LATVIJAS KUĢNIECĪBA

Public Joint Stock Company
"Latvian Shipping Company"

Consolidated Financial Statements

31 December 2015

Contents

Information about JSC "Latvian Shipping Company" in brief

Mission

The mission of JSC "Latvian Shipping Company" (hereinafter – LSC or Company)) and its subsidiaries (hereafter – LSC Group or Group) 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 always 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 customers even greater trading flexibility during harsh winter periods.

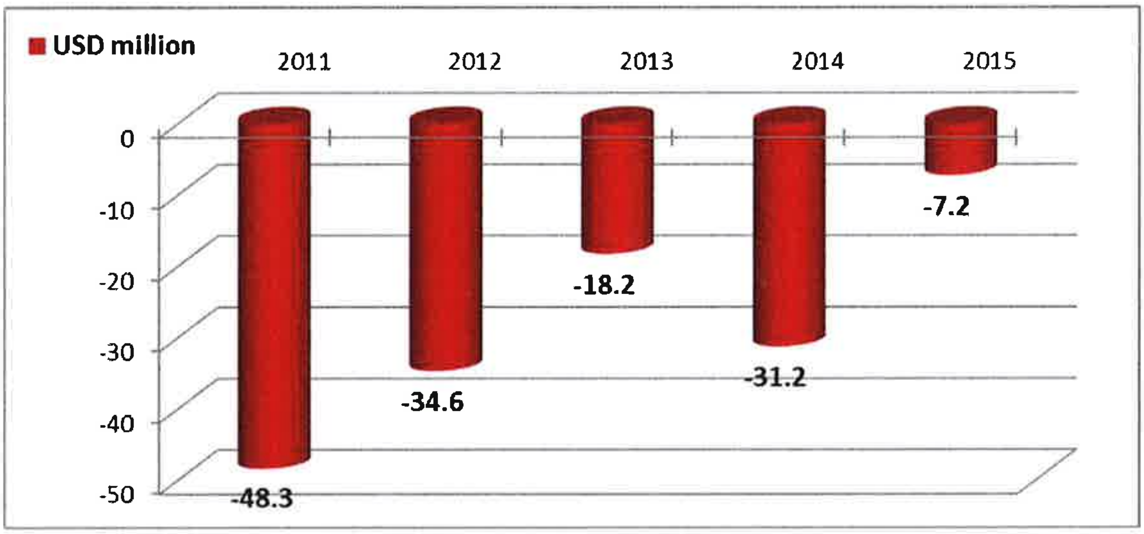
Management report

Dear shareholders and stakeholders,

The consolidated financial result of "Latvian Shipping Company" (hereafter – LSC or Company) and its subsidiaries (hereafter – LSC Group or Group) for 2015 is a loss of 7.22 million USD. This is primarily due to a loss arising from the reconsolidation of SIA "LASCO Investment" group (hereafter – LASCO Investment) with negative financial effect in the amount of USD 22.74 million. In 2014 LSC Group suffered a loss in the amount of 31.16 million USD.

2015 was an important year for the Company as a series of settlement agreements were signed with a number of individuals, including former Management Board and Supervisory Council members thus terminating unwanted disputes and allowing the Group to concentrate on its core business.

LSC Group net loss for the period 01.01.2011. – 31.12.2015.:



In 2015 the LSC Group achieved a positive result from chartering and other activities achieving a net profit before tax and exceptionals of 18.85 million USD, 6.17 million USD more than in the previous reporting period. Profit before interest, tax and depreciation and amortisation (EBITDA) was 46.62 million USD, 7.03 million USD more than in 2014.

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

	2011	2012	2013	2014	2015
Turnover (million USD)	97.58	115.56	104.21	91.29	92.84
Net loss (million USD)	-48.27	-34.60	-18.15	-31.16	-7.22
Gross profit before depreciation (million USD)	41.58	52.22	54.32	46.57	53.81
% of turnover	*42.61%*	*45.19%*	*52.13%*	*51.01%*	*57.96%*
EBITDA (million USD)	26.84	40.99	47.33	39.59	46.62
% of turnover	*27.51%*	*35.47%*	*45.42%*	*43.37%*	*50.22%*
EBIT (million USD)	0.53	12.51	24.43	20.85	26.68
% of turnover	*0.54%*	*10.83%*	*23.44%*	*22.84%*	*28.74%*
Profit before tax and exceptionals * (million USD)	*-19.63*	*-6.21*	*9.00*	*12.68*	*18.85*
% of turnover	*-20.12%*	*-5.37%*	*8.64%*	*13.89%*	*20.30%*
Return on Assets (%)	-7.20%	-5.70%	-3.22%	-6.62%	-1.69%
Return on Equity (%)	-16.60%	-14.20%	-8.00%	-16.33%	-4.53%
EPS (USD)	-0.24	-0.18	-0.09	-0.16	-0.04
Liquidity ratio (quick)	2.2	1.5	1.5	1.3	0.8
P/E ratio	n/a	n/a	n/a	n/a	n/a

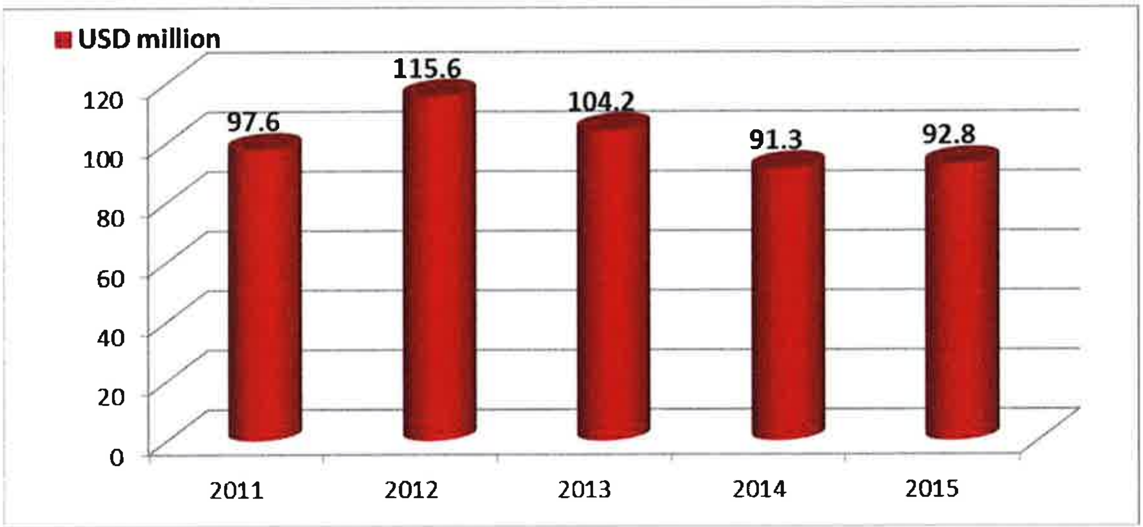
* Exceptionals represent loss from consolidation of LASCO Investment in 2015, impairment of the fleet and other financial assets, as well results of sale of assets not related to shipping activities.

Management report *(continued)*

There was no change in the LSC Group's commercial fleet of sixteen vessels during 2015, however the LSC Group's company "LSC Shipmanagement" Ltd was managing an additional four third-party tankers, bringing the total to twenty vessels. In the first half of 2016, LSC Shipmanagement" Ltd will add three newly built oil and chemical tankers under technical management. The first of the three ships was received in January. The next addition to the fleet is expected in April and in May. The increase in the technical management of third-party vessels is a testament to the competency and professionalism of LSC Group staff and is generating additional income for the Group.

At the end of the reporting period 88% (fourteen vessels) of the LSC Group's fleet were employed on period business (time-charter). The average employment period for the portion of the fleet on time charter plus bareboat charter as at the end of reporting period was 7.3 months.

LSC Group turnover for the period 01.01.2011. – 31.12.2015.



The LSC Group turnover mainly consisted of income from the fleet as well as a small portion of income generated from third party tanker technical management and real estate rent. The total income of the fleet for 2015 was 91.44 million USD, similar to the previous year (2014: 90.71 million USD).

During 2015 the LSC Group recorded positive cash flow and as at 31st December 2015 the Group had cash and deposits with maturity up to twelve months in the amount of 52.70 million USD, which is 7.06 million USD more than at the beginning of 2015. This was achieved due to positive cash flow from shipping activities as well as from the sale of non-shipping assets. LSC Group sold its indirect interest in AS "Latvijas Naftas tranzīts" (LNT) to AS "Ventbunkers" via its subsidiary SIA "Skonto nafta" which held a 16% stake in LNT. The value of the transaction was 17.5 million USD (15.40 million EUR), including the repayment of a loan in the amount of 2.24 million USD (2.10 million EUR), previously issued to SIA "Skonto nafta" by LNT. In addition, one of real estate assets owned by SIA "LASCO Investment" – Ventspils sports hall was sold. The sales process of other properties was initiated and will be continued, in line with LSC Group's corporate strategy.

Persistent optimisation of administrative costs throughout 2015 resulted in savings in the amount of 1.23 million USD (2015: 7.21 million USD versus 2014: 8.44 million USD).

At 31st December 2015 the total of the LSC Group assets was 417.02 million USD. The figure at 31st December 2014 was 421.82 million USD. The decrease in Group assets is mainly attributable to depreciation of the fleet, however asset value was positively affected by reconsolidation of real estate properties owned by LASCO Investment. The total equity of the Group at 31st December 2015 was 155.39 million USD (31st December 2014: 163.46 million USD).

Management report *(continued)*

The LSC Group fleet's net voyage result for 2015 was 82.56 million USD, up by 5.12 million USD due to higher charter rates (2014: 77.44 million USD). The net voyage result is a more comparable indicator of fleet performance, rather than total income, as it is calculated by deducting voyage costs from voyage income and shows the Group's result, irrespective of whether the fleet is employed in the spot or time charter market. The fleet operating profit for 2015 before depreciation and dry-dock amortisation was 52.40 million USD; improvement of 6.12 million USD (2014: 46.28 million USD).

LSC continues to release average quarterly TCE (Time charter equivalent) rates achieved by LSC Group's fleet:

Average LSC Group's Fleet net TCE (time charter equivalent) USD/per day

Fleet	Y 2011	Y 2012	Y 2013	Y2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Y 2015 (A)
HS (4 vessels)*	11 216	12 703	13 468	13 594	14 104	14 313	14 407	14 407	14 310
MR (12 vessels)**	12 882	13 168	14 174	14 130	16 344	17 213	15 843	16 174	16 232
LR1 (1 vessel) ***	13 623	12 086	12 122	n/a	n/a	n/a	n/a	n/a	n/a

**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.*
****Vessel delivered to new owner in June 2014*
Explanations:
HS = handy size (37 dwt); MR = medium range (52 dwt); LR1 = long range (68 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.

Market overview

The product tanker market, unlike most other non-oil related shipping sectors, continued to enjoy positive earnings throughout 2015. The steady decline in the price of crude oil stimulated unexpected additional demand for refined products. In particular, gasoline consumption increased strongly in the world's two largest economies; the USA and China. This environment was especially advantageous for refineries, which benefited from positive refining margins throughout the year as a consequence of purchasing competitively priced crude oil and selling highly priced premium products.

However, increased runs to maximise gasoline production also created additional excess products, for example middle distillates. This further increased the need for seaborne transportation. The demands placed on shipping were further supported given the flow of refined oil from the more efficient refineries in the Middle East and India to the western markets thereby increasing tonne miles; always an indicator of higher shipping rates.

As we move into 2016 the expectations for the products tanker market look far from clear. The current worldwide macro environment remains fragile both economically and politically, with China a particular concern. We are in a supply rather than a demand driven environment and the considered view is that the world cannot consume the volume of crude oil currently coming to market, thus global stock builds are likely to continue through to the second half of the year.

