Name	Country of Incorporation	Activity /Vessels
LSC Holdings Limited	Isle of Man	Holding company
Kabile Navigation Inc.	Marshall Islands	m.t. Krisjanis Valdemars
Kaltene Navigation Inc.	Marshall Islands	Dormant
Kandava Navigation Inc.	Marshall Islands	m.t. Kandava
Kazdanga Navigation Inc.	Marshall Islands	m.t. Kazdanga
Kolka Navigation Inc.	Marshall Islands	Dormant
Kuldiga Navigation Inc.	Marshall Islands	Dormant
Kursa Navigation Inc.	Marshall Islands	m.t. Kraslava
Sabile Navigation Inc.	Marshall Islands	m.t. Ugale
Salacgriva Navigation Inc.	Marshall Islands	m.t. Jurkalne
Saldus Navigation Inc.	Marshall Islands	m.t. Ainazi
Saulkrasti Navigation Inc.	Marshall Islands	m.t. Puze
Sigulda Navigation Inc.	Marshall Islands	m.t. Uzava
Skrunda Navigation Inc.	Marshall Islands	m.t. Piltene
Sloka Navigation Inc.	Marshall Islands	m.t. Ance
Smiltene Navigation Inc.	Marshall Islands	m.t. Usma
Stende Navigation Inc.	Marshall Islands	m.t. Targale
Straupe Navigation Inc.	Marshall Islands	m.t. Salacgriva
Arctic Holding Corporation	Marshall Islands	Holding company
Brasla Shipping Corporation	Marshall Islands	m.t Latgale
Imula Shipping Corporation	Marshall Islands	m.t Zemgale
"LSC IT" SIA[7]	Latvia	IT services
"LASCO Investment" SIA	Latvia	Holding company
Subsidiaries of "LASCO Investment" SIA		
"Rīgas līcis" SIA[6]	Latvia	Real estate/reorganized in November 2016
"Darījumu centrs Daugava" SIA[5]	Latvia	Real estate/ reorganized in October 2016
"Ventspils biznesa centrs" SIA	Latvia	Real estate
"NAFTA Invest" SIA[1]	Latvia	Reorganized in September 2016
Subsidiary of "NAFTA Invest" SIA		
"Skonto Nafta" SIA[2]	Latvia	Reorganized in September 2016
"LASCO Nekustamie īpašumi" SIA[4]	Latvia	Reorganized in March 2016
"Lejastiezumi" SIA[3]	Latvia	Reorganized in March 2016
"Pārventas sporta centrs" SIA[3]	Latvia	Reorganized in March 2016

[1] In March 2016 "LASCO Investment" SIA acquired 100% of "Nafta Invest" SIA shares. In September 2016 SIA „NAFTA Invest" reorganisation carried out by incorporating it into its parent company SIA "LASCO Investment".
[2] In September 2016 SIA „Skonto Nafta" reorganisation carried out by incorporating it into the its parent company SIA „NAFTA Invest".
[3] In March 2016 reorganisation of SIA „Lejastiezumi" and SIA „Pārventas sporta centrs" was carried out by incorporating them into its parent company SIA „LASCO nekustamie īpašumi".
[4] In March 2016 reorganisation of SIA „LASCO nekustamie īpašumi" was carried out by incorporating it into its parent company SIA „LASCO Investment".
[5] In October 2016 reorganisation of SIA „Darījuma centrs Daugava" was carried out by incorporating it into its parent company SIA „LASCO Investment".
[6] In November 2016 reorganisation of SIA „Rīgas līcis" was carried out by incorporating it into its parent company SIA „LASCO Investment".
[7] In November 2016 SIA „LSC IT" was established.

Notes to the consolidated financial statement *(continued)*

6. Business combination

On 24 August 2015 the Riga City Vidzeme Suburb Court decided to restore fully the solvency of "LASCO Investment" SIA – 100% subsidiary of JSC "Latvian Shipping Company". The decision was made following the settlement among LASCO Investment's creditors. "LASCO Investment" SIA is a company holding and managing the real estate. The real estate portfolio of LASCO Investment and its subsidiaries consists of the Publishing House building, recreation centre "Lejastiezumi", hotel "Rigas Licis", Ventspils Business Centre and others.

The consideration paid was allocated to the purchased assets and liabilities based on their fair values as follows:

	Fair value recognised on acquisition 2015	
	USD'000	**EUR'000**
Other fixed assets on acquisition	40	36
Investment property on acquisition	29 052	25 783
LSC Group receivable acquired on acquisition	69	61
Other assets acquired on acquisition	40	35
Cash and cash equivalents	17	15
	29 218	**25 930**
Deferred corporate income tax acquired on acquisition	(1 887)	(1 675)
LSC Group loan acquired on acquisition	(71 975)	(63 875)
Trade and other payables acquired on acquisition	(46 088)	(40 902)
	(119 950)	**(106 452)**
Net liabilities acquired, 100%	**(90 732)**	**(80 522)**
Settlement of LSC Group loan and receivables	71 906	63 814
Net liabilities acquired post settlement of intercompany loans and accounts receivable	**(18 826)**	**(16 708)**
Consideration paid	-	-
Goodwill arising on acquisition	18 826	16 708
Impairment of goodwill	(18 826)	(16 708)
Loss on intercompany loan settlement	(3 917)	(3 476)
Effect to the consolidated income statement	**(22 743)**	**(20 184)**

In 2016 there was a reorganisation and liquidation process within LSC Group which did not have an impact on LSC Groups result for the reporting period. For subject subsidiaries please refer to *Note 5*.

Notes to the consolidated financial statement *(continued)*

7. Segment information

Operating segments are determined on the basis of reports that are used to make operating decisions by the Management Board which is the chief operating decision maker. Reports submitted to the Management Board are prepared on the basis of International Financial Reporting Standards as adopted by EU.

For management purposes the Group is organised into business units based on their business activities and has 16 operating segments – one for each vessel.

Each vessel within its respective class qualifies as an operating segment under IFRS. However, each vessel also exhibits similar long-term financial performance and similar economic characteristics to the other vessels within the respective vessel class, thereby meeting the aggregation criteria in IFRS. We have therefore chosen to present our segment information by vessel class as one reportable segment (Shipping) using the aggregated information from the individual vessels.

During the years ended December 31, 2016 and 2015 we owned vessels spanning two different vessel classes, Handymax and Medium, all of which earn revenues in the seaborne transportation of refined petroleum products in the international shipping markets. Shipping segment primarily derives its revenues from the handy sized and medium range tankers transportation services mainly on the basis of time charter agreements. Segment's expenses include voyage costs, commissions, vessel operating expenses (including crew expenses and training) and administrative expenses relating to the management of shipping segment.

The Group carries out its shipping operations in global markets. Management does not consider business analysis based on geographical segments because of the known difficulties in identifying the geographical distribution of the Group's activities, while only Other revenues in Shipping segment was mainly generated in Latvia.

Segment results are evaluated based on reported profit or loss from each segment. The accounting policies applied to the reportable segments are the same as those used in the preparation of our consolidated financial statements. Revenues of approximately USD 27 692 thousand and USD 11 743 thousand (2015: USD 26 441 thousand and USD 7 138 thousand respectively) are derived from two customers.

The following tables present the breakdown of consolidated income statement items, as well as assets and liabilities related to one reportable aggregated operating segment.

	USD '000		EUR '000	
	2016	**2015**	**2016**	**2015**
Time charter out revenue	71 407	69 265	64 528	62 043
Voyage revenue	26 060	22 170	23 834	20 174
Gross revenue from external customers	**97 467**	**91 435**	**88 362**	**82 217**
Voyage costs and commissions	(11 804)	(8 879)	(10 853)	(8 117)
Net voyage result	**85 663**	**82 556**	**77 509**	**74 100**
Vessel operating costs	(31 490)	(30 154)	(28 540)	(27 327)
Vessel operating profit	**54 173**	**52 402**	**48 969**	**46 773**
Income from other services	1 812	1 166	1 642	1 054
Cost of sales (Vessel operating costs excluding)	(967)	(631)	(881)	(576)
Administrative expenses	(5 356)	(6 831)	(4 861)	(6 186)
Result from disposal of non-financial assets	(1)	5	(1)	5
Depreciation and amortisation	(40 098)	(19 749)	(36 411)	(17 885)
Revaluation/Impairment of non-financial assets	(24 126)	(2 395)	(21 879)	(2 198)
Other operating income	-	676	-	1 648
Other operating expenses	(390)	(1 020)	(361)	(932)
Result before financial items	**(14 953)**	**23 623**	**(13 783)**	**21 703**
Interest income	452	333	411	303
Interest expense	(7 613)	(8 895)	(6 902)	(8 063)
Finance (loss)/income, net	(3 336)	812	(1 085)	762
Net result before tax	**(25 450)**	**15 873**	**(21 359)**	**14 705**
Segment assets	**328 845**	**388 481**	**311 966**	**356 829**
Including additions to non-current assets	3 028	6 643	2 735	5 981
Segment liabilities	**166 713**	**220 612**	**158 153**	**202 637**

Notes to the consolidated financial statement *(continued)*

7. Segment information *(continued)*

Reconciliation of segment results, assets and liabilities to consolidated income statement and consolidated statement of financial position

	USD '000		EUR '000	
	2016	**2015**	**2016**	**2015**
Net result before taxes for reportable segment	(25 450)	15 873	(21 359)	14 705
Income from other services	750	242	678	221
Cost of sales	(917)	(176)	(832)	(162)
Administrative expenses	(201)	(380)	(182)	(345)
Result from disposal of non-financial assets	18	267	17	236
Impairment of non-financial assets	-	(18 826)	-	(16 708)
Other operating income	323	985	294	884
Other operating expenses	(13)	(4 835)	(11)	(4 297)
Interest income	-	3	-	2
Interest expense	(1 041)	(26)	(987)	(23)
Finance expenses	(31)	(56)	(30)	(52)
Loss before tax	**(26 562)**	**(6 929)**	**(22 412)**	**(5 539)**

	USD '000		EUR '000	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Segment assets for reportable segment	328 845	388 481	311 966	356 829
Unallocated:				
Investment properties	26 464	27 917	25 105	25 643
Other assets of subsidiaries not included in segment	584	626	554	575
Total assets	**355 893**	**417 024**	**337 625**	**383 047**

	USD '000		EUR '000	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Segment liabilities for reportable segment	166 713	220 612	158 153	202 637
Unallocated:				
Deferred tax liabilities	-	1 823	-	1 674
Loan from related parties	38 488	38 702	36 513	35 549
Loan from other companies	300	300	285	276
Other liabilities of subsidiaries not included in segment	157	198	149	182
Total liabilities	**205 658**	**261 635**	**195 100**	**240 318**

8. Voyage costs and commissions

	USD '000		EUR '000	
	2016	**2015**	**2016**	**2015**
Port expenses	(5 351)	(3 250)	(4 942)	(2 979)
Fuel (Bunkering)	(5 005)	(4 466)	(4 585)	(4 066)
Commissions	(1 447)	(1 164)	(1 325)	(1 073)
Other	(1)	1	(1)	1
Total	**(11 804)**	**(8 879)**	**(10 853)**	**(8 117)**

Voyage costs represent bunkering and other voyage expenses (including port costs) which are owner's expenses when vessels are employed on voyage charter agreements. Commissions represent brokerage fees.