Management report (continued)

Refineries particularly in the USA are increasing their gasoline yield in the production process at the expense of other products thereby increasing their self-sufficiency. This negates the need for as much imported gasoline as we saw in 2015 thereby potentially depressing demand for tankers. At the same time, global demand growth for refined products is weakening resulting in refining margins being squeezed with a risk that less efficient refineries, especially in Europe, may once again face closure or, at the very least, need to decrease runs. This would reduce gasoline exports from the region; another bearish development for the products tanker segment.

The direction of the price of crude oil is in the hands of OPEC and non-OPEC oil exporting countries with Saudi Arabia being the most influential party. Currently the Saudi government is focused on preserving market share which, most observers believe, will keep oil prices low for some time to come. But whatever the outcome, a demand rather than a supply led oil market is crucial for the product tanker segment to perform and it is far from clear that we will see this in 2016.

As well as the above potential bearish economic scenario we should also note that 14pct of the existing Medium Range tanker fleet is currently on order with approximately 9pct to be delivered throughout 2016 alone. With such an increase in the product tanker fleet it is almost inevitable that, given the current worldwide economic environment, that there will be a retracement in earnings for product tanker owners in 2016.

It continues to be the Management Board's priority to ensure that guaranteed earnings are prioritised by continuing its policy of focusing predominantly on time charter contracts as opposed to trading our vessels on the more uncertain and volatile spot market; especially given the uncertain economic environment we are likely to encounter. We believe that this policy gives a greater visibility of vessel earnings and allows the company to budget more efficiently for its cost base and debt obligations especially with its ship lending bank syndicate.

Share performance

During 2015 the price of LSC shares quoted on the NASDAQ Riga experienced an increase of 21.67%. The OMX Baltic Benchmark GI index in 2015 increased by 14.43%. There were 1,917 trades of "Latvian Shipping Company's" shares during 2015 involving 13.16 million shares worth 5.25 million EUR which is 62% of the total share turnover and 13% of trading volume in value terms of all the Latvian companies listed on the Baltic Main List. On 31st December 2015 the capitalization of "Latvian Shipping Company" shares at NASDAQ OMX Riga was 87.60 million EUR.

Future prospects

LSC management continues to work on possible scenario to increase in the Company's share capital in order to cover shipping debt obligations becoming due in 2016/2017.

The management of the Company plans to ensure the funds in the form of intercompany loans to the respective single vessel companies through raising the equity capital in an Initial Public Offering (IPO). LSC is looking to double the share capital and raise equity of EUR 80 million (the weighted average price of LSC share over the past six months on stock exchange is EUR 0.40). The IPO process is planned to be carried out in the first half of 2016. The LSC Management Board believes a share capital raising would achieve the refinancing goal and place the company in a stronger position. In addition, as of the date of signing these consolidated financial statements, the existing lenders have informally indicated their willingness to refinance the facility advanced to Arctic Holding Corporation and falling due in 2016 should the Company choose this option.

Subsequent events

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, ohter than those dislcosed in Note 44.

Proposals regarding cover of losses

The Management Board suggests to cover current financial year losses from next period profit.

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 16 March 2016

Supervisory Council

Chairman of the Supervisory Council	Vladimir Egger (until April 27, 2015; from May 14, 2015 until July 16, 2015; from July 31, 2015)
Deputy Chairman of the Supervisory Council	Boris Bednov (from July 31, 2015)
	Rubel Yilmaz (until April 27, 2015; from May 14, 2015 until July 16, 2015)
Members of the Supervisory Council:	Vladimir Egger (from April 27, 2015 until May 14, 2015; from July 16, 2015 until July 31, 2015)
	Rubel Yilmaz (from April 27, 2015 until May 14, 2015)
	Andrea Schlaepfer
	Varvara Maximova
	Olga Kurenkova
	Giovanni Fagioli
	Kristo Oidermaa
	Aleksej Tarasov (from July 16, 2015)
	Artūrs Neimanis (from April 27, 2015)
	Dzmitry Yudzin (from April 27, 2015)
	Boris Bednov (from April 27, 2015 until July 31, 2015)
	Simon Boddy (until April 27, 2015)
	Yulia Vereschagina (until April 27, 2015)
	Ivars Girgensons (until April 27, 2015)

Professional experience of the members of the Supervisory Council

Vladimir Egger

Re-elected in the position of the Chairman of the Supervisory Council on July 31, 2015. Re-elected in the position of the member of the Supervisory Council on July 16, 2015 for 5 years term. Member of JSC "Ventspils nafta" Supervisory Council since 20 January 2010. 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".

Boris Bednov

Elected in the position of the Deputy Chairman of the Supervisory Council on July 31, 2015. Elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Boris Bednov has worked as a member of the Management Board of JSC "Ventspils nafta" since April 28, 2010. He is an oil and transit industry professional. He began his career in the oil and transit business in 1982 as a Refinery Engineer. Since 1993 he has been working as Oil Trader. He has been the Head of the Lithuanian office of Vitol, based in Mazeikai, from 1996 till 2014. Since August, 2014 he has been employed in leading position by "Vitol Baltics" Ltd office in Riga. Professional education: he has graduated the D. Mendeleyev University of Chemical Technology in Russia. Boris Bednov does not own any shares of JSC "Latvian Shipping Company".

Dzmitry Yudzin

Elected in the position of the member of the Supervisory Council on April 27, 2015 for 5 years term. Dzmitry Yudzin is also a member of the Supervisory Council of JSC "Ventspils nafta". D. Yudzin has worked for Belarussian Oil Company since 2009. In May 2014, he joined the Vitol Services B.V. (The Netherlands) Representative office. In December 2014, he joined the Vitol Baltics Ltd 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

Elected in the position of the member of the Supervisory Council on July 16, 2015 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

Elected in the position of the member of the Supervisory Council on March 26, 2014 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. A.Schlaepfer does not own shares of JSC "Latvian Shipping Company".

Varvara Maximova

Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. Varvara 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". V.Maximova does not own shares of JSC "Latvian Shipping Company".

Olga Kurenkova

Elected in the position of the member of the Supervisory Council on March 26, 2014 for 5 years term. Olga Kurenkova works at representative office of "Vitol Services B.V.", The Netherlands since 2012. Since 2000 she was employed by representative office of "VNT S.A., Switzerland". O. Kurenkova has graduated Moscow Aircraft Institute (MAI), economical department in 1990. O. Kurenkova does not own shares of JSC "Latvian Shipping Company".

Artūrs Neimanis

Elected in the position of the member of the Supervisory Council on April 27, 2015 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 July 16, 2015 for 5 years term. Kristo Oidermaa has been working in the financial sector since 2006 and currently holds 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 has 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 July 16, 2015 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 the 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). Education: Master Degree in Business Administration at Boston University. 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

Robert Kirkup

The Chairman of the Management Board since March 1, 2014, elected for 5 years term. Previously he held the position of the Chairman of the Supervisory Council from October 17, 2013. Robert Kirkup is also the Chairman of the JSC "Ventspils nafta" Management Board since 1 September 2013. R. Kirkup also holds positions in JSC "Ventspils nafta" subsidiaries - he is the Chairman of the Supervisory Council of LatRosTrans Ltd, as well as a member of the Supervisory Council of Ventspils nafta termināls Ltd. He has worked in the oil and sugar business for more than 17 years. In 1996 he joined the Vitol Group and has held several positions in trading. Since July 2006 he has been appointed as the Global Head of Sugar at Vitol S.A. In addition he was a member of the World Sugar Committee for the ICE No11 Raw Sugar Futures Contract and still is a member of the Council of the Sugar Association of London, where he is an Arbitrator. Professional education: BA Honours Degree in Business. Robert Kirkup does not own any shares of JSC "Latvian Shipping Company".

Paul Thomas

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 JSC "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".

Christopher James Kernon

Christopher Kernon 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 JSC "Latvian Shipping Company" since February, 2011, re-elected for 5 years term on March 1, 2016. Christopher Kernon does not own shares of JSC "Latvian Shipping Company".

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 16 July 2015 for five years period and currently consists of ten members: Chairman Vladimir Egger, deputy chairman Boris Bednov 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

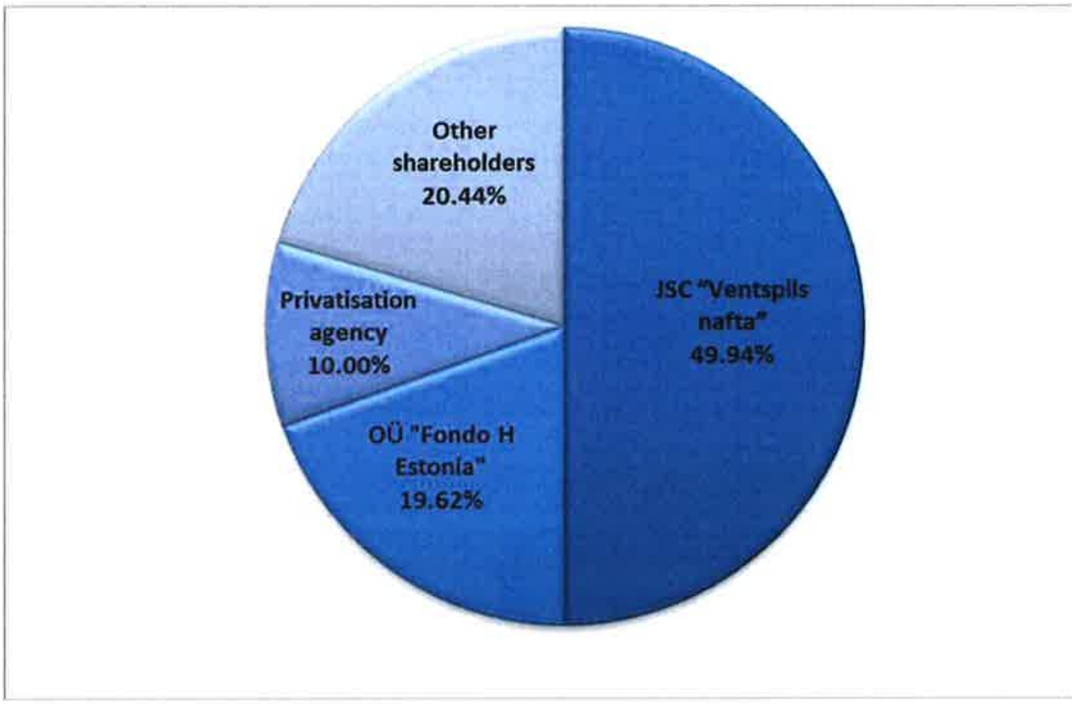
JSC "Latvian Shipping Company" shareholders (over 5%) as of the date when the consolidated report is signed:

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

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

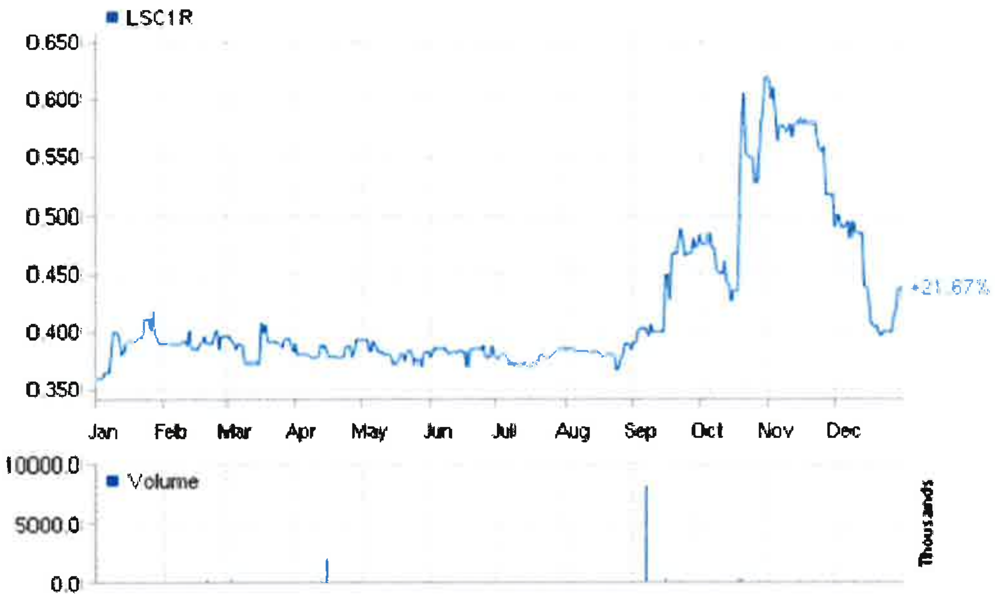
JSC "Ventspils nafta" has de facto control, therefore JSC "Latvian Shipping Company" and its subsidiaries are consolidated into JSC "Ventspils nafta" consolidated financial statements.

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



Review of shares

JSC "Latvian Shipping Company" share price development for the period 01.01.2015. – 31.12.2015.



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

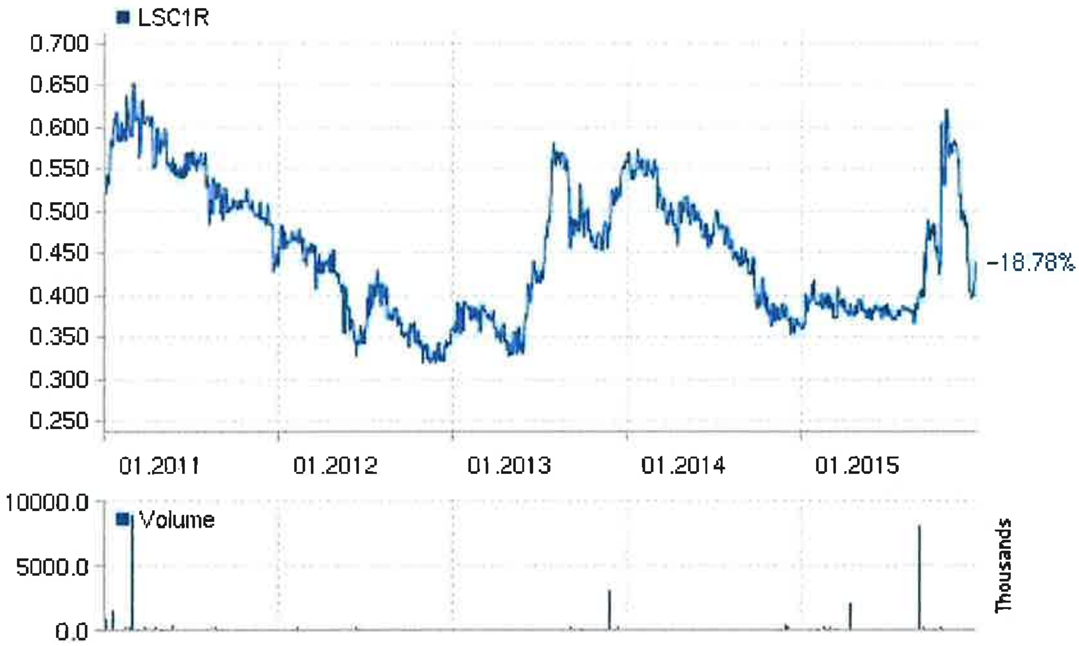
Securities trading history, EUR

Price	2011	2012	2013	2014	2015
Open	0.526	0.444	0.359	0.550	0.360
High	0.655	0.492	0.593	0.580	0.649
Low	0.428	0.289	0.327	0.352	0.357
Last	0.438	0.359	0.559	0.360	0.438
Average	0.487	0.406	0.437	0.453	0.399
Traded volume	13,526,230	985,943	4,575,982	1,449,529	13,160,987
Turnover, million	8.32	0.38	2.15	0.66	5.25
Capitalisation, million	87.65	71.71	111.84	72.00	87.60

Information source: *JSC „NASDAQ OMX Riga" web page* www.nasdaqomxbaltic.com

Review of shares *(continued)*

JSC "Latvian Shipping Company" share price development for the period 01.01.2011. – 31.12.2015.



JSC "Latvian Shipping Company" share price development in comparison with OMX Baltic Benchmark GI index and OMX Riga index for the period 01.01.2011. – 31.12.2015.

Index/Equity	01.01.2011	31.12.2015	+/-%
OMX Baltic Benchmark GI	533.99	648.32	21.41
OMX Riga	393.53	594.35	51.03
LSC1R	0.539 EUR	0.438 EUR	-18.74

Information source: JSC "NASDAQ OMX RIGA" web page www.nasdaqomxbaltic.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.

We carry insurance to protect us against most of the accident-related risks involved in the conduct of our business, including marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks, crew insurance and war risk insurance. However, we may not be adequately insured to cover losses from our operational risks, which could have a material adverse effect on us. Additionally, our insurers may refuse to pay particular claims and our insurance may be voidable by the insurers if we take, or fail to take, certain action, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions.

Personnel policy

In today's globally competitive environment highly professional and motivated personnel make a ground for success of the Group. JSC "Latvian Shipping Company" Group's Personnel Policy aims to ensure equal development opportunities for all the employees and personnel potential development and utilisation thereof for achievement of maximum performance results of the JSC "Latvian Shipping Company" 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 further development of professional knowledge and skills.

The personnel evaluation policy implemented in the Group provides setting annual objectives for each employee as well as the evaluation of achievement of the objectives and overall participation in meeting the Group's operation results. The results of the personnel evaluation are linked to the revision of remuneration of the JSC "Latvian Shipping Company" Group.

Subsidiary of the JSC "Latvian Shipping Company" – "LSC Shipmanagement" Ltd provides crew management services for oil and chemical tankers. Many years of experience have resulted in a very large pool of business contacts; our database contains information about more than 2 000 highly experienced sea-farers eligible for different levels of jobs – from the highest to entry-levels. In order to support maritime traditions in Latvia, preference is given to the local sea-farers. Therefore, approximately 90% of the seagoing personnel are of Latvian origin.

Statement of Management's responsibility

The following statement, which should be read in conjunction with the independent auditors' report set out on pages 22 to 23, 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 2015, 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, 16 March 2016

KPMG Baltics SIA
Vesetas iela 7
Riga, LV-1013
Latvia

Telephone +371 67038000
Telefax +371 67038002
kpmg.com/lv

Independent Auditors' Report

To the shareholders of JSC "Latvian Shipping Company"

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JSC "Latvian Shipping Company" and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 74.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's preparation and fair presentation of these consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 18 March 2015 expressed a qualified opinion on those consolidated financial statements because based on the financial information of JSC Latvijas Naftas Tranzīts made available to them, in their opinion, it was not possible to reliably determine the fair value of the investment in JSC Latvijas Naftas Tranzīts to support its carrying value of USD 19 931 thousand as at 31 December 2014 and the impairment loss on this investment of USD 8 344 thousand recognized in 2014 (refer to Note 28b and Note 13 accordingly). As a result, the predecessor auditors were unable to determine whether adjustments might have been found necessary in respect of the investment carrying value as at 31 December 2014 and the impairment charges recognized through the consolidated income statement for the year ended 31 December 2014.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures as at and for the year ended 31 December 2014 and the possible effects on the comparability of the current year's figures of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of the JSC "Latvian Shipping Company" and its subsidiaries as at 31 December 2015, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Consolidated Management Report, as set out on pages 4 to 7, the preparation of which is the responsibility of management, is consistent with the consolidated financial statements. Our work with respect to the Consolidated Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the consolidated financial statements of the Group. In our opinion, the Consolidated Management Report is consistent with the consolidated financial statements.

Furthermore, we have obtained Statement of corporate governance for the year ended 31 December 2015 prepared by the Group. In our opinion, the Statement contains information required by Article 56.[2] (third paragraph, clause 1) of the Financial Instruments Market Law of the Republic of Latvia.

KPMG Baltics SIA
Licence No 55

Armine Movsisjana
Chairman of the Board
Sworn Auditor
Certificate No 178
Riga, Latvia
18 March 2016

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 2015

(all from continuing operations)

	Notes	2015 USD'000	2014 USD'000	2015 EUR'000	2014 EUR'000
Vessel income	7	91 435	90 711	82 217	68 147
Income from other services		1 408	577	1 275	443
Revenue		**92 843**	**91 288**	**83 492**	**68 590**
Voyage costs and commissions	8	(8 879)	(13 270)	(8 117)	(9 990)
Cost of sales	9	(50 710)	(49 969)	(45 950)	(37 851)
Gross profit		**33 254**	**28 049**	**29 425**	**20 749**
Administrative expenses	10	(7 211)	(8 437)	(6 531)	(6 274)
Impairment of non-financial assets	11	(21 221)	(55 247)	(18 906)	(42 942)
Other operating income	12	1 933	21 840	2 773	15 980
Other operating expenses	13	(5 855)	(8 856)	(5 229)	(6 517)
Operating profit/(loss)		**900**	**(22 651)**	**1 532**	**(19 004)**
Finance income	15	1 563	2 839	1 438	2 234
Finance costs	16	(9 392)	(11 012)	(8 509)	(8 323)
Loss before tax		**(6 929)**	**(30 824)**	**(5 539)**	**(25 093)**
Income tax	17	(290)	(332)	(261)	(261)
Loss for the year		**(7 219)**	**(31 156)**	**(5 800)**	**(25 354)**
Attributable to:					
Equity holders of the parent		(7 091)	(31 034)	(5 686)	(25 264)
Non-controlling interests		(128)	(122)	(114)	(90)
		(7 219)	**(31 156)**	**(5 800)**	**(25 354)**
Loss per share	18	USD (0.04)	USD (0.16)	EUR (0.03)	EUR (0.13)

The notes on pages 30 to 74 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 16 March 2016 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 16 March 2016

Consolidated statement of comprehensive income for the year ended 31 December 2015

	2015 USD'000	2014 USD'000	2015 EUR'000	2014 EUR'000
Loss for the year	**(7 219)**	**(31 156)**	**(5 800)**	**(25 354)**
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(2 040)	(3 926)	12 788	14 480
Net movement on cash flow hedges (*Note 32*)	473	527	368	323
Other comprehensive (loss)/income for the year, net of tax	**(1 567)**	**(3 399)**	**13 156**	**14 803**
Total comprehensive (loss)/income for the year, net of tax	**(8 786)**	**(34 555)**	**7 356**	**(10 551)**
Attributable to:				
Equity holders of the parent	(8 175)	(33 742)	7 470	(10 461)
Non-controlling interests	(611)	(813)	(114)	(90)
	(8 786)	**(34 555)**	**7 356**	**(10 551)**

The notes on pages 30 to 74 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 16 March 2016 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 16 March 2016

Consolidated statement of financial position as at 31 December 2015

	Notes	2015 USD'000	2014 USD'000	2015 EUR'000	2014 EUR'000
Assets					
Non-current assets					
Intangible assets	19	12	16	11	13
Fleet	20	328 491	343 997	301 728	283 335
Property, plant and equipment	21	2 560	2 814	2 352	2 318
Investment properties	22	27 917	4	25 643	4
Trade and other receivables	26	14	-	13	-
Other non-current financial assets	28	250	24 226	229	19 954
Total non-current assets		**359 244**	**371 057**	**329 976**	**305 624**
Current assets					
Inventories	25	2 362	1 575	2 169	1 297
Trade and other receivables	26	2 192	2 312	2 014	1 904
Prepayments	27	529	737	485	607
Other current financial assets	28	30 710	18 209	28 208	14 998
Cash and cash equivalents	29	21 987	27 925	20 195	23 001
Total current assets		**57 780**	**50 758**	**53 071**	**41 807**
Total assets		**417 024**	**421 815**	**383 047**	**347 431**
Equity and liabilities					
Equity					
Share capital		76 392	76 392	60 000	60 000
Retained earnings		104 590	111 681	82 680	88 366
Other components of equity		(25 593)	(30 181)	49	(18 317)
Equity attributable to equity holders of the parent		**155 389**	**157 892**	**142 729**	**130 049**
Non-controlling interests		-	5 565	-	4 584
Total equity	30	**155 389**	**163 457**	**142 729**	**134 633**
Non-current liabilities					
Interest bearing loans	31	131 647	189 649	120 922	156 205
Derivative financial instruments	32	-	145	-	119
Trade and other payables	35	57 514	29 661	52 827	24 431
Deferred tax liabilities	33	1 918	109	1 762	90
Total non-current liabilities		**191 079**	**219 564**	**175 511**	**180 845**
Current liabilities					
Trade and other payables	35	8 719	9 612	8 009	7 916
Interest bearing loans	31	57 964	25 867	53 241	21 306
Derivative financial instruments	32	281	619	258	510
Deferred income	34	3 592	2 696	3 299	2 221
Total current liabilities		**70 556**	**38 794**	**64 807**	**31 953**
Total liabilities		**261 635**	**258 358**	**240 318**	**212 798**
Total equity and liabilities		**417 024**	**421 815**	**383 047**	**347 431**