Notes to the consolidated financial statement *(continued)*

9. Cost of sales

	USD '000		EUR '000	
	2016	2015	2016	2015
Fleet depreciation (See *Note 20*)	(38 048)	(15 913)	(34 553)	(14 411)
Crew expenses (Expenses related to wages see in *Note 14*)	(19 229)	(18 816)	(17 444)	(17 056)
Repairs and spares	(4 267)	(4 475)	(3 876)	(4 054)
Equipment maintenance expenses	(2 128)	(2 164)	(1 941)	(1 959)
Dry-docking depreciation (See *Note 20*)	(1 895)	(3 652)	(1 717)	(3 307)
Luboil	(1 415)	(1 370)	(1 285)	(1 242)
Insurance	(1 286)	(1 268)	(1 168)	(1 148)
Victualling	(1 131)	(1 039)	(1 026)	(941)
Staff costs (Expenses related to wages see in *Note 14)*	(960)	(624)	(875)	(568)
Depreciation and amortisation of other assets	(542)	(200)	(493)	(183)
Other	(2 421)	(1 189)	(2 151)	(1 081)
Total	**(73 322)**	**(50 710)**	**(66 529)**	**(45 950)**

10. Administrative expenses

	USD '000		EUR '000	
	2016	2015	2016	2015
Staff costs *(See Note 14)*	(3 355)	(3 970)	(3 055)	(3 608)
Professional fees	(922)	(1 958)	(827)	(1 762)
Occupancy and repairs	(410)	(415)	(371)	(376)
IT and communication	(218)	(195)	(198)	(175)
Real estate tax	(186)	(71)	(168)	(65)
Depreciation and amortisation of other assets	(150)	(183)	(136)	(166)
Travel and transport	(65)	(71)	(59)	(64)
Mortgages interest insurance	(29)	(41)	(27)	(37)
Advertising and marketing	(14)	(12)	(12)	(11)
Other	(358)	(295)	(325)	(267)
Total	**(5 707)**	**(7 211)**	**(5 178)**	**(6 531)**

11. Revaluation/impairment of non-financial assets

	USD '000		EUR '000	
	2016	2015	2015	2015
Revaluation/impairment of fleet *(See Note 20)*	(24 126)	(2 395)	(21 879)	(2 198)
Impairment loss of goodwill arising on acquisition *(See Note 6)*	-	(18 826)	-	(16 708)
Total	**(24 126)**	**(21 221)**	**(21 879)**	**(18 906)**

12. Other operating income

	USD '000		EUR '000	
	2016	2015	2016	2015
Impairment reversal of investment property *(See Note 22)*	323	-	294	-
Result from sale of investment property	13	267	12	236
Result from disposal of other non-financial assets	4	5	4	5
Gain on step acquisition of "Skonto Nafta" SIA shares (negative goodwill)	-	982	-	882
Income from liabiliaties written off	-	132	-	117
Income received from previously written off receivables	-	2	-	2
Result from sale/liquidation of subsidiaries	-	1	-	1 031
Other income	-	544	-	500
Total	**340**	**1 933**	**310**	**2 773**

Notes to the consolidated financial statement *(continued)*

13. Other operating expenses

	USD '000		EUR '000	
	2016	2015	2016	2015
Accruals for settlement agreement costs	(264)	-	(250)	-
Loss from receivables written off	(44)	(6)	(39)	(1)
Impairment of receivable	(12)	-	(10)	-
Impairment of loans receivable, related to *LASCO Investment (See Note 6)*	-	(3 917)	-	(3 476)
Provisions for shipping claims (*See Note 33*)	-	(1 020)	-	(937)
Impairment of available-for sale financial asset (*See Note 26b*)	-	(911)	-	(815)
Other operating expenses	(83)	(1)	(73)	-
Total	**(403)**	**(5 855)**	**(372)**	**(5 229)**

14. Employment costs and staff numbers

	USD '000		EUR '000	
	2016	2015	2016	2015
Wages and salaries, included in				
- cost of sales	17 907	17 100	16 247	15 508
- administrative expenses	2 727	3 406	2 482	3 096
Social security costs, included in				
- cost of sales	170	71	155	64
- administrative expenses	593	530	541	481
Other staff costs				
- cost of sales	-	-	-	-
- administrative expenses	35	34	32	31
Total	**21 432**	**21 141**	**19 457**	**19 180**

The number of the Group's employees as at 31 December 2016 was 353 (2015: 361). The number of seamen employed as at the end of the year was 299 (31.12.2015: 306).

15. Finance income

	USD '000		EUR '000	
	2016	2015	2016	2015
Interest income from bank account balances and deposits	452	333	411	302
Interest income from loans issued	-	3	-	3
Currency exchange transactions/difference, net	-	1 227	-	1 133
Total financial income	**452**	**1 563**	**411**	**1 438**
Of which: relating to financial instrument categories (according to IAS 39):				
Loans and receivables	452	336	411	305
Total	**452**	**336**	**411**	**305**

16. Finance costs

	USD '000		EUR '000	
	2016	2015	2016	2015
Interest expense	(8 654)	(8 921)	(7 889)	(8 086)
Bank charges	(170)	(471)	(155)	(423)
Currency exchange transactions/difference, net	(3 197)	-	(960)	-
Total financial costs	**(12 021)**	**(9 392)**	**(9 004)**	**(8 509)**
Of which: relating to financial instrument categories (according to IAS 39):				
Financial liabilities measured at amortised cost	(8 654)	(8 921)	(7 889)	(8 086)
Total	**(8 654)**	**(8 921)**	**(7 889)**	**(8 086)**

Notes to the consolidated financial statement *(continued)*

17. Income tax

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	USD '000		EUR '000	
	2016	2015	2016	2015
Current income tax:				
Current income tax charge	(267)	(293)	(237)	(264)
Deferred tax:				
Deferred income tax	1 812	3	1 662	3
Foreign exchange rate differences	16	-	-	-
Income tax income/(expense) reported in the income statement	**1 561**	**(290)**	**1 425**	**(261)**

Reconciliation between tax expense and accounting loss multiplied by the statutory income tax rate for the years ended 31 December 2016 and 2015 is as follows:

	USD '000		EUR '000	
	2016	2015	2016	2015
Accounting (loss)/profit before tax from continuing operations				
Accounting loss before income tax	**(26 562)**	**(6 929)**	**(22 412)**	**(5 539)**
At statutory income tax rate of 15%	(3 984)	(1 039)	(3 362)	(831)
Loss from foreign subsidiaries at 0%	3 601	1 315	3 278	1 076
Tax losses	1 500	11	1 434	7
(Unrecognized deferred tax asset)	(1 399)	(10)	(1 342)	(7)
Non-taxable income/ non-deductible expense	(1 279)	13	(1 433)	16
Income tax (income)/expense	**(1 561)**	**290**	**(1 425)**	**261**

18. Loss per share

Basic earnings or loss per share are calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net loss for the year attributable to shareholders, USD'000	(25 001)	(7 091)
Weighted average number of ordinary shares in issue, thousand	200 000	200 000
Basic loss per share (USD)/ diluted loss per share (USD)	**(0.13)**	**(0.04)**
Net loss for the year attributable to shareholders, EUR'000	(20 987)	(5 686)
Weighted average number of ordinary shares in issue, thousand	200 000	200 000
Basic loss per share (EUR)/ diluted loss per share (EUR)	**(0.10)**	**(0.03)**

Notes to the consolidated financial statement *(continued)*

19. Intangible assets

	Goodwill		Patents and licences		Total	
	USD'000	EUR'000	USD'000	EUR'000	USD'000	EUR'000
Cost						
At 1 January 2015	-	-	1 169	962	1 169	962
Acquired as a result of business combinations	18 826	16 708	12	10	18 838	16 718
Disposals/write off	-	-	(41)	(36)	(41)	(36)
Exchange differences	-	-	(120)	-	(120)	-
At 31 December 2015	**18 826**	**16 708**	**1 020**	**936**	**19 846**	**17 644**
Addition	-	-	11	10	11	10
Disposals/write off	-	-	(15)	(13)	(15)	(13)
Exchange differences	(1 215)	-	(32)	-	(1 247)	-
At 31 December 2016	**17 611**	**16 708**	**984**	**933**	**18 595**	**17 641**
Amortisation and impairment						
At 1 January 2015	-	-	1 153	949	1 153	949
Amortisation	-	-	14	12	14	12
Impairment (*Note 11*)	18 826	16 708	-	-	18 826	16 708
Disposals/write off	-	-	(41)	(36)	(41)	(36)
Exchange differences	-	-	(118)	-	(118)	-
At 31 December 2015	**18 826**	**16 708**	**1 008**	**925**	**19 834**	**17 633**
Amortisation	-	-	8	7	8	7
Disposals/write off	-	-	(15)	(13)	(15)	(13)
Exchange differences	(1 215)	-	(32)	-	(1 247)	-
At 31 December 2016	**17 611**	**16 708**	**969**	**919**	**18 580**	**17 627**
Net book value:						
At 31 December 2015	-	-	**12**	**11**	**12**	**11**
At 31 December 2016	-	-	**15**	**14**	**15**	**14**

Goodwill arose as a result of reinstatement of control in "LASCO Investment" SIA and its subsidiaries, see *Note 6*.
Goodwill was immediately impaired as all the assets and liabilities acquired were fair valued and the projected operating results of the "LASCO Investment" SIA and its subsidiaries cannot support the value of goodwill.