The notes on pages 30 to 74 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 16 March 2016 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 16 March 2016

Consolidated statement of changes in equity for the year ended 31 December 2015

		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 2014		**362 319**	**-**	**(1 218)**	**(12 029)**	**-**	**(137 388)**	**211 684**	**6 378**	**218 062**
Loss for the period		-	-	-	-	-	(31 034)	**(31 034)**	(122)	**(31 156)**
Other comprehensive income/ (loss)		-	-	527	(3 235)	-	-	**(2 708)**	(691)	**(3 399)**
Total comprehensive income/ (loss)		**-**	**-**	**527**	**(3 235)**	**-**	**(31 034)**	**(33 742)**	**(813)**	**(34 555)**
Other reserves	30	-	-	-	-	(20 050)	-	**(20 050)**	-	**(20 050)**
Decrease of nominal value of shares	30	(280 103)	-	-	-	-	280 103	-	-	-
Reserve of share capital denomination	30	(5 824)	5 824	-	-	-	-	-	-	-
As at 31 December 2014		**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	30	-	-	-	-	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**

Consolidated statement of changes in equity for the year ended 31 December 2015 *(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 2014		**284 574**	**-**	**(892)**	**(22 195)**	**-**	**(106 370)**	**155 117**	**4 674**	**159 791**
Loss for the period		-	-	-	-	-	(25 264)	**(25 264)**	(90)	**(25 354)**
Other comprehensive income		-	-	323	14 480	-	-	**14 803**	-	**14 803**
Total comprehensive income/ (loss)		**-**	**-**	**323**	**14 480**	**-**	**(25 264)**	**(10 461)**	**(90)**	**(10 551)**
Other reserves	30	-	-	-	-	(14 607)	-	**(14 607)**	-	**(14 607)**
Decrease of nominal value of shares	30	(220 000)	-	-	-	-	220 000	**-**	-	**-**
Reserve of share capital denomination	30	(4 574)	4 574	-	-	-	-	**-**	-	**-**
As at 31 December 2014		**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	30	-	-	-	-	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**

The notes on pages 30 to 74 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 16 March 2016 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 16 March 2016

Consolidated statement of cash flows for the year ended 31 December 2015

	Notes	2015 USD'000	2014 USD'000	2015 EUR'000	2014 EUR'000
Operating activities					
Loss before tax		**(6 929)**	**(30 824)**	**(5 539)**	**(25 093)**
Non-cash adjustment to reconcile loss before tax to net cash flows:					
Depreciation of property, plant and equipment and fleet	20,21	19 743	18 692	17 880	14 133
Amortisation of intangible assets	19	14	25	12	18
Depreciation of investment properties	22	191	18	175	13
Change in value of financial instruments	12	-	(250)	-	(183)
Net profit on disposal of non-financial assets	12,13	(272)	(207)	(241)	(162)
Net profit from disposal of subsidiary	12	(1)	(498)	(1 031)	(391)
Income from settlement of court case in London	12	-	(20 050)	-	(14 607)
Currency translation difference		(1 654)	(2 116)	(1 371)	(2 702)
Finance income	15	(336)	(463)	(305)	(353)
Finance costs	16	8 921	10 523	8 086	7 953
Impairment loss of the fleet	11	2 395	55 247	2 198	42 942
Impairment of asset available-for-sale	13	911	8 344	815	6 126
Impairment of loans receivable	13	3 917	167	3 476	137
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		391	2 614	81	1 636
Decrease in inventories		(786)	1 709	(872)	1 109
Decrease in trade and other payables		2 616	(2 033)	3 523	(386)
Income tax paid		(377)	(123)	(339)	(93)
Net cash flows generated from operating activities		**46 588**	**40 775**	**42 374**	**30 097**
Investing activities					
Proceeds from sale of non-current assets		230	14 786	206	11 129
Purchase of non-current assets		(6 681)	(353)	(6 015)	(266)
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	514	1	403
Placement of deposits with maturity more than three months	28a	(31 400)	(17 650)	(28 649)	(13 280)
Deposits settled at maturity	28a	18 350	1 963	16 737	1 456
Loans received		445	1 565	400	1 275
Interest received		220	237	198	178
Net cash flows (used in)/generated from investing activities		**(5 321)**	**1 062**	**(5 060)**	**895**
Financing activities					
Repayment of borrowings		(40 088)	(41 966)	(36 360)	(31 703)
Interest paid		(6 994)	(8 211)	(6 297)	(6 179)
Prepaid financing expenses		(46)	(269)	(41)	(202)
Net cash flows used in financing activities		**(47 128)**	**(50 446)**	**(42 698)**	**(38 084)**
Net decrease in cash and cash equivalents		**(5 861)**	**(8 609)**	**(5 384)**	**(7 092)**
Cash and cash equivalents at the beginning of the year		**27 925**	**36 568**	**23 001**	**26 797**
Acquired with subsidiary	6	17	-	15	-
Result of currency exchange transactions		(94)	(34)	2 563	3 296
Cash and cash equivalents at the end of the year	29	**21 987**	**27 925**	**20 195**	**23 001**

The notes on pages 30 to 74 are integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Management Board on 16 March 2016 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
Joint Stock Company "Latvian Shipping Company"
Riga, 16 March 2016

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 2015 were authorised for issue in accordance with a resolution of the Management Board on 16 March 2016. The Shareholders of the Group have the right to dispute the accuracy of the consolidated financial statement line items and to postpone the approval of the consolidated financial statements in the shareholders' meeting.

The Auditors of the consolidated financial Statements is 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 derivative financial instruments that have been measured at fair value.

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.

2.1. 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).

2.2. Basis of consolidation

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of 31 December 2015.

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.

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) Investment in associates

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence, but has no control over financial and operational decisions of the associate.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of associates. Where there has been a change recognised in the consolidated other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise impairment losses on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over an associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognised in the consolidated income statement.

Notes to the consolidated financial statements *(continued)*

2.3 Summary of significant accounting policies *(continued)*

c) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

d) 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 31.12.2015 EUR/USD – 1.0887

ECB rate as at 31.12.2014 EUR/USD – 1.2141

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 2015 EUR/USD – 1.1106

Average rate for 2014 EUR/USD – 1.3291

Notes to the consolidated financial statements *(continued)*

2.3 Summary of significant accounting policies *(continued)*

e) 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.

Dividends

Revenue is recognised when the Group's right to receive the dividend payment is established.

Deferred revenue

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

f) 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.

g) 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 71.55% (2014: 73.80%) 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.

h) 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)*

h) 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.

i) 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)*

i) 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.

Notes to the consolidated financial statements *(continued)*

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

i) Financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

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 40.*

j) 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.

Notes to the consolidated financial statements *(continued)*

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

j) Financial liabilities *(continued)*

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.

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.

k) Fleet

The Group's fleet is 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.

Depreciation has been provided on the basis that the carrying value of the vessels, less recognised impairment, less an estimated scrap value of USD 300 per ton (2014: USD 450), is written off on a straight line basis over the remainder of their anticipated useful lives - 25 years from the date of construction. The carrying value of the Group's fleet would be by US $1.4 million higher as at 31 December 2015 had the scrap value estimate not changed.

Notes to the consolidated financial statements *(continued)*

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

k) Fleet *(continued)*

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. Accelerated dry-docking works were performed in 2015 for 13 vessels resulting in increased depreciation charges.

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.

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

l) 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.

m) 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.

Notes to the consolidated financial statements *(continued)*

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

m) Intangible assets *(continued)*

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.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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.

Notes to the consolidated financial statements *(continued)*

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

r) Impairment of non-financial assets *(continued)*

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.

s) 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.

t) 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.

u) 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 consolidated financial statements.

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 2015.

The following guidance with effective date of 1 January 2015 did not have any impact on these consolidated financial statements:

- IFRIC 21 guidance on a levy imposed by government;
- 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 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)**

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Group is not a party to any joint arrangements.

- **IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)**

The Amendments to include the five, narrow-focus improvements to the disclosure requirements contained in the standard.

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.

- **IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets (effective for annual periods beginning on or after 1 January 2016)**

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Group's consolidated financial statements, as the Group does not apply revenue-based methods of amortisation/depreciation.

- **IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture (effective for annual periods beginning on or after 1 January 2016)**

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

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 bearer plants.

- **IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)**

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group does not expect the amendment to have any impact on the consolidated financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

- **Annual Improvements to IFRSs**

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the consolidated financial statements of the Group.

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 over their respective estimated useful lives. Management is required to assess the useful economic lives and residual value of the assets so that depreciation is charged on a systematic basis up 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. Residual 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.

As at 31 December 2015 management have tested sensitivity of the fleet carrying value considering changes in expected useful life increase/decrease by 5 years. The effect of this change in estimate would decrease depreciation expenses by USD 3.4 million/EUR 3.1 million (2014: USD 3.5 million/EUR 2.9 million) or increase depreciation expenses by USD 6.1 million/EUR 5.6 million (2014: USD 6.1 million/EUR 5.0 million).

Value in use of fleet

The value in use amount 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 40*.
Fair value measurement of fleet is disclosed in *Note 20*, which is based on Level 2 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 claims made against the company in 2014 and 2015 by bunker suppliers and other parties (OWB bunker claims) in respect of bunkers delivered to the company'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 each of the claiming parties. Provisions are measured at our best estimate of the expenditure required to settle the obligations at the balance sheet date and are disclosed in the *Note 35*.

Recoverable amount of investment properties

The recoverable amount of investment properties is assessed comparing fair values less costs to sell as of 31 December 2015 to their carrying values. In 2015 and 2014 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*.

Judgements

Hedge accounting

The Group's management considers existing hedge instruments to be effective and the effective portion of cash flow hedges is recognised in other comprehensive income.

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
Amata Shipping Company Limited	Malta	Liquidated in June 2014
Antonio Gramsi Shipping Corporation	Liberia	Dormant
Apollo Holdings Corporation	Cayman Islands	Dormant
Arctic Seal Shipping Company Limited	Cyprus	Dormant
Atlantic Leader Shipping Company Limited	Cyprus	Dormant
Cape Wind Trading Company	Liberia	Dormant
Clipstone Navigation S. A.	Liberia	Dormant
Dawnlight Shipping Company Limited	Cyprus	Dormant
Faroship Navigation Company Limited	Cyprus	Dormant
Gaida Shipping Corporation	Liberia	Dormant
Gevostar Shipping Company Limited	Cyprus	Dormant
Kemeri Navigation Corporation	Liberia	Dormant
Klements Gotvalds Shipping Corporation	Liberia	Dormant
Latalpha Holdings Corporation	Liberia	Intermediate Holding company
Latgale Shipping Company Limited	Malta	Dormant
Latmar Shipping Company Limited	Cyprus	In liquidation
Latstrand Holdings Corporation	Liberia	Intermediate holding company
Lattankers Holdings Corporation	Liberia	Intermediate holding company
Limetree Shipping Company Limited	Malta	Dormant/m.t. Riga (bareboat charterer) sold in June 2014
"LSC Shipmanagement" SIA	Latvia	Ship management services
"NAFTA Invest" SIA	Latvia	Investment company
Subsidiary of "NAFTA Invest" SIA		
"Skonto Nafta" SIA[1]	Latvia	Investment company
Noella Maritime Company Limited	Cyprus	Dormant
Pinewood Shipping Corporation	Liberia	Dormant
Razna Shipping Corporation	Liberia	Dormant
Reeferlat Holdings Corporation	Liberia	Intermediate holding company
Rhodos Shipping Company Limited	Cyprus	Liquidated in March 2014
Riga Maritime LLC	Marshall Islands	Dormant/m.t. Riga sold in June 2014
Sagewood Trading Inc.	Liberia	Investment company
Samburga Shipping Company Limited	Cyprus	Dormant
Saturn Trading Corporation	Liberia	Dormant
Taganroga Shipping Corporation	Liberia	Dormant
Tangent Shipping Company Limited	Cyprus	Dormant
Viktorio Shipping Corporation	Liberia	Dormant
Wilcox Holdings Limited	Liberia	Dormant
Zemgale Shipping Company Limited	Malta	Dormant
Zoja Shipping Company Limited	Cyprus	Dormant
Lattankers Holdings Corporation	Liberia	Intermediate holding company
Dzons Rids Shipping Corporation	Liberia	Dormant
Hose Marti Shipping Corporation	Liberia	Dormant
Imanta Shipping Company Limited	Malta	Dormant
Majori Shipping Company Limited	Malta	Dormant
Pablo Neruda Shipping Company Limited	Cyprus	Liquidated in September 2014
Talava Shipping Company Limited	Malta	Dormant

Notes to the consolidated financial statement *(continued)*

5. Corporate Structure *(continued)*

Name	Country of Incorporation	Activity /Vessels
Reeferlat Holdings Corporation	Liberia	Intermediate holding company
Akademikis Bocvars Shipping Company Limited	Malta	Liquidated in June 2014
Pure Shipping Company Limited	Malta	Liquidated in June 2014
Latstrand Holdings Corporation	Liberia	Intermediate holding company
Latalpha Holdings Corporation	Liberia	Intermediate holding company
Mahoe Shipping Company Limited	Cyprus	In liquidation
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
Santomar Holdings Company Limited	Cyprus	Liquidated in September 2014
"Medical Invest" SIA[2]	Latvia	Established September 2014/ sold in November 2014
"LASCO Investment" SIA	Latvia	Holding company
Subsidiaries of "LASCO Investment" SIA		
"Rīgas līcis" SIA	Latvia	Real estate
"LASCO Nekustamie īpašumi" SIA	Latvia	Holding company/ In reorganisation
Subsidiaries of "LASCO Nekustamie īpašumi" SIA		
"Darījumu centrs Daugava" SIA	Latvia	Real estate
"Lejastiezumi" SIA	Latvia	In reorganisation
"Pārventas sporta centrs" SIA	Latvia	In reorganisation
"Ventspils biznesa centrs" SIA	Latvia	Real estate

[1] In 2015 "Nafta Invest" SIA acquired 28.57% of "Skonto Nafta" SIA shares, therefore the former is the owner of 100% as at 31 December 2015.
[2] "Medical Invest" SIA held 45.45% shares of "Via Una" SIA.

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)**

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, 2015 and 2014 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 26 441 thousand and USD 7 138 thousand (2014: USD 25 825 thousand and USD 9 545 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	
	2015	**2014**	**2015**	**2014**
Time charter out revenue	69 265	66 044	62 043	49 574
Voyage revenue	22 170	24 667	20 174	18 573
Gross revenue from external customers	**91 435**	**90 711**	**82 217**	**68 147**
Voyage costs and commissions	(8 879)	(13 270)	(8 117)	(9 990)
Net voyage result	**82 556**	**77 441**	**74 100**	**58 157**
Vessel operating costs	(30 154)	(31 158)	(27 327)	(23 591)
Vessel operating profit	**52 402**	**46 283**	**46 773**	**34 566**
Income from other services	1 166	577	1 054	443
Cost of sales (Vessel operating costs excluding)	(631)	(292)	(576)	(259)
Administrative expenses	(6 831)	(8 065)	(6 186)	(5 993)
Result from disposal of non-financial assets	5	207	5	162
Depreciation and amortisation	(19 749)	(18 733)	(17 885)	(14 162)
Impairment of non-financial assets	(2 395)	(55 247)	(2 198)	(42 942)
Other operating income	676	1 238	1 648	957
Other operating expenses	(1 020)	-	(932)	-
Result before financial items	**23 623**	**(34 032)**	**21 703**	**(27 228)**
Interest income	333	457	303	348
Interest expense	(8 895)	(10 467)	(8 063)	(7 911)
Finance income, net	812	1 922	762	1 539
Net result before tax	**15 873**	**(42 120)**	**14 705**	**(33 252)**
Segment assets	**388 481**	**397 235**	**356 829**	**327 184**
Including additions to non-current assets	6 643	339	5 981	279
Segment liabilities	**220 612**	**255 524**	**202 637**	**210 464**

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	
	2015	2014	2015	2014
Net result before taxes for reportable segment	15 873	(42 120)	14 705	(33 252)
Income from other services	242	-	221	-
Cost of sales	(176)	-	(162)	-
Administrative expenses	(380)	(158)	(345)	(120)
Result from disposal of non-financial assets	267	-	236	-
Impairment of non-financial assets	(18 826)	-	(16 708)	-
Other operating income	985	20 050	884	14 607
Other operating expenses	(4 835)	(8 511)	(4 297)	(6 263)
Interest income	3	6	2	5
Interest expense	(26)	(56)	(23)	(42)
Finance expenses	(56)	(35)	(52)	(28)
Loss before tax	**(6 929)**	**(30 824)**	**(5 539)**	**(25 093)**

	USD '000		EUR '000	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Segment assets for reportable segment	388 481	397 235	356 829	327 184
Unallocated:				
Investment properties	27 917	4	25 643	4
Other assets of subsidiaries not included in segment	626	4 586	575	3 778
Available-for-sale financial assets	-	19 990	-	16 465
Total assets	**417 024**	**421 815**	**383 047**	**347 431**

	USD '000		EUR '000	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Segment liabilities for reportable segment	220 612	255 524	202 637	210 464
Unallocated:				
Deferred tax liabilities	1 823	-	1 674	-
Loan from related parties	38 702	-	35 549	-
Loan from other companies	300	2 728	276	2 247
Other liabilities of subsidiaries not included in segment	198	106	182	87
Total liabilities	**261 635**	**258 358**	**240 318**	**212 798**

8. Voyage costs and commissions

	USD '000		EUR '000	
	2015	2014	2015	2014
Fuel (Bunkering)	(4 466)	(8 417)	(4 066)	(6 289)
Port expenses	(3 250)	(3 452)	(2 979)	(2 632)
Commissions	(1 164)	(1 382)	(1 073)	(1 057)
Other	1	(19)	1	(12)
Total	**(8 879)**	**(13 270)**	**(8 117)**	**(9 990)**

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	
	2015	2014	2015	2014
Crew expenses (Expenses related to wages see in *Note 14*)	(18 816)	(18 950)	(17 056)	(14 351)
Fleet depreciation (See *Note 20*)	(15 913)	(16 899)	(14 411)	(12 774)
Repairs and spares	(4 475)	(4 415)	(4 054)	(3 348)
Dry-docking depreciation (See *Note 20*)	(3 652)	(1 619)	(3 307)	(1 226)
Equipment maintenance expenses	(2 164)	(2 487)	(1 959)	(1 875)
Luboil	(1 370)	(1 517)	(1 242)	(1 147)
Insurance	(1 268)	(1 444)	(1 148)	(1 102)
Victualling	(1 039)	(1 059)	(941)	(802)
Staff costs (Expenses related to wages see in *Note 14)*	(624)	(288)	(568)	(255)
Depreciation and amortisation of other assets	(200)	(2)	(183)	(2)
Other	(1 189)	(1 289)	(1 081)	(969)
Total	**(50 710)**	**(49 969)**	**(45 950)**	**(37 851)**

10. Administrative expenses

	USD '000		EUR '000	
	2015	2014	2015	2014
Staff costs *(See Note 14)*	(3 970)	(4 525)	(3 608)	(3 360)
Professional fees	(1 958)	(2 461)	(1 762)	(1 816)
Occupancy and repairs	(415)	(514)	(376)	(391)
IT and communication	(195)	(225)	(175)	(169)
Depreciation and amortisation of other assets	(183)	(215)	(166)	(162)
Real estate tax	(71)	(50)	(65)	(37)
Travel and transport	(71)	(81)	(64)	(61)
Mortgages interest insurance	(41)	(59)	(37)	(45)
Advertising and marketing	(12)	(8)	(11)	(6)
Other	(295)	(299)	(267)	(227)
Total	**(7 211)**	**(8 437)**	**(6 531)**	**(6 274)**

11. Impairment of non-financial assets

	USD '000		EUR '000	
	2015	2014	2015	2014
Impairment of fleet *(See Note 20)*	(2 395)	(55 160)	(2 198)	(42 879)
Impairment loss of goodwill arising on acquisition *(See Note 6)*	(18 826)	-	(16 708)	-
Impairment of assets classified as held for sale *(See Note 24)*	-	(87)	-	(63)
Total	**(21 221)**	**(55 247)**	**(18 906)**	**(42 942)**

12. Other operating income

	USD '000		EUR '000	
	2015	2014	2015	2014
Gain on step acquisition of "Skonto Nafta" SIA shares (negative goodwill)	982	-	882	-
Result from sale of investment property	267	552	236	416
Income from liabiliaties written off	132	460	117	361
Result from disposal of other non-financial assets	5	-	5	-
Income received from previously written off receivables	2	-	2	-
Result from sale/liquidation of subsidiaries	1	498	1 031	391
Other income	544	30	500	22
Income from settlement of court case in London (*See Note 30*)	-	20 050	-	14 607
Gain from financial instruments	-	250	-	183
Total	**1 933**	**21 840**	**2 773**	**15 980**

Notes to the consolidated financial statement *(continued)*

13. Other operating expenses

	USD '000		EUR '000	
	2015	2014	2015	2014
Impairment of loans receivable, related to *LASCO Investment (See Note 6)*	(3 917)	(167)	(3 476)	(137)
Provisions for shipping claims (*See Note 35*)	(1 020)	-	(937)	-
Impairment of available-for sale financial asset (See Note 28b)	(911)	(8 344)	(815)	(6 126)
Loss from receivables written off	(6)	-	(1)	-
Other operating expenses	(1)	-	-	-
Result from disposal of fleet (*See Note 20)*	-	(341)	-	(251)
Result from disposal of other non-financial assets	-	(4)	-	(3)
Total	**(5 855)**	**(8 856)**	**(5 229)**	**(6 517)**

14. Employment costs and staff numbers

	USD '000		EUR '000	
	2015	2014	2015	2014
Wages and salaries, included in				
- cost of sales	17 100	16 719	15 508	12 698
- administrative expenses	3 406	3 805	3 096	2 831
Social security costs, included in				
- cost of sales	71	38	64	35
- administrative expenses	530	677	481	497
Other staff costs				
- cost of sales	-	-	-	-
- administrative expenses	34	42	31	32
Total	**21 141**	**21 281**	**19 180**	**16 093**

The number of the Group's employees as at 31 December 2015 was 361 (2014: 356). The number of seamen employed as at the end of the year was 306 (31.12.2014: 301).