Amortisation in included in cost of sales and administrative expenses, see *Note 9 and Note 10*.

Notes to the consolidated financial statement *(continued)*

20. Fleet

	Vessels		Capitalised dry-docking expenses		Total fleet	
	USD'000	EUR'000	USD'000	EUR'000	USD'000	EUR'000
Cost						
At 1 January 2015	601 573	495 488	7 694	6 337	609 267	501 825
Additions	-	-	6 454	5 811	6 454	5 811
Disposals/ write off	-	-	(6 199)	(5 582)	(6 199)	(5 582)
Exchange differences	-	57 073	-	735	-	57 808
At 31 December 2015	**601 573**	**552 561**	**7 949**	**7 301**	**609 522**	**559 862**
Additions	216	195	1 862	1 682	2 078	1 877
Disposals/ write off	-	-	(1 018)	(920)	(1 018)	(920)
Revaluation result	(49 800)	(45 156)	-	-	(49 800)	(45 156)
Exchange differences	-	16 059	-	278	-	16 337
At 31 December 2016	**551 989**	**523 659**	**8 793**	**8 341**	**560 782**	**532 000**
Depreciation and impairment						
At 1 January 2015	261 198	215 137	4 072	3 353	265 270	218 490
Depreciation	15 913	14 411	3 652	3 307	19 565	17 718
Disposals/ write off	-	-	(6 199)	(5 582)	(6 199)	(5 582)
Impairment	2 395	2 198	-	-	2 395	2 198
Exchange differences	-	24 988	-	322	-	25 310
At 31 December 2015	**279 506**	**256 734**	**1 525**	**1 400**	**281 031**	**258 134**
Depreciation	38 048	34 553	1 895	1 717	39 943	36 270
Disposals/ write off	-	-	(1 018)	(920)	(1 018)	(920)
Revaluation result	(25 674)	(23 277)	-	-	(25 674)	(23 277)
Exchange differences	-	8 890	-	81	-	8 971
At 31 December 2016	**291 880**	**276 900**	**2 402**	**2 278**	**294 282**	**279 178**
Net book value:						
At 31 December 2015	**322 067**	**295 827**	**6 424**	**5 901**	**328 491**	**301 728**
At 31 December 2016	**260 109**	**246 759**	**6 391**	**6 063**	**266 500**	**252 822**

Depreciation is included in cost of sales, see *Note 9.*

Repairs and upgrades in progress as at 31 December 2016 amounted to USD 833 thousand/ EUR 790 thousand.

Fleet with the net book value of USD 266.5 million (31.12.2015: USD 328.5 million) has been used as security for long term bank loans. *See Note 29.*

Total number of vessels as of 31 December 2016 was 16 (31.12.2015: 16). At 31 December 2016 the Group's own fleet comprises:

	Year of Building	DWT
Product Tankers:		
1 Ainazi	2008	52 606
2 Ance	2006	52 622
3 Jurkalne	2006	52 622
4 Kandava	2007	37 258
5 Kazdanga	2007	37 312
6 Kraslava	2007	37 258
7 Kr.Valdemars	2007	37 266
8 Piltene	2007	52 648
9 Puze	2006	52 622
10 Salacgriva	2008	52 620
11 Targale	2007	52 622
12 Ugale	2007	52 642
13 Usma	2007	52 684
14 Uzava	2008	52 650
15 Latgale	2011	51 408
16 Zemgale	2011	51 406
Total DWT		**778 246**

Notes to the consolidated financial statement *(continued)*

20. Fleet *(continued)*

Y2015

Prior to 2016 fleet was measured applying the cost method. At each reporting period end date, we reviewed the carrying amounts of our vessels to determine whether there is any indication that the vessel may have suffered an impairment loss. In this regard, fluctuations in market value below carrying value are considered to represent an impairment triggering event that necessitates performance of a full impairment review. Despite no apparent external impairment indicators as at 31 December 2015, full review of recoverable amount was performed.

With regard to assessment of recoverable amount of the vessels, the carrying value of the vessels did not exceed their recoverable amount as at 31 December 2015. At the end of the financial year the market value of the vessels was higher than the carrying amount. However, the Group recognised impairment during the first nine month of 2015 in amount of USD 2 395 thousand due to value in use deterioration and considers it as appropriate due to cyclical nature of the tanker industry.

As at 31 December 2015 the recoverable amount of the vessels was assessed against the higher of the fair value less costs of disposal (vessels Kraslava, Kandava, Kazdanga, Kr. Valdemars, Jurkalne, Piltene, Uzava, Salacgriva, Ainazi, Latgale, Zemgle) and value in use (vessels Ance, Puze, Targale, Ugale, Usma).

Fair value is determined based on valuation carried out by an independent broker. Valuation was performed on "willing seller and willing buyer" basis and was given to the best of their knowledge and based on the sale and purchase market condition prevailing at the time mentioned subject to the vessel being in sound condition and made available for delivery.

Reduction in fair value of the vessels by 10.5% would bring it to the amount equal to the carrying value as at 31 December 2015. If the fair value reduced by 11% as at 31 December 2015, further impairment of USD 1 183 thousand would have to be recognized.

When we calculated value in use, we discount the expected future cash flows to be generated by our vessels (each vessel is considered to be a separate CGU) to their net present value.

In assessing value in use, the estimated future cash flows were discounted to their present value using a post-tax (equal to pre-tax considering applicable taxation in country of incorporation of the Group) discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

In developing estimates of future cash flows, we made assumptions about future charter rates, vessel operating expenses, the estimated remaining useful live of the vessel and the discount rate. These assumptions are based on historical trends as well as future expectations.

The major assumptions used in the calculation of the value in use were:

- The product tanker is expected to generate normal income until age of the vessel is 15 years;
- Freight rates estimate is combination of the latest forecast time charter rates for the next three years (obtained from an independent brokers reports); the historical time charter equivalent of the vessel;
- Historical daily operating expenses considered using annual 2pct inflation rate;
- Operating costs are increased every 5th year considering necessary dry-docking and allowing funds for necessary improvements in the ballast water treatment system at the first scheduled dry-docking after 1st January 2016;
- Discount rate is set to 7.89% and calculated using a standard WACC model in which cost of equity and cost of debt are the key parameters;
- The scrap value applied is USD 300 per ton;
- and proceeds from disposal at the end of 15 years - double scrap value.

Value in use estimate as at 31 December 2015 exceeded the carrying value by 14%. Increase in discount rate by 4.11 ppt would bring the value in use as at 31 December 2015 to the carrying value of the vessels. Similar effect would be achieved by reducing the estimate of future freight rates by 30% or by 24% as compared to 2015 actuals.

Calculation of value in use revealed no material deviations from the carrying value. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. Reasonable changes in the assumptions for the discount rate or future charter rates could lead to a value in use is equal to or less than the carrying amount. All of the aforementioned assumptions have been highly volatile in both the current market and historically.

Notes to the consolidated financial statement *(continued)*

20. Fleet *(continued)*

Year 2016

Volatile market trends and challenges to reasonably estimated future revenues led to the change in accounting policy – the Group switched to the revaluation method in 2016. At the balance sheet date the fleet is valued using fair value which is determined based on valuation carried out by an independent broker.

For the handy size product tankers Kandava, Kazdanga, Kraslava, Krisjanis Valdemars owned by the Group fair value was estimated based on the reported second hand market transaction with the benchmark vessel ("No 1").

Vessel name	Shipyard	Year	DWT	Fair value
Kandava	HYUNDAI MIPO (South Korea)	2007	37 258	USD 15 000 000
Kazdanga	HYUNDAI MIPO (South Korea)	2007	37 312	USD 15 000 000
Kraslava	HYUNDAI MIPO (South Korea)	2007	37 258	USD 15 000 000
Kr.Valdemars	HYUNDAI MIPO (South Korea)	2007	37 266	USD 15 000 000
Benchmark vessel				
No 1	GSI (China)	2006	38 554	USD 13 500 000

Broker indicated that, in their opinion, HYUNDAI MIPO (South Korea) shipbuilding shipyard is rated higher than GSI (China) shipbuilding shipyard and, considering the age of benchmark vessel (10 years old), the transaction price is positively adjusted to USD 15.0 million to account for these differences. Accordingly, broker estimates value of mentioned vessels at USD 15.0 million each.

For the medium range product tankers Ainazi, Salacgriva, Uzava owned by the Group fair value was estimated based on the reported second hand market transaction with the benchmark vessel ("No 2").