15. Finance income

	USD '000		EUR '000	
	2015	2014	2015	2014
Interest income from bank account balances and deposits	333	291	302	223
Interest income from loans issued	3	172	3	130
Currency exchange transactions/difference, net	1 227	2 376	1 133	1 881
Total financial income	**1 563**	**2 839**	**1 438**	**2 234**

Of which: relating to financial instrument categories (according to IAS 39):

	USD '000		EUR '000	
	2015	2014	2015	2014
Loans and receivables	336	463	305	353
Total	**336**	**463**	**305**	**353**

16. Finance costs

	USD '000		EUR '000	
	2015	2014	2015	2014
Interest expense	(8 921)	(10 523)	(8 086)	(7 953)
Bank charges	(471)	(489)	(423)	(370)
Total financial costs	**(9 392)**	**(11 012)**	**(8 509)**	**(8 323)**

Of which: relating to financial instrument categories (according to IAS 39):

	USD '000		EUR '000	
	2015	2014	2015	2014
Financial liabilities measured at amortised cost	(8 921)	(10 523)	(8 086)	(7 953)
Total	**(8 921)**	**(10 523)**	**(8 086)**	**(7 953)**

Notes to the consolidated financial statement *(continued)*

17. Income tax

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	USD '000		EUR '000	
	2015	2014	2015	2014
Current income tax:				
Current income tax charge	(293)	(328)	(264)	(257)
Deferred tax:				
Deferred income tax	3	(4)	3	(4)
Income tax expense reported in the income statement	**(290)**	**(332)**	**(261)**	**(261)**

Reconciliation between tax expense and accounting loss multiplied by the statutory income tax rate for the years ended 31 December 2015 and 2014 is as follows:

	USD '000		EUR '000	
	2015	2014	2015	2014
Accounting loss before income tax	**(6 929)**	**(30 824)**	**(5 539)**	**(25 093)**
At statutory income tax rate of 15%	(1 039)	(4 624)	(831)	(3 764)
Loss from foreign subsidiaries at 0%	1 315	4 884	1 076	3 675
Non-taxable income/ non-deductible expense	14	72	16	350
Income tax expense	**290**	**332**	**261**	**261**

18. Earnings 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.

	2015	2014
Net loss for the year attributable to shareholders, USD'000	(7 091)	(31 304)
Weighted average number of ordinary shares in issue, thousand	200 000	200 000
Basic loss per share (USD)/ diluted loss per share (USD)	**(0.04)**	**(0.16)**
Net loss for the year attributable to shareholders, EUR'000	(5 686)	(25 264)
Weighted average number of ordinary shares in issue, thousand	200 000	200 000
Basic loss per share (EUR)/ diluted loss per share (EUR)	**(0.03)**	**(0.13)**

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 2014	-	-	1 373	1 004	1 373	1 004
Disposals/write off	-	-	(57)	(42)	(57)	(42)
Exchange differences	-	-	(147)	-	(147)	-
At 31 December 2014	**-**	**-**	**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**
Amortisation and impairment						
At 1 January 2014	-	-	1 329	973	1 329	973
Amortisation	-	-	25	18	25	18
Disposals/write off	-	-	(57)	(42)	(57)	(42)
Exchange differences	-	-	(144)	-	(144)	-
At 31 December 2014	**-**	**-**	**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**
Net book value:						
At 31 December 2014	**-**	**-**	**16**	**13**	**16**	**13**

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 2014	642 873	471 083	9 429	6 910	652 302	477 993
Additions	-	-	258	194	258	194
Reclassification	(41 300)	(31 074)	(1 993)	(1 500)	(43 293)	(32 574)
Exchange differences	-	55 479	-	733	-	56 212
At 31 December 2014	**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**
Depreciation and impairment						
At 1 January 2014	219 374	160 752	3 615	2 650	222 989	163 402
Depreciation	16 899	12 774	1 619	1 226	18 518	14 000
Reclassification	(30 235)	(22 749)	(1 162)	(875)	(31 397)	(23 624)
Impairment	55 160	42 879	-	-	55 160	42 879
Exchange differences	-	21 481	-	352	-	21 833
At 31 December 2014	**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**
Net book value:						
At 31 December 2014	**340 375**	**280 351**	**3 622**	**2 984**	**343 997**	**283 335**
At 31 December 2015	**322 067**	**295 827**	**6 424**	**5 901**	**328 491**	**301 728**
Impairment						
At 31 December 2014	**125 747**	**103 572**	-	-	**125 747**	**103 572**
At 31 December 2015	**128 142**	**105 770**	-	-	**128 142**	**105 770**

Reclassification in 2014 represents transfer of the vessels from fleet to assets held for sale. *See Note 24.*

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

Fleet with the net book value of USD 328.5 million (31.12.2014: USD 344.0 million) has been used as security for long term bank loans. *See Note 31.*

In 2014 the Group sold tanker m.t. Riga with deadweight of 68.467 thousand tons resulting in a loss from sale in the amount of USD 341 thousand *(Note 13).*

Total number of vessels as of 31 December 2015 was 16 (31.12.2014: 16). At 31 December 2015 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)*

At each reporting period end date, we review 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 calculate 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 are discounted to their present value using a post-tax (equal to pre-tax considering applicable taxation in country of incorporation of the related subsidiaries that own vessels) 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 make 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 are:

- The product tanker is expected to generate regular income until the 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 (i.e. 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) 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;
- Assumed off-hire two days; assumed days in dry-docking eight days as average;
- 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. In estimating future cash flows, which are discounted to their present value pre-tax discount rate is equal to post tax discount rate as companies owning CGU registered offshore;
- The scrap value applied is US $ 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)*

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 2014	4 112	3 014	2 288	1 677	6 400	4 691
Additions	6	4	75	56	81	60
Disposals/ write off	-	-	(591)	(445)	(591)	(445)
Exchange differences	(454)	-	(208)	-	(662)	-
At 31 December 2014	**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**
Depreciation						
At 1 January 2014	981	719	2 140	1 569	3 121	2 288
Depreciation	102	77	72	56	174	133
Disposals/ write off	-	-	(573)	(433)	(573)	(433)
Exchange differences	(117)	-	(191)	-	(308)	-
At 31 December 2014	**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**
Net book value:						
At 31 December 2014	**2 698**	**2 222**	**116**	**96**	**2 814**	**2 318**
At 31 December 2015	**2 357**	**2 165**	**203**	**187**	**2 560**	**2 352**

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 2015 is USD 2.357 million (31.12.2014: USD 2.698 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 2014	5 408	3 963	5 408	3 963
Disposals	(2 114)	(1 591)	(2 114)	(1 591)
Exchange differences	(415)	-	(415)	-
At 31 December 2014	**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**
Depreciation and impairment				
At 1 January 2014	3 496	2 563	3 496	2 563
Depreciation	18	13	18	13
Disposals	(275)	(208)	(275)	(208)
Exchange differences	(364)	-	(364)	-
At 31 December 2014	**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**
Net book value:				
At 31 December 2014	**4**	**4**	**4**	**4**
At 31 December 2015	**27 917**	**25 643**	**27 917**	**25 643**
Impairment				
At 31 December 2014	**2 875**	**2 368**	**2 875**	**2 368**
At 31 December 2015	**2 578**	**2 368**	**2 578**	**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 2015 is USD 24.945 million. In 2014 one investment property owned by the Parent Company was also pledged as collateral under the loan received from the major shareholder of the Parent Company. The carrying value of that property as at 1 January 2014 was USD 1.907 million. In August 2014 the pledged property was sold.

The accumulated impairment in amount of USD 2.578 million relates to property owned by Parent company.

The carrying value of investment property as of 31 December 2015 and 31 December 2014 is disclosed in *Note 40*. In 2015, no impairment was recognised on investment properties.

At the end of 2015 and 2014 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 34% would bring it to the amount equal to the carrying value as at 31 December 2015.

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

- Rent rates: from USD 3.3 to USD 13.3 per square meter (2014: USD 1.8 per square meter);
- Occupancy: From 42% to 100%, (2014: May – September);
- Capitalisation rate: from 6% to 10% (2014: 11%).

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

- Rental income: USD 242 thousand;
- Direct operating expenses from investment properties that generated income: USD 403 thousand;
- Direct operating expenses from investment properties that did not generate income: USD 17 thousand.

Notes to the consolidated financial statement *(continued)*

23. Investments in associates accounted for using the equity method, comprises:

In January 2015 the investment in the shares (31.12.2014: 23.06%) of "Futbola klubs "Ventspils"" was sold. The investment in the shares of "Futbola klubs "Ventspils"" SIA was fully impaired as at 31 December 2014.

24. Assets classified as held for sale

	Assets classified as held for sale	
	USD'000	EUR'000
Cost		
At 1 January 2014	-	-
Reclassification	11 896	8 950
Disposals	(11 896)	(8 951)
Exchange differences	-	1
At 31 December 2014	-	-
At 31 December 2015	-	-
Depreciation and impairment		
At 1 January 2014	-	-
Impairment	87	63
Disposals	(87)	(65)
Exchange differences	-	2
At 31 December 2014	-	-
At 31 December 2015	-	-
Carrying amount:		
At 31 December 2014	-	-
At 31 December 2015	-	-

In 2014 the Group sold one vessel. The vessel was classified as asset held for sale during 2014 with completed sales transaction in June 2014. *See Note 20.*

25. Inventories

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Luboil, provisions and slopchest	1 662	1 549	1 526	1 275
Fuel (bunkers)	634	-	582	-
Other (at cost)	66	26	61	22
Total	**2 362**	**1 575**	**2 169**	**1 297**

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

Notes to the consolidated financial statement *(continued)*

26. Trade and other receivables

Trade accounts receivable are non-interest bearing and are generally on 30-90 days' terms.

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Non - current assets				
Deferred expenses	14	-	13	-
Total non-current assets	**14**	**-**	**13**	**-**
Current assets				
Trade receivables	1 253	1 377	1 151	1 134
Allowance for doubtful debts	-	*(20)*	-	*(16)*
Due from related parties	179	119	165	98
Other debtors, net	6	6	5	6
Tax receivable	15	2	14	1
Deferred expenses	739	828	679	681
Total current assets	**2 192**	**2 312**	**2 014**	**1 904**
Of which relating to:				
financial assets	*1 438*	*1 482*	*1 321*	*1 222*
non - financial assets	*768*	*830*	*706*	*682*
	2 206	**2 312**	**2 027**	**1 904**

The analysis of credit quality of financial assets 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	Impaired
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
At 31 December 2015	1 438	1 421	7	5	3	2	-
At 31 December 2014	1 502	1 482	-	-	-	-	20

	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	Impaired
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 31 December 2015	1 321	1 305	6	5	3	2	-
At 31 December 2014	1 238	1 222	-	-	-	-	16

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)*

26. Trade and other receivables *(Continued)*

Counterparties

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Group 1	1 421	1 482	1 305	1 222
Group 2	17	-	16	-
	1 438	**1 482**	**1 321**	**1 222**

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 40*). The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. As at 31 December 2015 the Group holds first commercial pledge as a security of trade receivables in the amount of USD 111 thousand (31.12.2014: USD 189 thousand).

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

	USD '000		EUR '000	
	2015	2014	2015	2014
At 1 January	**20**	**104**	**16**	**76**
Write-off	(18)	(80)	(16)	(60)
Currency translation difference	(2)	(4)	-	-
At 31 December	**-**	**20**	**-**	**16**

27. Prepayments

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Prepayments	3 059	3 559	2 809	2 931
Allowances for impaired prepayments	*(2 530)*	*(2 822)*	*(2 324)*	*(2 324)*
Prepayments, net	**529**	**737**	**485**	**607**

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

Notes to the consolidated financial statement *(continued)*

28. Other financial assets

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Other non-current financial assets	**250**	**24 226**	**229**	**19 954**
Loans issued to LASCO Investment Group	-	80 337	-	66 170
Allowance for doubtful debt	-	*(76 351)*	-	*(62 887)*
Available-for-sale financial assets *(see 28b)*	-	19 990	-	16 465
Other*	250	250	229	206
Other current financial assets	**30 710**	**18 209**	**28 208**	**14 998**
Loans issued to other companies	126	610	115	503
Allowance for doubtful debt	*(126)*	*(610)*	*(115)*	*(503)*
Due from related parties**	-	498	-	410
Deposits with maturity more than three months *(see 28a)*	30 708	17 709	28 206	14 586
Other	2	2	2	2
Total other financial assets	**30 960**	**42 435**	**28 437**	**34 952**

Information on "Loans issued to LASCO Investment Group"

In 2010 the Group lost control over the "LASCO Investment" SIA and its subsidiaries. As at 31 December 2014 the amount due from "LASCO Investment" SIA and its subsidiaries of USD 80.81 million represents loans issued with an interest at a margin linked to USD LIBOR with a short term repayment term. The part of the loans in the amount of USD 470 thousand was represented in "Loans issued to Other companies".