Vessel name	Shipyard	Year	DWT	Fair value
Ainazi	3. Maj Brodogradiliste (Croatia)	2008	52 606	USD 17 500 000
Salacgriva	3. Maj Brodogradiliste (Croatia)	2008	52 620	USD 17 500 000
Uzava	3. Maj Brodogradiliste (Croatia)	2008	52 650	USD 17 500 000
Benchmark vessel				
No 2	HYUNDAI MIPO (South Korea)	2009	47 000	USD 18 000 000

The broker indicated, that in their opinion, HYUNDAI MIPO (South Korea) shipbuilding shipyard is rated higher than 3. Maj Brodogradiliste (Croatia), therefore the transaction price for benchmark vessel No 2 is negatively adjusted to USD 17.5 million to account for the differences. The broker indicated that subject vessels have extra carrying capacity if compared to benchmark vessel and accordingly the transaction price for benchmark vessel No 2 (USD 17.5 million) is positively adjusted to USD 18.75 million to account for extra capacity. Broker indicated that benchmark vessel was 7-year old; while all three subject vessels are 8-year old and therefore the transaction price for benchmark vessel (USD 18.75 million) is negatively adjusted to USD 17.5 million to account for age of the vessels. Accordingly, independent broker estimates value of mentioned vessels at USD 17.5 million each.

The medium range product tankers Piltene, Targale, Ugale and Usma owned by the Group were constructed at 3. Maj Brodogradiliste (Croatia) shipyard in 2007. These three vessels are similar to Ainazi, Salacgriva and Uzava, and are just 1-year older. Broker indicated that benchmark vessel was 8-year old; while all four subject vessels are 9-year old and therefore the transaction price (USD 17.5 million) is negatively adjusted to USD 16.25 million to account for age of the vessels. Accordingly, broker estimates value of the above vessels at USD 16.25 million each.

The medium range product tankers Ance, Jurkalne and Puze owned by the Group were constructed at 3. Maj Brodogradiliste (Croatia) shipyard in 2006. These three vessels are similar to Piltene, Targale, Ugale and Usma and are just 1-year older. Broker indicated that benchmark vessel was 9-year old; while all three subject vessels are 10-year old and therefore the transaction price (USD 16.25 million) is negatively adjusted to USD 15.0 million to account for age of the vessels. The broker estimates value of the above vessels at USD 15.0 million each.

For the medium range tankers Latgale and Zemgale owned by the Group fair value was estimated based on the reported second hand market transaction with the benchmark vessel ("No 3" and "No 4").

Vessel name	Shipyard	Year	DWT	Fair value
Latgale	HYUNDAI MIPO (South Korea)	2011	51 408	USD 22 000 000
Zemgale	HYUNDAI MIPO (South Korea)	2011	51 406	USD 22 000 000
Benchmark vessel				
No 3	HYUNDAI MIPO (South Korea)	2010	47 000	USD 20 000 000
No 4	HYUNDAI MIPO (South Korea)	2009	47 000	USD 18 000 000

The broker indicated that construction years of two benchmark vessels differed by 1 year, and the price differs by USD 2.0 million. The broker assumes the same difference holds between 2010 and 2011 and estimates values of the above vessels at USD 22.0 million each.

The revised accounting policy in respect of fleet values is effective from January 2016 and USD 24.13 million loss from revaluation was recognised in 2016 as a result. Had the Group continued to apply cost method to fleet measurement, the net effect to profit or loss would have not changed as impairment would have been recognized based on the recoverable value.

Notes to the consolidated financial statement *(continued)*

21. Property, plant and equipment

	Land and building		Other fixed assets		Total	
	USD'000	EUR'000	USD'000	EUR'000	USD'000	EUR'000
Cost						
At 1 January 2015	3 664	3 018	1 564	1 288	5 228	4 306
Additions	46	42	131	118	177	160
Acquired as a result of business combinations (*Note 6*)	-	-	40	36	40	36
Disposals/ write off	-	-	(189)	(169)	(189)	(169)
Exchange differences	(379)	-	(161)	-	(540)	-
At 31 December 2015	**3 331**	**3 060**	**1 385**	**1 273**	**4 716**	**4 333**
Additions	-	-	58	53	58	53
Disposals/ write off	-	-	(89)	(82)	(89)	(82)
Exchange differences	(106)	-	(43)	-	(149)	-
At 31 December 2016	**3 225**	**3 060**	**1 311**	**1 244**	**4 536**	**4 304**
Depreciation						
At 1 January 2015	966	796	1 448	1 192	2 414	1 988
Depreciation	109	99	69	63	178	162
Disposals/ write off	-	-	(189)	(169)	(189)	(169)
Exchange differences	(101)	-	(146)	-	(247)	-
At 31 December 2015	**974**	**895**	**1 182**	**1 086**	**2 156**	**1 981**
Depreciation	86	77	62	57	148	134
Disposals/ write off	-	-	(86)	(78)	(86)	(78)
Exchange differences	(35)	-	(36)	-	(71)	-
At 31 December 2016	**1 025**	**972**	**1 122**	**1 065**	**2 147**	**2 037**
Net book value:						
At 31 December 2015	**2 357**	**2 165**	**203**	**187**	**2 560**	**2 352**
At 31 December 2016	**2 200**	**2 088**	**189**	**179**	**2 389**	**2 267**

The real estate property is pledged as collateral under the loan received on behalf of major shareholder of the Parent Company.

Carrying value of that property as at 31 December 2016 is USD 2.2 million (31.12.2015: USD 2.357 million).

Depreciation is included in cost of sales and administrative expenses, see *Note 9 and Note 10.*

Notes to the consolidated financial statement *(continued)*

22. Investment properties

	Land, buildings and other property, plant and equipment		Total	
	USD'000	EUR'000	USD'000	EUR'000
Cost				
At 1 January 2015	2 879	2 372	2 879	2 372
Acquired as a result of business combinations (*Note 6*)	29 052	25 783	29 052	25 783
Disposals	35	31	35	31
Exchange differences	(1 280)	-	(1 280)	-
At 31 December 2015	**30 686**	**28 186**	**30 686**	**28 186**
Additions	48	43	48	43
Disposals	(513)	(463)	(513)	(463)
Exchange differences	(952)	-	(952)	-
At 31 December 2016	**29 269**	**27 766**	**29 269**	**27 766**
Depreciation and impairment				
At 1 January 2015	2 875	2 368	2 875	2 368
Depreciation	191	175	191	175
Exchange differences	(297)	-	(297)	-
At 31 December 2015	**2 769**	**2 543**	**2 769**	**2 543**
Depreciation	536	487	536	487
Impairment reversal	(323)	(294)	(323)	(294)
Disposals	(83)	(75)	(83)	(75)
Exchange differences	(94)	-	(94)	-
At 31 December 2016	**2 805**	**2 661**	**2 805**	**2 661**
Net book value:				
At 31 December 2015	**27 917**	**25 643**	**27 917**	**25 643**
At 31 December 2016	**26 464**	**25 105**	**26 464**	**25 105**
Impairment				
At 31 December 2015	**2 578**	**2 368**	**2 578**	**2 368**
At 31 December 2016	**2 496**	**2 368**	**2 496**	**2 368**

Investment properties acquired in 2015 as a result of gaining back control over "LASCO Investment" SIA and its subsidiaries are pledged as collateral under the loans received from the major shareholder of the Parent Company or the loans received from the LSC Group's subsidiary Latmar Holdings Corporation.

The carrying value of the investment properties pledged on behalf of JSC "Ventspils nafta" as at 31 December 2016 is USD 24.185 million (31.12.2015: USD 24.945 million)

The accumulated impairment in amount of USD 2.496 million relates to property owned by Parent company.

The carrying and fair value of investment property as of 31 December 2016 and 31 December 2015 is disclosed in *Note 38*. In 2016, no impairment was recognised on investment properties. In 2015 investment properties were reduced to recoverable value set as fair value less costs to sell.

At the end of 2016 and 2015 the Group engaged an independent certified valuation specialist to determine fair value of investment properties. For valuation purposes the appraiser used a discounted cash flow model and comparable deal method. The valuations were done for each investment property on individual basis. Reduction in fair value of investment properties by 3% would bring it to the amount equal to the carrying value as at 31 December 2016 indicating the high sensitivity of the valuations.

For those properties where discounted cash flow model used by appraiser, the following assumptions were used:

- Rent rates: from USD 3.1 to USD 12.6 per square meter (2015: USD 3.3 to USD 13.3 per square meter);
- Occupancy: From 50% to 100%, (2015: from 42% to 100%);
- Capitalisation rate: from 6% to 8% (2015: from 6% to 10%).

As at 31 December 2016 the management has tested sensitivity of the investment properties fair value considering changes in the most sensitive assumption - capitalisation rate, by increasing/decreasing it by 1%. The effect of this change in estimate would decrease fair value of properties by US 308 thousand/ EUR 278 thousand or 8% and increase fair value of properties by USD 415 thousand/ EUR 375 thousand or 11%.

The amounts recognised in profit or loss statement related to investment properties are as follows:

- Rental income: USD 750 thousand;
- Direct operating expenses from investment properties that generated income: USD 1 073 thousand;
- Direct operating expenses from investment properties that did not generate income: USD 1 thousand.

Notes to the consolidated financial statement *(continued)*

23. Inventories

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Luboil and slopchest	1 526	1 662	1 448	1 526
Fuel (bunkers)	1 359	634	1 289	582
Other (at cost)	65	66	61	61
Total	**2 950**	**2 362**	**2 798**	**2 169**

The total amount of inventories recognised as an expense is included in *Notes 8 and 9*. Bunker balance increase is due to employment of five vessels on voyage charter agreements at the end of the year 2016 (2015: 2), where bunker costs are part of voyage expenses and are owner's expenses.

24. Trade and other receivables

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Non - current assets				
Deferred expenses	-	14	-	13
Total non-current assets	**-**	**14**	**-**	**13**
Current assets				
Trade receivables	4 795	1 253	4 549	1 151
Allowance for doubtful debts	(11)	-	(10)	-
Due from related parties	1 327	179	1 259	165
Deferred expenses	813	739	771	679
Tax receivable	119	15	112	14
Claims receivable	76	-	72	-
Other debtors, net	13	6	12	5
Total current assets	**7 132**	**2 192**	**6 765**	**2 014**
Of which relating to:				
financial assets	*6 200*	*1 438*	*5 882*	*1 321*
non - financial assets	*932*	*768*	*883*	*706*
	7 132	**2 206**	**6 765**	**2 027**

Trade accounts receivable are non-interest bearing and are generally on 30-90 days' terms. The analysis of credit quality of financial assets on net basis is presented below:

	Total	Neither past due nor impaired	Past due: up to 90 days	Past due: 91 to 180 days	Past due: 181 to 365 days	Past due: More than 365 days
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
At 31 December 2016	6 200	5 360	840	-	-	-
At 31 December 2015	1 438	1 421	7	5	3	2

	Total	Neither past due nor impaired	Past due: up to 90 days	Past due: 91 to 180 days	Past due: 181 to 365 days	Past due: More than 365 days
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 31 December 2016	5 882	5 085	797	-	-	-
At 31 December 2015	1 321	1 305	6	5	3	2

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates.

Notes to the consolidated financial statement *(continued)*

24. Trade and other receivables *(continued)*

Counterparties

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Group 1	5 360	1 421	5 085	1 305
Group 2	840	17	797	16
	6 200	**1 438**	**5 882**	**1 321**

Group 1 – existing customers with no defaults in the past.
Group 2 – existing customers with some defaults in the past. All defaults were fully recovered.

Carrying value of the trade and other receivables approximates their fair value (*See Note 38*). The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. As at 31 December 2016 the Group holds first commercial pledge as a security of trade receivables in the amount of USD 57 thousand (31.12.2015: USD 111 thousand).

Changes in the allowances for impairment of trade receivables were as follows:

	USD '000		EUR '000	
	2016	2015	2016	2015
At 1 January	-	**20**	-	**16**
Additions	11	-	10	-
Write-off	-	(18)	-	(16)
Currency translation difference	-	(2)	-	-
At 31 December	**11**	**-**	**10**	**-**

25. Prepayments

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Prepayments	1 696	3 059	1 608	2 809
Allowances for impaired prepayments	*(15)*	*(2 530)*	*(14)*	*(2 324)*
Prepayments, net	**1 681**	**529**	**1 594**	**485**

Allowances were created for prepayments arranged by previous LSC management prior to 2011 in respect of which litigations were subsequently commenced by LSC.

26. Other financial assets

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Other non-current financial assets	**250**	**250**	**237**	**229**
Other*	250	250	237	229
Other current financial assets	**31 814**	**30 710**	**30 181**	**28 208**
Loans issued to other companies	122	126	115	115
Allowance for doubtful debt	*(122)*	*(126)*	*(115)*	*(115)*
Deposits with maturity more than three months *(See Note 26a)*	31 814	30 708	30 181	28 206
Other	-	2	-	2
Total other financial assets	**32 064**	**30 960**	**30 418**	**28 437**

* Fair value of the other financial assets is disclosed in *Note 38*.

Notes to the consolidated financial statement *(continued)*

26 Other financial assets *(continued)*

26 (a) Deposits with maturity more than three months

Interest for deposits with maturity more than three months is calculated at the respective short-term deposit rates.

	USD '000		EUR '000	
	2016	2015	2016	2015
At 1 January	**30 708**	**17 709**	**28 206**	**14 586**
Additions	31 800	31 400	30 408	28 649
Deposits settled at maturity	(30 700)	(18 350)	(28 847)	(16 737)
Interest collected	(8)	(59)	(8)	(53)
Interest accrued	14	8	13	8
Exchange differences	-	-	409	1 753
At 31 December	**31 814**	**30 708**	**30 181**	**28 206**

Credit risk represents the Group's exposure to potential loss if credit institution fails or refuses to fulfil its contractual liabilities towards the Group. The maximum exposure to credit risk is equal to the carrying values of deposits with maturity more than three months.

Fair value of the deposits with maturity more than three month is disclosed in *Note 38*.

26 (b) Available – for – sale financial assets

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Shares in "Ventspils ekspedīcija" SIA	52	53	49	49
Impairment of shares in "Ventspils ekspedīcija" SIA	*(52)*	*(53)*	*(49)*	*(49)*
Total other current financial assets	-	-	-	-

In 2015 impairment of the investment in shares of "Ventspils ekspedīcija" SIA has been recognised in the amount of USD 53 thousand due to the lack of financial information.
In 2015 additional impairment was recognised in amount of USD 858 thousand due to sale of shareholding in JSC "Latvijas Naftas Tranzits". In October 2015 shares were sold for the consideration of USD 17.534 million.
Changes in allowances for impairment of available-for-sale financial assets:

	USD '000		EUR '000	
	2016	2015	2016	2015
At 1 January	**53**	**8 302**	**49**	**6 838**
Recognised impairment of shares in "Latvijas Naftas Tranzits" JSC	-	858	-	766
Recognised impairment of shares in "Ventspils ekspedīcija" SIA	-	53	-	49
Write-off due to sale	-	(9 134)	-	(8 152)
Currency translation difference	(1)	(26)	-	548
At 31 December	**52**	**53**	**49**	**49**

In 2015 shares of JSC "Latvijas Naftas Tranzits" were sold. For recognized impairment of available for sale financial assets see *Note 13.*

27. Cash and cash equivalents

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Cash at banks and on hand	15 530	21 604	14 734	19 843
Bank deposits with maturity less than 3 months at the date of placement	335	383	318	352
Cash and cash equivalents total	**15 865**	**21 987**	**15 052**	**20 195**

Notes to the consolidated financial statement *(continued)*

27 Cash and cash equivalents *(continued)*

Credit quality of cash and cash equivalents (Fitch's):

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
F1	15 776	21 915	14 967	20 129
Cash on board of vessels	89	72	85	66
Cash and cash equivalents total	**15 865**	**21 987**	**15 052**	**20 195**

Under Fitch's classification F1 indicates the strongest intrinsic capacity for timely payment of financial commitments.
Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The maximum exposure to credit risk at the reporting date is the carrying value of the Cash and cash equivalents. The Group does not hold any collateral as security. *See also Note 38.*

28. Share capital and reserves

Share capital

The authorised, issued and fully paid share capital of the Parent Company consists of 200 million ordinary fully paid shares with nominal value of EUR 0.30 each, which are publicly traded on NASDAQ OMX Nordic Exchange. Share capital is EUR 60 million (USD 76 million) as at 31 December 2016 and 2015.
As at 31 December 2016 and 2015, the shareholding structure of the Company was as follows:

Shareholders	%	31.12.2016 Amount USD'000	31.12.2016 Amount EUR'000	%	31.12.2015 Amount USD'000	31.12.2015 Amount EUR'000
JSC "Ventspils nafta"	49.94%	38 150	29 964	49.94%	38 150	29 964
OÜ "Fondo H Estonia"	19.62%	14 988	11 772	19.62%	14 988	11 772
Privatisation agency	10.00%	7 639	6 000	10.00%	7 639	6 000
Other shareholders	20.44%	15 615	12 264	20.44%	15 615	12 264
		76 392	60 000		76 392	60 000

JSC "Venstpils Nafta" has de facto control. Hence, the party with ultimate control over the Company is Vitol SA. Registered office is Boulevard du pont - D`arve 28, p.o. box 384, 1211 Geneva 4, Switzerland.

Other components of equity

Cash flow hedge reserve

This reserve records the effective portion of the gain or loss on hedging instruments in cash flow hedges. The movement on cash flow hedges recognised in consolidated other comprehensive income reflects the effective portion of changes in the fair value of interest rate swaps.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the Parent company and subsidiaries from functional currency other than Group's presentation currency.

Other reserves

This reserve was established to reflect the substance over legal form of the option agreement with OÜ "Fondo H Estonia" in respect of own equity instruments received as a settlement in the court case in London in 2014. OÜ "Fondo H Estonia" has a put option on LSC shares (i.e. possible obligation for the Group to buy out LSC shares), which was recognised in other reserves in equity in 2014.

Reference price for the options was fixed as the strike price of LSC shares on NASDAQ OMX Nordic Exchange on 27 February 2014 and amounted to USD 20 050 thousand (EUR 14 607 thousand). Simultaneously, the loan note was received from OÜ "Fondo H Estonia" in the amount of USD 20 050 thousand (EUR14 607 thousand) as part of the same court settlement and recognized in the consolidated income statement in 2014. Under the agreements, both options and loan note contracts can be inter-settled. Options agreement was valid until 31 December 2015, options were not exercised until that date, and loan note was due by 30 June 2016. In March 2016 the loan under OÜ "Fondo H Estonia" loan note was repaid to the LSC Group in the amount of USD 15 859 thousand (equivalent to EUR 14 607 thousand). Foreign currency translation result in amount of USD 4 191 thousand included in finance costs, *Note 16*.
Furthermore, the reserve includes fair value adjustment to reflect the interest free loan received from the Group's major shareholder by LASCO Investment (see *Note 33*). According to the agreement reached between creditors of LASCO Investment in July 2015, amounts due to the Group's major shareholder in the amount of USD 44 348 thousand (EUR 40 735 thousand) are non-interest bearing with maturity in 2020. In 2016 maturity is prolonged until 31 December 2022. The change in the loan terms was not assessed substantial and did not result in existing loan derecognition. Changes will be reflected through effective interest rate.
Loan presented on the balance sheet at amortised cost of USD 38 488 thousand (EUR 36 513 thousand), the difference between initial cost and fair value represents notional contribution from the Group's major shareholder in the amount of USD 5 672 thousand (EUR 5 210 thousand).

Notes to the consolidated financial statement *(continued)*

29. Interest bearing loans

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Repayments due within the next twelve months	25 171	59 119	23 879	54 302
Unamortised prepaid financing expenses	(566)	(1 155)	(537)	(1 061)
Net current portion	**24 605**	**57 964**	**23 342**	**53 241**
Non-current portion	127 965	132 090	121 397	121 329
Unamortised prepaid financing expenses	(65)	(443)	(62)	(407)
Net non-current portion	**127 900**	**131 647**	**121 335**	**120 922**
Total loans outstanding	153 136	191 209	145 276	175 631
Total unamortised prepaid financing expenses	(631)	(1 598)	(599)	(1 468)
Total loans, net of unamortised financing costs	**152 505**	**189 611**	**144 677**	**174 163**

Prepaid financing expenses are amortised within the loan repayment period, using effective interest rate method.