The loans due from "LASCO Investment" SIA and its subsidiaries are not past due, however, the loans were impaired due to the decrease of value of assets used as a pledge to respective loans. In 2014 the fair value of the loan issued to "LASCO Investment" SIA and its subsidiaries is disclosed in *Note 40*.

In 2015 the Parent company gained back control over the "LASCO Investment" SIA and its subsidiaries, therefore it is consolidated in 2015 (*See Note 6*). Related loans of USD 80 337 thousand have been eliminated on consolidation. Loss on intercompany loans settlement included in other operating expenses, *Note 13*.

Information on "Loans issued to other companies"

Decrease in "Loans issued to other companies" is due to consolidation of the loan issued to the subsidiary of LASCO Investment in the amount of USD 484 thousand.

* Fair value of the other financial assets is disclosed in *Note 40*.

**The position includes loan issued to related party with no maturity term, therefore it would be ineffective and impracticable to determine its fair value and as a result the loan is not included in *Note 40*. In 2015 the loan was fully repaid.

28 (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	
	2015	2014	2015	2014
At 1 January	**17 709**	**1 971**	**14 586**	**1 444**
Additions	31 400	17 650	28 649	13 280
Deposits settled at maturity	(18 350)	(1 963)	(16 737)	(1 456)
Interest collected	(59)	-	(53)	-
Interest accrued	8	59	8	49
Exchange differences	-	(8)	1 753	1 269
At 31 December	**30 708**	**17 709**	**28 206**	**14 586**

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 40*.

Notes to the consolidated financial statement *(continued)*

28. Other financial assets *(continued)*

28 (b) Available – for – sale financial assets

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Shares in "Latvijas Naftas Tranzits" JSC	-	28 233	-	23 254
Impairment of shares in "Latvijas Naftas Tranzits" JSC	-	*(8 302)*	-	*(6 838)*
Shares in "Ventspils ekspedīcija" SIA	53	59	49	49
Impairment of shares in "Ventspils ekspedīcija" SIA	*(53)*	-	*(49)*	-
Total other current financial assets	**-**	**19 990**	**-**	**16 465**

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 2014 in accordance with available information on financial data of JSC "Latvijas Naftas Tranzits" the Management of the Group made an assessment of the recoverable amount of the investment and compared it to the balance sheet book value of the investment. The Management found that there are indications of value decrease (publically quoted shares value on the NASDAQ Riga of major asset owned by JSC "Latvijas Naftas Tranzits") and accordingly recognised impairment in the amount of USD 8.302 million. As of 31 December 2014 the investment was accounted at cost less any impairment charge recognised as no information on fair value was available, therefore not included in *Note 40*. 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	
	2015	2014	2015	2014
At 1 January	**8 302**	-	**6 838**	-
Recognised impairment of shares in "Latvijas Naftas Tranzits" JSC	858	8 344	766	6 126
Recognised impairment of shares in "Ventspils ekspedīcija" SIA	53	-	49	-
Write-off due to sale	(9 134)	-	(8 152)	-
Currency translation difference	(26)	(42)	548	712
At 31 December	**53**	**8 302**	**49**	**6 838**

In 2014 the Group held shares of "Latvijas Naftas Tranzits" JSC as a collateral on behalf of the major shareholder of the LSC. In 2015 shares of JSC "Latvijas Naftas Tranzits" were sold. For recognized impairment of available for sale financial assets see *Note 13*.

29. Cash and cash equivalents

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Cash at banks and on hand	21 604	27 531	19 843	22 676
Bank deposits with maturity less than 3 months at the date of placement	383	394	352	325
Cash and cash equivalents total	**21 987**	**27 925**	**20 195**	**23 001**

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

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
F1	21 915	27 839	20 129	22 930
Cash on board of vessels	72	86	66	71
Cash and cash equivalents total	**21 987**	**27 925**	**20 195**	**23 001**

Under Fitch's classification F1 indicates the strongest intrinsic capacity for timely payment of financial commitments.

Notes to the consolidated financial statement *(continued)*

29. Cash and cash equivalents *(continued)*

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 40*.

30. 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, which are publicly traded on NASDAQ OMX Nordic Exchange.

As at 31 December 2015 and 2014, the shareholding structure of the Company was as follows:

Shareholders	%	31.12.2015. Amount USD'000	31.12.2015. Amount EUR'000	%	31.12.2014. Amount USD'000	31.12.2014. 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	14.21%	10 855	8 526
Privatisation agency	10.00%	7 639	6 000	10.00%	7 639	6 000
Other shareholders	20.44%	15 615	12 264	25.85%	19 748	15 510
		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.

On 1 January 2014 Latvia joined Euro zone therefore the denomination of the Company's bearer shares was made from LVL to EUR with the nominal value of EUR 1.40. As a result EUR 4.574 million (USD 5.824) reserve recognised and value of the share capital was EUR 280 million (USD 356 million). The reserve can be distributed based on the shareholders' decision. After share capital denomination share capital of the Company consisted of EUR 280 million (USD 356 million).

In addition, the Company decreased its share capital in order to cover the accumulated losses of the Company in the amount of EUR 220 million (USD 280 million). The share capital was accordingly reduced by the accumulated losses in amount of EUR 220 million (USD 280 million); as a result, the decreased share capital of the Company is EUR 60 million (USD 76 million) as at 31 December 2015 and 2014.

Other components of equity

Cash flow hedge reserve

This reserve records the effective portion of the gain or loss on he dging 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 is valid until 31 December 2015, ie options exercisable until that date, and loan note is due by 30 June 2016.

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 35*).

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. Loan presented on the balance sheet at amortised cost of USD 38 676 (EUR 35 525), 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)*

31. Interest bearing loans

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Repayments due within the next twelve months	59 119	27 074	54 302	22 300
Unamortised prepaid financing expenses *	(1 155)	(1 207)	(1 061)	(994)
Net current portion	**57 964**	**25 867**	**53 241**	**21 306**
Non-current portion	132 090	191 209	121 329	157 491
Unamortised prepaid financing expenses *	(443)	(1 560)	(407)	(1 286)
Net non-current portion	**131 647**	**189 649**	**120 922**	**156 205**
Total loans outstanding	191 209	218 283	175 631	179 791
Total unamortised prepaid financing expenses*	(1 598)	(2 767)	(1 468)	(2 280)
Total loans, net of unamortised financing costs	**189 611**	**215 516**	**174 163**	**177 511**

* Prepaid financing expenses are amortised within the loan repayment period.

In 2004, the Group entered into a long term loan agreement for the maximum amount of US $ 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 guarantees require maintaining specific financial ratios and meeting specific financial covenants, which are complied with as at 31 December 2015 and 31 December 2014.

In 2011, the Group entered into a long term loan agreement for the maximum amount of US $ 48.6 million to finance the construction of 2 newbuildings, forming the Arctic Holding fleet. 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.

There are no undrawn loan balances as at the end of 2015 and 2014.

The loans are denominated in US dollars.

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

Year	USD million	EUR million
2016	59.1	54.3
2017	132.1	121.3
Total	**191.2**	**175.6**

The USD 48.6 million facility is hedged through interest rate swaps. *See Note 32*.

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	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Borrowings bearing fixed interest rate (considering effect of SWAP agreements)	35 125	38 205	32 263	31 468
Borrowings bearing variable interest rate repriced in 3 months	156 084	180 078	143 368	148 323
Total	**191 209**	**218 283**	**175 631**	**179 791**

The weighted average effective interest rate in 2015 was 3.62% (2014: 3.65%). See *Note 41*.

Interest is calculated based on USD LIBOR plus margin.

Notes to the consolidated financial statement *(continued)*

32. 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%
Interest rate swap	05.01.2010.	11.08.2014.	19 255	2.8500%

Two existing interest rate swaps are used to hedge the Group's cash flow risk from fluctuation of the LIBOR rates.

However also bareboat charter rate fluctuation was hedged in case of interest rate swap agreement acquired in 2013 as a result of purchase of Riga Maritime LLC, which ended in 2014.

As at 31 December 2015 the negative fair value of the swaps of USD 281 thousand/EUR 258 thousand (31.12.2014.: USD 764 thousand/EUR 629 thousand) was recognised as derivative financial instruments within current liabilities including accrued interest in the amount of USD 63 thousand/EUR 58 thousand (31.12.2014: USD 73 thousand/EUR 60 thousand).

Fair valuation result of USD 218 thousand/EUR 201 thousand (31.12.2014: USD 691 thousand/EUR 569 thousand) was recognised in equity within Cash flow hedge reserve (change during the period is USD 473 thousand/EUR 368 thousand (2014: USD 527 thousand/ EUR 323 thousand).

Gains and losses recognised in the hedge reserve in equity on interest rate swap contracts as of 31 December 2015 will be continuously released to consolidated statement of comprehensive income within net movement of cash flow hedges until the forecast transaction affects consolidated income statement.

The weighted average interest rate for the fixed legs of the swap agreements in 2015 was 1.64% (2014: 2.28%).

Notes to the consolidated financial statement *(continued)*

33. Deferred tax liabilities

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

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	-	-	-	-
- Deferred tax liabilities to be settled within 12 months	1 918	109	1 762	90
Deferred tax liabilities	**1 918**	**109**	**1 762**	**90**

	31.12.2015.		
	USD '000	EUR '000	Expiry date
Tax loss for 2008 - 2015	15 302	14 055	Unlimited

The Group has a total tax loss of USD 15 302 thousand as at 31 December 2015 (31.12.2014: USD 1 092 thousand) available for the offset against future taxable profits of the Group companies in which the losses arose.

From that amount USD 14 678 thousand relates to tax loss acquired by regaining back control over "LASCO Investment" SIA and its subsidiaries.

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	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Temporary difference on depreciation of tangible and intangible assets	2 497	125	2 294	103
Gross deferred tax liabilities	2 497	125	2 294	103
Provisions and impairment of investment property	(1 490)	(25)	(1 368)	(20)
Tax loss	(2 294)	(164)	(2 107)	(135)
Gross deferred tax assets	(3 784)	(189)	(3 475)	(155)
Unrecognised deferred tax asset	3 205	173	2 944	142
Net deferred tax liability	**1 918**	**109**	**1 763**	**90**

The Group did not recognise deferred tax asset as at 31 December 2015 and as at 31 December 2014 due to uncertainty of its recoverability.

Gross movement on the deferred tax account is as follows:

	USD '000		EUR '000	
	2015	2014	2015	2014
At 1 January	**109**	**118**	**90**	**86**
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	(14)	2	(1)	2
Other temporary differences	10	2	(4)	2
Tax losses	70	276	46	207
Unrecognised change in deferred tax asset	(69)	(275)	(43)	(207)
Foreign exchange rate differences	(75)	(14)	-	-
At 31 December	**1 918**	**109**	**1 763**	**90**

Notes to the consolidated financial statement *(continued)*

34. Deferred revenue

	USD '000		EUR '000	
	2015	2014	2015	2 014
At 1 January	**2 696**	**1 727**	**2 221**	**1 265**
Deferred during the year	3 592	2 696	3 234	2 028
Released to the consolidated income statement	(2 696)	(1 727)	(2 427)	(1 299)
Currency exchange differences	-	-	271	227
At 31 December	**3 592**	**2 696**	**3 299**	**2 221**

35. Trade and other payables

	USD '000		EUR '000	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
Non-current liabilities				
Due to related parties	57 508	29 660	52 822	24 430
Trade payables	6	1	5	1
Total non-current liabilities	**57 514**	**29 661**	**52 827**	**24 431**
Current liabilities				
Accrued expenses	2 465	2 607	2 264	2 147
Trade payables	1 730	1 519	1 590	1 251
Provisions	1 020	-	937	-
Loans from other companies	300	2 728	276	2 247
Due to related parties	22	31	20	26
Other payables	3 182	2 727	2 922	2 245
Total current liabilities	**8 719**	**9 612**	**8 009**	**7 916**
Of which relating to:				
financial liabilities	*63 758*	*37 687*	*58 563*	*31 040*
non - financial liabilities	*2 475*	*1 586*	*2 273*	*1 307*
	66 233	**39 273**	**60 836**	**32 347**

As at 31 December 2015 "Loans from other companies" represent the following:

- Loan in the amount of USD 2 428 thousand/EUR 2 230 thousand as at 31 December 2014 with interest linked to margin. In 2015 the loan was fully repaid.