In 2004, the Group entered into a long term loan agreement for the maximum amount of USD 360 million with the purpose of financing the construction of 14 newbuildings forming the LSC Holdings fleet. The loan has been advanced to single vessel companies, 100% subsidiaries of LSC Holdings Limited. As security for the loan, the lenders hold first preferred mortgages over the financed vessels together with common assignments and pledges. The debt is also secured by two corporate guarantees issued in the normal course of business – one by LSC Holdings Limited and one by JSC "Latvian Shipping Company". The original maturity was set on 30 June 2017. As at the 31 December 2016, the Group was in compliance with all financial covenants set in the existing loan agreements.

In December 2016 the LSC Holdings reached an agreement with the syndicate of three banks on the main terms and conditions of the re-financing of the remaining outstanding balance under the loan facility. The refinancing has been completed on 28th February and the Group expects to be able to repay the remaining USD 121.09 million by 30 June, 2022. The change in the loan terms was not assessed substantial and did not result in existing loan derecognition. Changes will be reflected through effective interest rate.

In 2011, the Group entered into a long term loan agreement for the maximum amount of USD 48.6 million to finance the construction of 2 newbuildings. The loan has been advanced to single vessel companies, 100% subsidiaries of Arctic Holding Corporation. As security for the loan, the lenders hold first preferred mortgages over the financed vessels together with common assignments and pledges. Pursuant to the terms and conditions of the loan agreement, there is a bareboat charter guarantee issued by the bareboat charterer in favour of each borrower guaranteeing the performance of the bareboat charterer's obligations under the bareboat charter party entered into by each borrower for a minimum period of 5 years and 30 days as per the loan agreement. In June 2016 the Group reached an agreement with "Crédit Agricole Corporate and Investment Bank" on the extension of the loan facility for a further period of two years. The change in the loan terms was not assessed substantial and did not result in existing loan derecognition. Changes are reflected through effective interest rate.

There are no undrawn loan balances as at the end of 2016 and 2015. The loans are denominated in US dollars.

The loans are repayable in equal quarterly instalments and a balloon payment due together with the last installment as follows:

Year	USD million	EUR million
2017	25.2	23.9
2018	51.0	48.4
2019	22.0	20.9
2020	22.0	20.9
2021	22.0	20.9
2022	10.9	10.3
Total	**153.1**	**145.3**

The USD 48.6 million facility was hedged through interest rate swaps. *See Note 30.*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	USD' 000		EUR' 000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Borrowings bearing fixed interest rate (considering effect of SWAP agreements)	-	35 125	-	32 263
Borrowings bearing variable interest rate repriced in 3 months	153 136	156 084	145 276	143 368
Total	**153 136**	**191 209**	**145 276**	**175 631**

The weighted average effective interest rate in 2016 was 4.12% (2015: 3.62%). See *Note 38.* Interest is calculated based on USD LIBOR plus margin.

Notes to the consolidated financial statement *(continued)*

30. Derivative financial instruments

	Start date	Maturity date	Notional amount, USD'000	Rate receivable
Interest rate swap	22.06.2011	22.06.2016.	24 300	1.9200%
Interest rate swap	21.07.2011	21.07.2016.	24 300	1.8900%

The swaps are used to provide hedge against the Group's exposure to the interest rate risk, in particular fluctuation of the LIBOR rates.

To determine fair value of interest rate swap agreements the Group has used indirectly observable market data. Accordingly the net result of interest rate swaps taken to profit or loss in 2016 was nil and included the result of cash flow hedge reserve write off and the change in derivative value.

The above interest rate swap agreements matured in 2016 and were not prolonged.

The negative fair value of the swaps as at 31.12.2015 was USD 281 thousand/ EUR 258 thousand including accrued interest in amount of USD 63 thousand/ EUR 58 thousand which was recognised as liability in the statement of financial position. Fair valuation result of USD 218 thousand/ EUR 201 thousand in 2015 was recognised in equity within Cash flow hedge reserve (change during the period is USD 218 thousand/ EUR 201 thousand (2015: USD 473 thousand/ EUR 368 thousand)).

Gains and losses recognised in the cash flow hedge reserve in equity and interest rate swap contract as of 31 December 2015 were continuously released to the consolidated profit and loss and other comprehensive income within finance costs until the change of loan terms. *(See Note 16).*

To determine fair value of interest rate swap agreements the Group has used indirectly observable market data.

The average weighted effective interest rate in 2016 was 1.32% (2015: 1.64%).

Notes to the consolidated financial statement *(continued)*

31. Deferred tax liabilities

For Deferred tax calculation purposes the Group applies the Parent's domestic tax rate of 15%.

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Deferred tax liabilities:				
- Deferred tax liabilities to be settled within 12 months	106	1 918	100	1 762
Deferred tax liabilities	**106**	**1 918**	**100**	**1 762**

	USD '000	EUR '000	Expiry date
Tax loss for 2008 - 2016	81 983	77 775	Unlimited

The Group has a total tax loss of USD 81 983 thousand as at 31 December 2016 (31.12.2015: USD 15 302 thousand) available for the offset against future taxable profits of the Group companies in which the losses arose.

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

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Temporary difference on depreciation of tangible and intangible assets	819	2 497	777	2 294
Gross deferred tax liabilities	819	2 497	777	2 294
Provisions and impairment of investment property	(950)	(1 490)	(901)	(1 368)
Tax loss	(12 297)	(2 294)	(11 667)	(2 107)
Gross deferred tax assets	(13 247)	(3 784)	(12 568)	(3 475)
Unrecognised deferred tax asset	12 534	3 205	11 891	2 943
Net deferred tax liability	**106**	**1 918**	**100**	**1 762**

The Group did not recognise deferred tax asset as at 31 December 2016 and as at 31 December 2015 due to uncertainty of its recoverability.

Gross movement on the deferred tax account is as follows:

	USD '000		EUR '000	
	2016	2015	2016	2015
At 1 January	**1 918**	**109**	**1 762**	**90**
Deferred income tax asset arising on acquisition	-	3 101	-	2 845
Unrecognised deferred tax asset arising on acquistion	-	(3 101)	-	(2 845)
Deferred income tax liability arising on acquisition	-	1 887	-	1 675
Charged/(credited) to the income statement:				
Excess of tax allowances over depreciation	(1 678)	(14)	(1 517)	(1)
Other temporary differences	-	10	-	(4)
Provisions and impairment	540	-	467	
Tax losses	(10 003)	70	(9 560)	46
Unrecognised change in deferred tax asset	9 329	(69)	8 948	(44)
Foreign exchange rate differences	-	(75)	-	-
At 31 December	**106**	**1 918**	**100**	**1 762**

Notes to the consolidated financial statement *(continued)*

32. Deferred revenue

	USD '000		EUR '000	
	2016	2015	2016	2 015
At 1 January	**3 592**	**2 696**	**3 299**	**2 221**
Deferred during the year	1 749	3 592	1 580	3 234
Released to the consolidated income statement	(3 592)	(2 696)	(3 245)	(2 427)
Currency exchange differences	-	-	25	271
At 31 December	**1 749**	**3 592**	**1 659**	**3 299**

33. Trade and other payables

	USD '000		EUR '000	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Non-current liabilities				
Due to related parties	38 488	57 508	36 513	52 822
Trade payables	11	6	10	5
Total non-current liabilities	**38 499**	**57 514**	**36 523**	**52 827**
Current liabilities				
Accrued expenses	4 913	2 465	4 660	2 264
Due to related parties	2 957	22	2 806	20
Trade payables	1 097	1 730	1 040	1 590
Provisions	1 020	1 020	968	937
Loans from other companies	300	300	285	276
Other payables	2 512	3 182	2 382	2 922
Total current liabilities	**12 799**	**8 719**	**12 141**	**8 009**
Of which relating to:				
financial liabilities	*48 763*	*63 758*	*46 259*	*58 563*
non - financial liabilities	*2 535*	*2 475*	*2 405*	*2 273*
	51 298	**66 233**	**48 664**	**60 836**

As at 31 December 2016 "Loans from other companies" represent the following:

- Non-interest bearing loan in the amount of USD 300 thousand/ EUR 285 thousand (31.12.2015: USD 300 thousand/ EUR 276 thousand).

As at 31 December 2016 "Provisions" represent the following:

- Provision is recognized on the balance sheet in relation to the pending claims against the Group by bunker suppliers in respect of bunkers delivered to the Group's vessel at Santos in October 2014. The provision was made in 2015 in recognition of the fact that claims have been brought against the Group by various interested parties and that the Group's liability to each of the claiming parties was probable under applicable laws. The settlement was reached in June 2016 with two of the three claiming parties pursuant to the terms of the release letter; however, there is still a probable liability, including interest and costs, towards the physical bunker suppliers. As assessed by the management of the Group, the provision recognized in 2015 shall remain in place in 2016. The Group had USD 83 thousand legal costs in 2016 related to the above mentioned claims. Provision as at 31 December 2016 amounts to USD 1 020 thousand/ EUR 968 thousand (31.12.2015: USD 1 020 thousand/ EUR 937 thousand).

Terms and conditions on the above financial liabilities:

- Due to related parties:
  - in the amount of USD 7 thousand/ EUR 7 thousand (31.12.2015: USD 48 thousand/ EUR 43 thousand) are non-interest bearing and have an average terms of repayment within one month, *see also Note 36*;
  - loan advanced from the Group's major shareholder in the amount of USD 2 950 thousand/ EUR 2 799 thousand (31.12.2015: USD 18 806 thousand/ EUR 17 274 thousand), which bears variable interest rate with maturity in 2017, *see also Note 36;*
  - and amounts due to the Group's major shareholder in the amount of USD 38 488 thousand/ EUR 36 513 thousand (31.12.2015: USD 38 676 thousand/ EUR 35 525 thousand) by LASCO Investment, which is measured at amortised cost with maturity in 2022; *see also Note 28 and 36.*
- Trade and other payables are non-interest bearing and have an average term of six months.

  For explanations on the Group's liquidity risk management processes, *refer to Note 38.*

Notes to the consolidated financial statement *(continued)*

34. Contingent liabilities

In the normal course of business the Group receives claims for underperformances, however Management is of the opinion that all liabilities have been provided for at consolidated the statement of financial position date.

The tax authorities have the right to inspect the tax computations for the last three taxation years. Potentially the tax computations of unaudited taxes may be reassessed by the tax authorities. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

35. Commitments

a) Capital commitments

No capital commitments entered into as at 31 December 2016 (31.12.2015: none).

b) Operating lease commitments – Group as a lessor

During the normal course of business the Group concludes time charter agreements ranging from 3 months to one year and bareboat agreements for a 2 year period ending in 2018.

36. Related party transactions

a) Compensation of the Supervisory Council and Management Board of the Group

	USD '000		EUR '000	
	2016	2015	2016	2015
Salary and bonuses	113	140	102	126
Social insurance	27	19	24	17
Outsourcing fees	211	171	191	154
Total	**351**	**330**	**317**	**297**

The remuneration to the members of the Supervisory Council is approved by the decision made by the General Shareholders' Meeting. Since 2011 remuneration of the Supervisory Council is set to zero. The remuneration paid to the members of the Management Boards of the Group companies is approved by the decision made by the Supervisory Council or shareholders' meetings. The Board of Directors are outsourced for single vessel companies. No other special significant benefits to the members of the Management Boards apart from salaries and bonuses are paid or made available.

b) Interests of the members of the Supervisory Council and the Management Board

Information on members of the Supervisory Council or Management Board owned shares of the Parent company or its subsidiaries disclosed on pages 11 to 15 of this report. Detailed information about shareholdings of the members of the Supervisory Council and the Management Board as well as on their positions in other companies is available in the Parent company's office upon request.

To the best of the Parent Company's knowledge no member of the Supervisory Council has more than 5% of direct ownership in any of LSC Group's business partners, suppliers, clients or related companies.

No member of the Management Board has more than 5% of direct ownership in any of LSC Group's business partners, suppliers, clients or related companies.

Notes to the consolidated financial statement *(continued)*

36. Related party transactions *(continued)*

c) Transactions with Shareholders and the entities under joint control of the shareholder

The total amounts due from/to the shareholders and the entities under joint control of the shareholder were as follows in 2016 and as at 31 December:

	2016		31.12.2016	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	USD '000	USD '000	USD '000	USD '000
Freight and hire revenue/Outstanding balances	32 973	-	1 301	(806)
Technical management fee and IT services/Outstanding balances	366	-	7	-
Interest income/(expenses)/Outstanding balances	-	(1 243)	-	(41 438)
Real estate rent/Outstanding balances	108	-	12	-
Consulting services/Outstanding balances	2	(221)	2	(7)
Other services/Outstanding balances	38	-	5	-
Total	**33 487**	**(1 464)**	**1 327**	**(42 251)**

Including:		
Non-current trade and other payables	-	(38 488)
Current trade and other receivables/ trade and other payables	1 327	(2 957)
Deferred income	-	(806)
Total	**1 327**	**(42 251)**

	2016		31.12.2016	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR '000	EUR '000	EUR '000	EUR '000
Freight and hire revenue/Outstanding balances	29 792	-	1 235	(765)
Technical management fee and IT services/Outstanding balances	345	-	6	-
Interest income/(expenses)/Outstanding balances	-	(1 171)	-	(39 312)
Real estate rent/Outstanding balances	97	-	11	-
Consulting services/Outstanding balances	2	(199)	2	(7)
Other services/Outstanding balances	34	-	5	-
Total	**30 270**	**(1 370)**	**1 259**	**(40 084)**

Including:		
Non-current trade and other payables	-	(36 513)
Current trade and other receivables/ trade and other payables	1 259	(2 806)
Deferred income	-	(765)
Total	**1 259**	**(40 084)**

Notes to the consolidated financial statement *(continued)*

36. Related party transactions *(continued)*

The total amounts due from/to the shareholder and the entities under joint control of the shareholder were as follows in 2015 and as at 31 December:

	2015		31.12.2015	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	USD '000	USD '000	USD '000	USD '000
Freight and hire revenue/Outstanding balances	30 910	-	152	(1 770)
Technical management fee and IT services/Outstanding balances	353	-	5	-
Interest income/(expenses)/Outstanding balances	3	(839)	-	(57 482)
Real estate rent/Outstanding balances	111	-	13	-
Real estate sale/ Outstanding balances	222	-	-	-
Consulting services/Outstanding balances	-	(183)	-	(22)
Other services/Outstanding balances	57	-	9	(26)
Total	**31 656**	**(1 022)**	**179**	**(59 300)**
Including:				
Non-current trade and other payables			-	(57 508)
Current trade and other receivables/ trade and other payables			179	(22)
Deferred income			-	(1 770)
Total			**179**	**(59 300)**

	2015		31.12.2015	
	Income	Expenses	Amounts due from related parties	Amounts due to related parties
	EUR '000	EUR '000	EUR '000	EUR '000
Freight and hire revenue/Outstanding balances	27 831	-	140	(1 626)
Technical management fee and IT services/Outstanding balances	321	-	4	-
Interest income/(expenses)/Outstanding balances	2	(761)	-	(52 799)
Real estate rent /Outstanding balances	100	-	13	-
Real estate sale /Outstanding balances	200	-	-	-
Consulting services/Outstanding balances	-	(165)	-	(20)
Other services/Outstanding balances	51	-	8	(23)
Total	**28 505**	**(926)**	**165**	**(54 468)**
Including:				
Non-current trade and other payables			-	(52 822)
Current trade and other receivables/ trade and other payables			165	(20)
Deferred income			-	(1 626)
Total			**165**	**(54 468)**

Parties are considered to be related if one party can and does influence on another party's financial and operating decisions. The related parties include the significant shareholders of Group's major shareholder and parties related to these entities. Transactions with related parties are carried out on the arm's length terms and conditions.

Notes to the consolidated financial statement *(continued)*

37. Fees paid to external auditors

	USD '000		EUR '000	
	2016	2015	2016	2015
Audit of the financial statements	102	106	92	95
Other consulting services	7	-	7	-
Total	**109**	**106**	**99**	**95**

38. Fair values and financial risk management

Fair value of assets and liabilities and investment property

The carrying amounts and fair values of the Group's financial assets and liabilities and investment property by categories are as follows:

	USD '000		USD '000	
	31.12.2016 Carrying amount	31.12.2016 Fair value	31.12.2015 Carrying amount	31.12.2015 Fair value
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	26 464	27 162	27 917	28 554
Trade and other receivables	6 200	6 200	1 438	1 438
Other financial assets	32 064	32 064	30 960	30 960
Cash and cash equivalents	15 865	15 865	21 987	21 987
Total assets	**80 593**	**81 291**	**82 302**	**82 939**
Liabilities at fair value				
Derivative financial instruments	-	-	281	281
Liabilities at amortized cost				
Interest bearing loans	152 505	152 505	189 611	189 611
Trade and other payables	48 763	49 202	63 758	63 975
Total liabilities	**201 268**	**201 707**	**253 650**	**253 867**

	EUR '000		EUR '000	
	31.12.2016 Carrying amount	31.12.2016 Fair value	31.12.2015 Carrying amount	31.12.2015 Fair value
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	25 105	25 768	25 643	26 228
Trade and other receivables	5 882	5 882	1 321	1 321
Other financial assets	30 418	30 418	28 437	28 437
Cash and cash equivalents	15 052	15 052	20 195	20 195
Total assets	**76 457**	**77 120**	**75 596**	**76 181**
Liabilities at fair value				
Derivative financial instruments	-	-	258	258
Liabilities at amortized cost				
Interest bearing loans	144 677	144 677	174 163	174 163
Trade and other payables	46 259	46 675	58 563	58 762
Total liabilities	**190 936**	**191 352**	**232 984**	**233 183**

Notes to the consolidated financial statement *(continued)*

38. Fair values and financial risk management *(continued)*

Hierarchy of input data for determining the fair value of assets and liabilities

The Group uses the following hierarchy of three levels of input data for determining and disclosing the fair value of financial assets and liabilities.

Level 1: Quoted prices in active markets;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;

Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 1 contains cash and cash equivalents and deposits with maturity more than three months. Cash and cash equivalents and deposits with maturity more than three months are assets with short term remaining maturity (less than 1 year). As a result the Group assumes that the fair value of those assets approximates to their carrying amount.

Level 2 contains derivative financial instruments.

Level 3 contains investment properties, trade and other receivables, other financial assets, interest bearing loans, trade and other payables and other liabilities. Trade and other receivables, other financial assets, trade and other payables and other liabilities are assets and liabilities with short term remaining maturity (less than 1 year). As a result the Group assumes that the fair value of those assets and liabilities approximates to their carrying amount.

Loans received from credit institutions and long term loan received from related party are at arm's length and carry margin plus USD LIBOR rate; therefore the Group assumes that the carrying value of the loans approximates their fair value.

The fair value of investment properties and properties described above are assessed according to independent certified real estate valuations of the properties.