- Non-interest bearing loan in the amount of USD 300 thousand/EUR 276 thousand (31.12.2014: USD 300 thousand/EUR 247 thousand).

As at 31 December 2015 "Provisions" represent the following:

- Provision is made and represented on the balance sheet in respect of pending claims against the company by bunker suppliers and other parties (OWB bunker claims - delivery at Santos in October 2014). The provision is made in recognition of the fact that claims have been brought against the Group by various interested parties in 2014 and 2015 and that the Group's liability to each of the claiming parties is probable under applicable laws.

Terms and conditions on the above financial liabilities:

- Due to related parties:
  - in the amount of USD 48 thousand/ EUR 43 thousand (31.12.2014.: USD 31 thousand/EUR 26 thousand) are non-interest bearing and have an average terms of repayment within one month, *see also Note 38;*
  - loan advanced from the Group's major shareholder in the amount of USD 18 806 thousand/EUR 17 274 thousand (31.12.2014.: USD 29 660 thousand/ EUR 24 430 thousand), which bears variable interest rate with maturity in 2017, *see also Note 38;*
  - and amounts due to the Group's major shareholder in the amount of USD 38 676 thousand (EUR: 35 525 thousand) by LASCO Investment, which is measured at amortised cost with maturity in 2020; *see also Note 30 and 38.*

- 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 40.*

Notes to the consolidated financial statement *(continued)*

36. 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.

37. Commitments

a) Capital commitments

No capital commitments entered into as at 31 December 2015 (31.12.2014: 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 5 year period ending in 2016.

38. Related party transactions

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

	USD '000		EUR '000	
	2015	2014	2015	2014
Salary and bonuses	140	168	126	126
Social insurance	19	28	17	21
Outsourcing fees	171	103	154	77
Total	**330**	**299**	**297**	**224**

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 8 to 13 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)*

38. 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 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)**

Notes to the consolidated financial statement *(continued)*

38. 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 2014 and as at 31 December:

	2014		31.12.2014.	
	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	30 088	-	11	(61)
Technical management fee and IT services/Outstanding balances	339	-	4	-
Interest income/(expenses)/Outstanding balances	6	(1 052)	498	(29 660)
Real estate rent/Outstanding balances	163	-	102	-
Consulting services/Outstanding balances	-	(117)	-	(31)
Other services/Outstanding balances	39	-	2	-
Total	**30 635**	**(1 169)**	**617**	**(29 752)**
Including:				
Non-current trade and other payables			-	(29 660)
Current trade and other receivables/ trade and other payables			617	(31)
Deferred income			-	(61)
Total			**617**	**(29 752)**

	2014		31.12.2014.	
	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	22 638	-	9	(50)
Technical management fee and IT services/Outstanding balances	256	-	3	-
Interest income/(expenses)/Outstanding balances	5	(799)	410	(24 430)
Real estate rent /Outstanding balances	122	-	84	-
Consulting services/Outstanding balances	-	(87)	-	(26)
Other services/Outstanding balances	29	-	2	-
Total	**23 050**	**(886)**	**508**	**(24 506)**
Including:				
Non-current trade and other payables			-	(24 430)
Current trade and other receivables/ trade and other payables			508	(26)
Deferred income			-	(50)
Total			**508**	**(24 506)**

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)*

39. Fees paid to external auditors

	USD '000		EUR '000	
	2015	2014	2015	2014
Audit of the financial statements	106	121	95	91
Total	**106**	**121**	**95**	**91**

40. 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	
	31.12.2015. Carrying amount	31.12.2015. Fair value	31.12.2014. Carrying amount	31.12.2014. Fair value
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	27 917	28 554	4	4
Trade and other receivables	1 438	1 438	1 482	1 482
Other financial assets	30 960	30 960	21 947	21 947
Cash and cash equivalents	21 987	21 987	27 925	27 925
Total assets	**82 302**	**82 939**	**51 358**	**51 358**
Liabilities at fair value				
Derivative financial instruments	281	281	764	764
Liabilities at amortized cost				
Interest bearing loans	189 611	189 611	215 516	215 516
Trade and other payables	63 758	63 975	37 687	37 687
Total liabilities	**253 650**	**253 867**	**253 967**	**253 967**

	EUR '000		EUR '000	
	31.12.2015. Carrying amount	31.12.2015. Fair value	31.12.2014. Carrying amount	31.12.2014. Fair value
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	25 643	26 228	4	4
Trade and other receivables	1 321	1 321	1 222	1 222
Other financial assets	28 437	28 437	18 077	18 077
Cash and cash equivalents	20 195	20 195	23 001	23 001
Total assets	**75 596**	**76 181**	**42 304**	**42 304**
Liabilities at fair value				
Derivative financial instruments	258	258	629	629
Liabilities at amortized cost				
Interest bearing loans	174 163	174 163	177 511	177 511
Trade and other payables	58 563	58 762	31 040	31 040
Total liabilities	**232 984**	**233 183**	**209 180**	**209 180**

Notes to the consolidated financial statement *(continued)*

40. 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.

In 2014 the fair value of "LASCO Investment" SIA and its subsidiaries debt is assessed based on the fair values of properties pledged as security for the loans issued (*See Note 22*).

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):

	31.12.2015.			
	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**

Notes to the consolidated financial statement *(continued)*

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

	31.12.2014.			
	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	-	-	4	4
Trade and other receivables	-	-	1 482	1 482
Other financial assets	17 709	-	4 238	21 947
Cash and cash equivalents	27 925	-	-	27 925
Total assets	**45 634**	**-**	**5 724**	**51 358**
Liabilities at fair value				
Derivative financial instruments	-	764	-	764
Liabilities at amortized cost				
Interest bearing loans	-	-	215 516	215 516
Trade and other payables	-	-	37 687	37 687
Total liabilities	**-**	**764**	**253 203**	**253 967**

	31.12.2014.			
	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	-	-	4	4
Trade and other receivables	-	-	1 222	1 222
Other financial assets	14 586	-	3 491	18 077
Cash and cash equivalents	23 001	-	-	23 001
Total assets	**37 587**	**-**	**4 717**	**42 304**
Liabilities at fair value				
Derivative financial instruments	-	629	-	629
Liabilities at amortized cost				
Interest bearing loans	-	-	177 511	177 511
Trade and other payables	-	-	31 040	31 040
Total liabilities	**-**	**629**	**208 551**	**209 180**

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)*

40. 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 8% of total trade accounts receivable as of 31 December 2015 (31.12.2014.: 47%). 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 26, 28 and 29* 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 (31.12.2014.: USD 38 million), approximately 18% (2014: 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.

	2015		2014	
	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	0.30%	(575)	0.10%	(214)
	-0.10%	192	-0.10%	214
EUR - LIBOR	0.30%	(9)	0.10%	(15)
	-0.10%	8	-0.10%	15

	2015		2014	
	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	0.30%	(528)	0.10%	(161)
	-0.10%	176	-0.10%	161
EUR - LIBOR	0.30%	(8)	0.10%	(11)
	-0.10%	8	-0.10%	11

Notes to the consolidated financial statement *(continued)*

40. 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 2015	On demand	< 3 months	3 to 12 months	1 to 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**

As at 31 December 2014	On demand	< 3 months	3 to 12 months	1 to 5 years	Total
Bank loans	-	8 554	25 457	199 134	233 145
Trade and other payables	3 002	6 788	-	32 743	42 533
Total	**3 002**	**15 342**	**25 457**	**231 877**	**275 678**

EUR '000

As at 31 December 2015	On demand	< 3 months	3 to 12 months	1 to 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**

As at 31 December 2014	On demand	< 3 months	3 to 12 months	1 to 5 years	Total
Bank loans	-	7 046	20 968	164 018	192 032
Trade and other payables	2 473	5 590	-	26 969	35 032
Total	**2 473**	**12 636**	**20 968**	**190 987**	**227 064**

The carrying value of Bank loans as at 31 December 2015 represent USD 191 209 thousand/ EUR 175 631 thousand (31.12.2014: USD 218 283 thousand/ EUR 179 791 thousand). *See Note 31.*

The carrying value of Trade and other payables as at 31 December 2015 represent USD 63 758 thousand/ EUR 58 563 thousand (31.12.2014: USD 37 687 thousand/ EUR 31 040 thousand). *See Note 35.*

The Group's net working capital position is in deficit, for further details on cash flow management please refer to *Note 43*.

Notes to the consolidated financial statement *(continued)*

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

Liquidity and cash management risk (continued)

The table below summarises the maturity profile of the Group's derivatives at 31 December 2015 and 2014 based on contractual undiscounted payments settled on net basis:

USD '000

As at 31 December 2015	**On demand**	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Outgoing undiscounted payments	-	(170)	(247)	-	(417)
Incoming undiscounted payments	-	40	78	-	118
Net undiscounted cash flow	**-**	**(130)**	**(169)**	**-**	**(299)**

As at 31 December 2014	**On demand**	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Outgoing undiscounted payments	-	(185)	(530)	(417)	(1 132)
Incoming undiscounted payments	-	23	116	227	366
Net undiscounted cash flow	**-**	**(162)**	**(414)**	**(190)**	**(766)**

EUR '000

As at 31 December 2015	**On demand**	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Outgoing undiscounted payments	-	(156)	(227)	-	(383)
Incoming undiscounted payments	-	37	72	-	109
Net undiscounted cash flow	**-**	**(119)**	**(155)**	**-**	**(274)**

As at 31 December 2014	**On demand**	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Outgoing undiscounted payments	-	(152)	(437)	(343)	(932)
Incoming undiscounted payments	-	19	96	187	302
Net undiscounted cash flow	**-**	**(133)**	**(341)**	**(156)**	**(630)**

41. 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.

42. Legal cases

The Group is involved in several court cases as defendant, mainly in Latvia and England. 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.

43. Going Concern

As at 31 December 2015, the Group's current liabilities exceeded its current assets by USD 12 776 thousand (EUR 11 736 thousand). The deficit is caused mainly by the balloon payments under USD 48.6 million loan agreement. The balloon payments totalling USD 33.2 million become due and payable in June/July 2016. The loans has been advanced to single vessel companies, 100% subsidiaries of Arctic Holding Corporation. LSC as ultimate parent company, has issued a confirmation on readiness to provide the required funds in the form of intercompany loans to the respective single vessel companies. The management of the Parent Company plans to ensure the funds in the form of intercompany loans to the respective single vessel companies through raising the equity capital in an Initial Public Offering (IPO). LSC is looking to double the share capital and raise equity of EUR 80 million (the weighted average price of LSC share over the past six months on stock exchange is EUR 0.40). The IPO process is planned to be carried out in the first half of 2016. The LSC Management Board believes a share capital raising would achieve the refinancing goal and place the company in a stronger position. In addition, the option of refinancing the existing loan facilities is open to the management. As of the date of signing these consolidated financial statements, the existing lenders have informally indicated their willingness to refinance the facility advanced to Arctic Holding Corporation and falling due in 2016 should the Company choose this option.

44. Subsequent events

In March 2016 the loan from OÜ "Fondo H Estonia" note was repaid to LSC Group in the amount of USD 17 million (equivalent in EUR 14 million), disclosure in relation to other reserves in *Note 30*. As a result, part of the Group's loan from the major shareholder in the amount of 16 million USD (EUR equivalent – 16 million) was settled, see *Note 35*. 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.