The Group's assets and liabilities according to the hierarchy of input data for determining fair value are as follows (disclosed at amortised cost and where mentioned at fair value):

	31.12.2016			
	USD '000 Level 1	USD '000 Level 2	USD '000 Level 3	USD '000 Total
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	-	-	27 162	27 162
Trade and other receivables	-	-	6 200	6 200
Other financial assets	31 814	-	250	32 064
Cash and cash equivalents	15 865	-	-	15 865
Total assets	**47 679**	**-**	**33 612**	**81 291**
Liabilities at amortized cost				
Interest bearing loans	-	-	152 505	152 505
Trade and other payables	-	-	49 202	49 202
Total liabilities	**-**	**-**	**201 707**	**201 707**

	31.12.2016			
	EUR '000 Level 1	EUR '000 Level 2	EUR '000 Level 3	EUR '000 Total
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	-	-	25 768	25 768
Trade and other receivables	-	-	5 882	5 882
Other financial assets	30 181	-	237	30 418
Cash and cash equivalents	15 052	-	-	15 052
Total assets	**45 233**	**-**	**31 887**	**77 120**
Liabilities at amortized cost				
Interest bearing loans	-	-	144 677	144 677
Trade and other payables	-	-	46 675	46 675
Total liabilities	**-**	**-**	**191 352**	**191 352**

Notes to the consolidated financial statement *(continued)*

38. Fair values and financial risk management *(continued)*

	31.12.2015			
	USD '000 Level 1	USD '000 Level 2	USD '000 Level 3	USD '000 Total
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	-	-	28 554	28 554
Trade and other receivables	-	-	1 438	1 438
Other financial assets	30 708	-	252	30 960
Cash and cash equivalents	21 987	-	-	21 987
Total assets	**52 695**	**-**	**30 244**	**82 939**
Liabilities at fair value				
Derivative financial instruments	-	281	-	281
Liabilities at amortized cost				
Interest bearing loans	-	-	189 611	189 611
Trade and other payables	-	-	63 975	63 975
Total liabilities	**-**	**281**	**253 586**	**253 867**

	31.12.2015			
	EUR '000 Level 1	EUR '000 Level 2	EUR '000 Level 3	EUR '000 Total
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	-	-	26 228	26 228
Trade and other receivables	-	-	1 321	1 321
Other financial assets	28 206	-	231	28 437
Cash and cash equivalents	20 195	-	-	20 195
Total assets	**48 401**	**-**	**27 780**	**76 181**
Liabilities at fair value				
Derivative financial instruments	-	258	-	258
Liabilities at amortized cost				
Interest bearing loans	-	-	174 163	174 163
Trade and other payables	-	-	58 762	58 762
Total liabilities	**-**	**258**	**232 925**	**233 183**

The Group has a policy of regularly reviewing its approach to risk management. The main financial risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Management Board reviews and agrees policies for managing each of these risks which are summarised below.

Notes to the consolidated financial statement *(continued)*

38. Fair values and financial risk management *(continued)*

Foreign currency risk

The Group operates both in Europe and the Americas and is thus exposed to foreign exchange risk. However, the majority of the Group's income and expenses are denominated in U.S. dollars as this is the generally accepted trading currency in the shipping business.

The Group's financial instruments are not significantly exposed to foreign currency risk.

Credit risk

The Group is exposed to credit risk through its trade accounts receivable, deposits with maturity more than 3 months and cash and cash equivalents. The Group's cash equivalents have been invested in secure financial institutions. The Group manages its credit risk by continuously assessing the credit history of customers. In addition, receivable balances are monitored on an on-going basis to ensure that the Group's exposure to bad debts is minimised. The Group's policy is to trade only with well recognised, creditworthy third parties. Two largest debtors comprise 77% of total trade accounts receivable as of 31 December 2016 (31.12.2015: 50%). Both debtors have no history of defaults.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. See *Notes 24, 26 and 27* for further disclosure on credit risk.

The Group's maximum exposure for financial derivative instruments are noted in the Liquidity and cash management risk section on the next page.

Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the risk of changes in market interest rates primarily through its received loans and placed short-term deposits. Interest rate risk is related mainly to the floating interest rate of the loans received from the Group. Interest on borrowings is fixed every 3 months.

Since 2008 the Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans. The Group monitors market trends and fixes the interest rates for loans for the subsequent period based on the market expectations, when it is considered to be reasonable. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2015, after taking into account the effect of interest rate swaps USD 35 million, approximately 18% of the Group's borrowings are at a fixed rate of interest. A general rise in the interest rate by 0.3 or decrease by 0.1 percentage point would, all other things being equal, have no effect on the financial result related to hedged portfolio.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings considering effect of SWAP agreements). There is no impact on the Group's equity other than current year's result.

	2016		2015	
	Increase/(decrease) in basic points	**Effect on profit before tax (USD'000)**	**Increase/(decrease) in basic points**	**Effect on profit before tax (USD'000)**
US $ - LIBOR	0.3%	(485)	0.3%	(575)
	-0.1%	162	-0.1%	192
EUR - LIBOR	0.1%	(3)	0.3%	(9)
	-0.1%	2	-0.1%	8

	2016		2015	
	Increase/(decrease) in basic points	**Effect on profit before tax (EUR'000)**	**Increase/(decrease) in basic points**	**Effect on profit before tax (EUR'000)**
US $- LIBOR	0.3%	(460)	0.3%	(528)
	-0.1%	154	-0.1%	176
EUR - LIBOR	0.1%	(3)	0.3%	(8)
	-0.1%	2	-0.1%	8

Notes to the consolidated financial statement *(continued)*

38. Fair values and financial risk management *(continued)*

Liquidity and cash management risk

Based on the Group's cash management principle, the Group's cash is accumulated in dedicated bank accounts and managed on a Group level. To ensure daily liquidity requirements, the Group's management determines minimum cash balances to be maintained on Group's bank accounts.

Risk analysis and designing of risk management plans are conducted at the top management level.

The Group's liquidity risk policy is based on a conservative approach whose main objective is to secure the safeguarding of the cash flows generated from the operations to ensure sufficient liquidity enabling timely settlement of the liabilities undertaken.

Reviewing the current situation on a money market which is characterised by an increase in a price and a limited availability of credit resources on a banking market the Group's management policy is to accumulate cash to meet obligations to the banking syndicates.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows payments:

USD '000

As at 31 December 2016	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bank loans	-	7 713	23 284	129 607	11 224	171 828
Trade and other payables	300	8 034	3 004	11	42 939	54 288
Total	**300**	**15 747**	**26 288**	**129 618**	**54 163**	**226 116**
As at 31 December 2015	**On demand**	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Bank loans	-	8 463	56 585	134 405	-	199 453
Trade and other payables	300	5 944	-	58 593	-	64 837
Total	**300**	**14 407**	**56 585**	**192 998**	**-**	**264 290**

EUR '000

As at 31 December 2016	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bank loans	-	7 317	22 089	122 955	10 648	163 009
Trade and other payables	285	7 620	2 850	10	40 735	51 500
Total	**285**	**14 937**	**24 939**	**122 965**	**51 383**	**214 509**
As at 31 December 2015	**On demand**	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Bank loans	-	7 773	51 975	123 455	-	183 203
Trade and other payables	276	5 460	-	53 819	-	59 555
Total	**276**	**13 233**	**51 975**	**177 274**	**-**	**242 758**

The carrying value of Bank loans as at 31 December 2016 represent USD 153 136 thousand/ EUR 145 276 thousand (31.12.2015: USD 191 209 thousand/ EUR 175 631 thousand). *See Note 29.*

The carrying value of Trade and other payables as at 31 December 2016 represent USD 48 763 thousand/ EUR 46 259 thousand (31.12.2015: USD 63 758 thousand/ EUR 58 563 thousand). *See Note 33.*

Notes to the consolidated financial statement *(continued)*

38. Fair values and financial risk management *(continued)*

Liquidity and cash management risk (continued)

The interest rate swap agreements matured in 2016 and were not prolonged, therefore the table below summarises the maturity profile of the Group's derivatives at 31 December 2015 based on contractual undiscounted payments settled on net basis:

USD '000 As at 31 December 2015	On demand	< 3 months	3 to 12 months	Total
Outgoing undiscounted payments	-	(170)	(247)	(417)
Incoming undiscounted payments	-	40	78	118
Net undiscounted cash flow	**-**	**(130)**	**(169)**	**(299)**

EUR '000 As at 31 December 2015	On demand	< 3 months	3 to 12 months	Total
Outgoing undiscounted payments	-	(156)	(227)	(383)
Incoming undiscounted payments	-	37	72	109
Net undiscounted cash flow	**-**	**(119)**	**(155)**	**(274)**

39. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value. The appropriate provisions for asset impairment have been made and the recoverable (market) value of the assets approximates their carrying value.

40. Legal cases

The Group is involved in several court cases as defendant, mainly in Latvia. According to the Management's assessment it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

41. Going concern

As at 31 December 2016, the Group's current assets exceeded its current liabilities by USD 20.29 million. However the Group has incurred loss in 2016 in amount of USD 25 million. The result was mainly attributable to the steady erosion in the value of the LSC Group's fleet throughout 2016 in the amount of USD 24.13 million.

In 2015 the loss was USD 7.22 million primarily due to a loss arising from the reconsolidation of SIA "LASCO Investment" group with negative financial effect in the amount of USD 22.74 million.

The Group's management is of the opinion that market trends currently affecting the value of the fleet are of a temporary nature and the recovery signs may be expected in 2018 supported by economic growth and lower supply of new tankers in the market. At the same time, the Group has sufficient liquid funds to cover its short term liabilities and management are confident it has the cash reserves and will be able to generate future operating cash flows to meet all financing and investing requirements over the upcoming years. The successful refinancing of our fleet in a timely manner as described in *Notes 29* and *42* has been one of the conditions contributing to this.

Accordingly, the management is of the opinion that while events and conditions impacting the Group's ability to continue as a going concern exist, the Group's use of going concern assumption in the preparation of these financial statements is appropriate.

42. Subsequent events

On 28 February, 2017 the Group successfully completed its loan refinancing procedure, receiving a loan of USD 121 million from a syndicate of three banks and simultaneously repaying the previous loan. The new loan has been issued with a repayment deadline of 30 June, 2022 *(See Note 29).*

As of the last day of the reporting year and until the date of signing these consolidated financial statements there have been no other events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto.