

**Rīgas kuģu būvētava AS**

*2014 Annual Report  
prepared in accordance with  
requirements of Latvian statutory requirements,  
and Independent Auditors' Report \**

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

# **RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT**

## **CONTENT**

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|                                                 | <b>PAGE</b>  |
|-------------------------------------------------|--------------|
| <b>GENERAL INFORMATION</b>                      | <b>3</b>     |
| <b>MANAGEMENT REPORT</b>                        | <b>4-5</b>   |
| <b>STATEMENT OF MANAGEMENT RESPONSIBILITIES</b> | <b>6</b>     |
| <b>INDEPENDENT AUDITORS' REPORT</b>             | <b>7-8</b>   |
| <b>FINANCIAL STATEMENTS:</b>                    |              |
| <b>INCOME STATEMENT</b>                         | <b>9</b>     |
| <b>BALANCE SHEET</b>                            | <b>10-11</b> |
| <b>CASH FLOW STATEMENT</b>                      | <b>12</b>    |
| <b>STATEMENT OF CHANGES IN EQUITY</b>           | <b>13</b>    |
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>        | <b>14-35</b> |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## GENERAL INFORMATION

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of the company                      | Rīgas kuģu būvētava AS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Legal status of the company              | Joint stock company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Number, place and date of registration   | 000304589, 5 December 1991, Companies register, Riga<br>40003045892, 26 August 2004, Commercial register, Riga                                                                                                                                                                                                                                                                                                                                                                                                         |
| Address                                  | Gales street 2, Riga, LV-1015, Latvia                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Share capital of the Company             | 16 607 912 EUR                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Associates                               | Tosmares kuģubūvētava AS (49.72%)<br>Reg.No. 42103022837<br>Generāla Baloza Street 42/44, Liepaja, Latvia<br>Remars Granula SIA (49.80%)<br>Reg.Nr. 54103022521<br>Gales street 2, Riga, LV-1015, Latvia                                                                                                                                                                                                                                                                                                               |
| Type of operations                       | Building and repair of ships, yachts, catamarans, roll trailers and technological equipment;<br>Port services;<br>wood processing, manufacturing of furniture designed for various functional purposes etc.                                                                                                                                                                                                                                                                                                            |
| NACE code                                | 3011, 3315                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Names and positions of the Board members | Jānis Skvarnovičs Chairman of the Board (from 25.04.2014)<br>Vladislavs Blums Member of the Board<br>Einārs Buks Member of the Board<br>Jekaterina Ivanova Member of the Board (from 25.04.2014)<br>Rolands Klincis Member of the Boards<br>(from 25.04.2014 till 15.08.2014)<br>Vasiļijs Melņiks Chairman of the Board (till 23.04.2014.)<br>Larisa Artemenko Member of the Board (till 25.04.2014.)                                                                                                                  |
| Names and positions of the Council       | Vasiļijs Melņiks Chairman of the Council (from 25.04.2014)<br>Aleksandrs Cerņavskis Deputy Chairman of the Council<br>(from 25.04.2014)<br>Linards Baumanis Member of the Council (from 25.04.2014)<br>Valentīna Andrejeva Member of the Council (from 25.04.2014)<br>Andrejs Zeibots Gaidis Member of the Council<br>Jekaterina Ivanova Member of the Council (till 23.04.2014)<br>Sergejs Golīcins Member of the Council (till 25.04.2014)<br>Anatolijs Ustinovs Deputy Chairman of the Council<br>(till 25.04.2014) |
| Financial year                           | 1 January 2014 - 31 December 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Previous financial year                  | 1 January 2013 - 31 December 2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Auditor's name and address               | Deloitte Audits Latvija SIA<br>LZRA licence No. 43<br>4a Gredu street, Riga, LV-1019, Latvia<br>Reg.N.40003606960<br><br>Kitija Kepite<br>Sworn Auditor<br>Certificate No. 182                                                                                                                                                                                                                                                                                                                                         |

## RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### MANAGEMENT REPORT

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#### Company's activities

In 2014 Rīgas kuģu būvētava AS (the Company) performed totally 51 ship repair works (compared to 2013 - 60 ships), built and launched 4 ship hulls and last of the totally five SWATH type patrol ships for the needs of the Ministry of Defence of the Republic of Latvia - ship "REZEKNE"; also there was executed the modernisation of the naval vessel of Finland in order to enlarge the hull of the ship. In comparison, during 2013, 4 hulls of ships were built as well as 4 complete ships were built and delivered to the customers.

In 2014, the suppliers of raw materials and services for Rīgas kuģu būvētava AS did not change substantially and mainly cooperation partners were from Western Europe, Estonia, Lithuania and Latvia. Company's clients in ship repair services and ship hulls construction mainly were from the Scandinavian countries, also shipowners from Western Europe and Latvia; and SWATH type patrol ship was ordered from Latvia.

As of the date of approval of these financial statements the Company's business successfully continues and agreements for industrial orders of ship repair and service are concluded. These orders allow to use the work force more efficiently and to gain additional revenue.

#### Development and financial results of the Company in 2014

In the year 2014 net turnover of Rīgas kuģu būvētava AS reached 17 659 180 EUR, out of which the shipbuilding amounted 7 710 590 EUR, ship repair 9 640 988 EUR, (compared with 2013 when turnover amounted to 53 730 879 EUR, accordingly shipbuilding 37 645 042 EUR and ship repair 15 214 037 EUR).

The Company finished the financial year with gross loss of 166 327 EUR (in 2013 the gross losses were 1 127 211 EUR), and the net loss in 2014 was 1 068 333 EUR, (2013 - net loss was 1 926 775 EUR).

In the year 2014 Rīgas kuģu būvētava AS performed investments in the fixed assets and reconstruction works for the total amount of 2.9 millions EUR (in the year 2013 the Company invested 1.71 million EUR). Rīgas kuģu būvētava AS also continues to perform the thorough overhaul of production buildings, floating docks, portal cranes, tugs and other fixed assets.

Rīgas kuģu būvētava AS operates and fulfills production procedures in accordance with the international quality control standards - EN ISO 9001: 2008. The quality certificate was received already in the year 2001 and the quality ensuring system is constantly improved.

#### Events for the Development of the Company

In April 2014 Rīgas kuģu būvētava AS completed the Cohesion Fund's co-financing project, which was started in the year 2013 - The Reconstruction of Heating System of Rīgas kuģu būvētava AS. During the project there were reconstructed and put into operation the heat traces in the length of 2 440 meters, and also building / reconstruction of 28 automatized heating units. The total project costs were 1 058 352 EUR, and from that the co-financing from the European Union was 423 341 EUR. Similarly, in June 2014 there was concluded another public co - financed EU project - Energy efficiency measures realisation in production workshops, that is financially supported by the Climate changes financial instrument.

#### Future Development of the Company

Estimating the current market situation and the Company's potentials, the management will continue to work in order to increase the volume of ship repair and construction works. In order to ensure the above mentioned, the Company plans to buy the additional equipment for ships washing and cleaning, that will allow to increase the handling rate of ships in docks, total planned investments amounts to 75 000 EUR. As of the date of approving these financial statements significant part of equipment is delivered already, including portal sheet plasma cutting machine ESA, sheet gas cutting machine SILHOUETTE, milling machine FSS 350r-03, milling machine FU450RAp 65.00.000, bridge crane 2ck002971 and another equipment.

#### The Circumstances and Events after the end of the reported year

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

## RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### MANAGEMENT REPORT

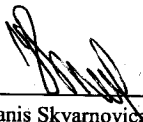
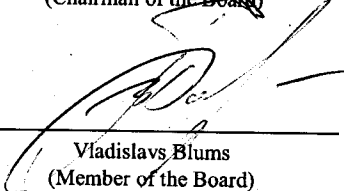
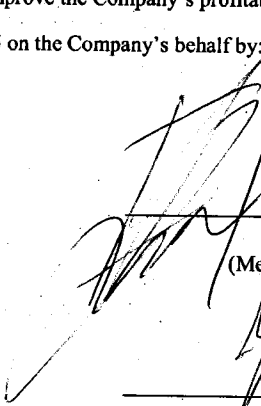
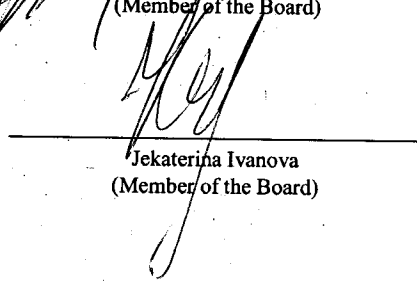
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#### Recommendation for covering of the losses

The Company plans to cover losses of the reporting year from the undistributed profit of the previous years.

The Company is going to pay attention to environment contamination reduction, to invest in modernisation of the company production facilities, also in modernisation of processes, by promoting the competitive advantages of the company in its market sector. These activities will improve the Company's profitability in the following years.

The management report was signed on 10 April 2015 on the Company's behalf by:

  
\_\_\_\_\_  
Janis Skvarnovics  
(Chairman of the Board)  
\_\_\_\_\_  
Vladislavs Blums  
(Member of the Board)  
\_\_\_\_\_  
Einars Buks  
(Member of the Board)  
\_\_\_\_\_  
Jekaterina Ivanova  
(Member of the Board)

## RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### STATEMENT OF MANAGEMENT RESPONSIBILITIES

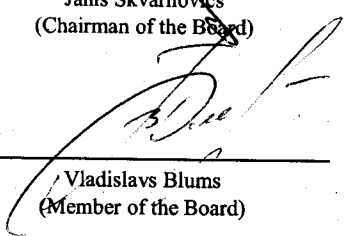
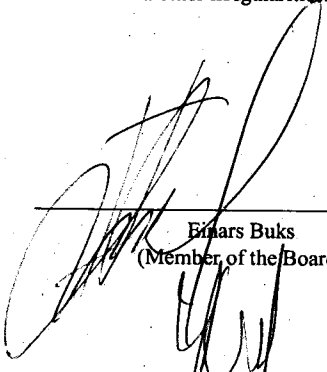
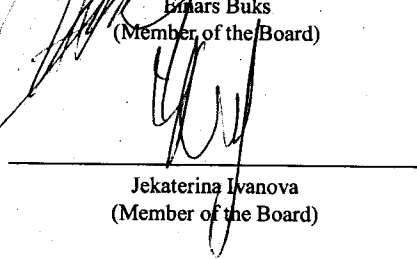
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The management of Rīgas kuģu būvētava AS (the Company) is responsible for preparation of the financial statements.

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of 31 December 2014 and the results of its operations and cash flows for the year then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements as presented on pages 9 to 35. The management also confirms that the requirements of the legislation of the Republic of Latvia have been complied with and that the financial statements have been prepared on a going concern basis.

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

On behalf of the management:

  
\_\_\_\_\_  
Janis Skvarnovics  
(Chairman of the Board)  
\_\_\_\_\_  
Vladislavs Blums  
(Member of the Board)  
\_\_\_\_\_  
Einars Buks  
(Member of the Board)  
\_\_\_\_\_  
Jekaterina Ivanova  
(Member of the Board)

## Translation from Latvian

### INDEPENDENT AUDITORS' REPORT

To the shareholders of Rīgas kuģu būvētava AS:

#### Report on the financial statements

We have audited the financial statements of Rīgas kuģu būvētava AS (the Company) for the year ended 31 December 2014, set out on pages 9 to 35 of the accompanying annual report, which comprise the balance sheet as of 31 December 2014, and the statement of profit and loss, statement of changes in equity and statement of cash flows for the year ended 31 December 2014, and a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the financial statements

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

#### Auditors' responsibility

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

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

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

#### Basis for Qualified Opinion

- 1) As disclosed in Note 15 to these financial statements, the Company's balance sheet as of 31 December 2014 includes non-current investments in associates in the total amount of EUR 4.8 million. As disclosed in Note 22 to these financial statements, the Company's balance sheet also includes receivables from associates in the amount of EUR 1.3 million. During the audit, we were unable to obtain sufficient and appropriate audit evidence to assess the recoverable value of these assets and to determine whether any impairment adjustments are necessary. Consequently, we do not express opinion on Rīgas kuģu būvētava AS non-current investments in associates and receivables from associates as of 31 December 2014.

- 2) As disclosed in Note 17 to these financial statements, the Company's balance sheet as of 31 December 2014 includes inventories with total carrying value of EUR 2.5 million. In accordance with the Article 32 of the Law of the Republic of Latvia On Annual Reports, inventories have to be stated at the lower of cost and net realizable value. During the audit, we were unable to obtain sufficient and appropriate audit evidence to assess the recoverable value of the inventories. Consequently, we do not express opinion on Rīgas kugu būvētava AS inventories balance as of 31 December 2014.

Qualified Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements referred to above give a true and fair view of the financial position of Rīgas kugu būvētava AS as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia "On Annual Reports".

Emphasis of matter

We draw attention to Note 45 to these financial statements. As of 31 December 2014, the Company's current liabilities exceed its current assets by EUR 0.9 million. The Company's net result for 2014 is a loss in the amount of EUR 1.1 million (net result for 2013 – a loss in the amount of EUR 1.9 million), while total carrying value of fixed assets included in the Company's balance sheet as of 31 December 2014 is EUR 29.4 million. Accordingly, the Company's ability to continue as a going concern and recoverability of its fixed assets depends on management's ability to ensure profitable operations of the Company and ability to settle current liabilities. These financial statements are prepared on a going concern basis and do not contain any adjustments that might be necessary if going concern assumption would not be applicable. Our opinion is not qualified in respect of this matter.

Other matter

The financial statements for the year ended 31 December 2013 were audited by other auditors whose opinion dated 10 April 2014 was modified in respect of non-current investments in associate and receivables.

**Report on Other Legal and Regulatory Requirements**

We have read the management report for 2014, set out on pages 4 - 5 of the accompanying annual report for 2014, and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2014.

SIA "Deloitte Audits Latvia"  
Licence nr. 43

Roberts Stugis  
Member of the Board

Riga, Latvia  
10 April 2015

  
Kitija Kepite  
Certified auditor of Latvia  
Certificate No. 182



# RĪGAS KUČU BŪVĒTAVA AS 2014 ANNUAL REPORT

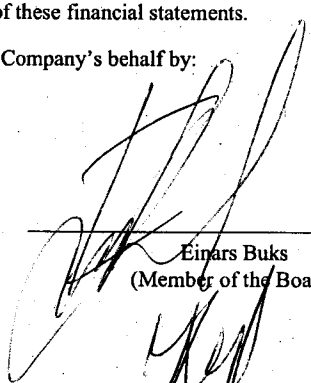
## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

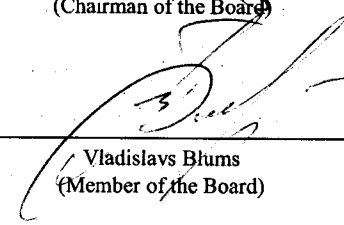
|                               | Notes | 2014<br>EUR        | 2013<br>EUR        |
|-------------------------------|-------|--------------------|--------------------|
| Net sales                     | 3     | 17 659 180         | 53 730 879         |
| Cost of sales                 | 4     | (17 825 507)       | (54 858 090)       |
| <b>Gross loss</b>             |       | <b>(166 327)</b>   | <b>(1 127 211)</b> |
| Distribution expenses         | 5     | (11 435)           | (57 410)           |
| Administrative expenses       | 6     | (1 001 450)        | (1 137 954)        |
| Other operating income        | 7     | 1 891 855          | 2 061 208          |
| Other operating expenses      | 8     | (1 526 612)        | (1 183 373)        |
| Interest and similar income   | 9     | 56 419             | 17 205             |
| Interest and similar expenses | 10    | (421 662)          | (419 083)          |
| <b>Loss before taxes</b>      |       | <b>(1 179 212)</b> | <b>(1 846 618)</b> |
| Corporate income tax          | 11    | -                  | -                  |
| Deferred income tax           | 11(a) | 244 110            | 53 075             |
| Other taxes                   | 12    | (133 231)          | (133 232)          |
| <b>Net loss for the year</b>  |       | <b>(1 068 333)</b> | <b>(1 926 775)</b> |
| Loss per share                |       | (0,06)             | (0,17)             |

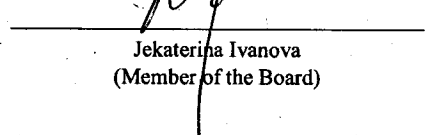
The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

These financial statements were signed on 10 April 2015 on the Company's behalf by:

  
Janis Skvarnovics  
(Chairman of the Board)

  
Einars Buks  
(Member of the Board)

  
Vladislavs Blums  
(Member of the Board)

  
Jekaterina Ivanova  
(Member of the Board)

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## BALANCE SHEET AS OF 31 DECEMBER 2014

| ASSETS                                         | Notes  | 31.12.2014<br>EUR | 31.12.2013<br>EUR |
|------------------------------------------------|--------|-------------------|-------------------|
| <b>Non-current assets</b>                      |        |                   |                   |
| Intangible assets                              | 13     | 95 557            | 143 633           |
| <b>Fixed assets</b>                            |        |                   |                   |
| Land and buildings                             |        | 8 241 782         | 6 631 527         |
| Leasehold improvements                         |        | 3 358             | 9 951             |
| Equipment and machinery                        |        | 4 535 036         | 3 476 857         |
| Floating docks                                 |        | 16 082 747        | 16 227 064        |
| Other fixed assets                             |        | 205 530           | 248 849           |
| Fixed assets under construction                |        | 329 054           | 1 322 056         |
| Advances for fixed assets                      |        | 7 114             | 42 387            |
| <b>Total fixed assets</b>                      | 14     | <b>29 404 621</b> | <b>27 958 691</b> |
| Investment property                            | 14 (a) | 524 024           | 554 470           |
| <b>Non-current financial investments</b>       |        |                   |                   |
| Investments in associates                      | 15     | 4 830 590         | 4 830 590         |
| Securities                                     |        | 235               | 235               |
| Loans and non-current receivables              | 16     | 1 218 022         | 1 205 611         |
| <b>Total non-current financial investments</b> |        | <b>6 048 847</b>  | <b>6 036 436</b>  |
| <b>Total non-current assets</b>                |        | <b>36 073 049</b> | <b>34 693 230</b> |
| <b>Current assets</b>                          |        |                   |                   |
| <b>Inventories</b>                             |        |                   |                   |
| Raw materials and consumables                  | 17     | 2 591 561         | 2 943 967         |
| Work in progress                               | 18     | 389 534           | 285 199           |
| Unfinished orders                              | 19     | 41 944            | 96 509            |
| Advances for inventories                       | 20     | 582 149           | 405 223           |
| <b>Total inventories</b>                       |        | <b>3 605 188</b>  | <b>3 730 898</b>  |
| <b>Account receivable</b>                      |        |                   |                   |
| Trade receivables                              | 21     | 1 650 559         | 3 776 204         |
| Receivables from associates                    | 22     | 1 267 828         | 1 334 441         |
| Other receivables                              | 23     | 366 500           | 535 554           |
| Deferred expense                               | 24     | 38 115            | 35 821            |
| Accrued income                                 | 25     | 3 788 414         | 16 557 495        |
| <b>Total receivables</b>                       |        | <b>7 111 416</b>  | <b>22 239 515</b> |
| <b>Cash and bank</b>                           | 26     | <b>65 127</b>     | <b>582 570</b>    |
| <b>Total current assets:</b>                   |        | <b>10 781 731</b> | <b>26 552 983</b> |
| <b>TOTAL</b>                                   |        | <b>46 854 780</b> | <b>61 246 213</b> |

The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

These financial statements were signed on 10 April 2015 on the Company's behalf by

Janis Skvarņovics  
(Chairman of the Board)

Vladislavs Blums  
(Member of the Board)

Binars Buks  
(Member of the Board)

Jekaterina Ivanova  
(Member of the Board)

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

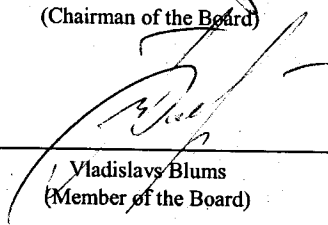
## BALANCE SHEET AS OF 31 DECEMBER 2014

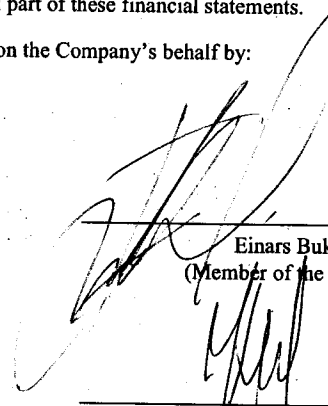
| <b>EQUITY, PROVISIONS AND LIABILITIES</b>   | <b>Notes</b> | <b>31.12.2014<br/>EUR</b> | <b>31.12.2013<br/>EUR</b> |
|---------------------------------------------|--------------|---------------------------|---------------------------|
| <b>Equity</b>                               |              |                           |                           |
| Share capital                               | 27           | 16 607 912                | 16 607 912                |
| Non-current investments revaluation reserve | 28           | 12 056 273                | 12 056 273                |
| <b>Retained earnings</b>                    |              |                           |                           |
| prior year's retained earnings              |              | 3 279 728                 | 5 206 503                 |
| net loss for the year                       |              | (1 068 333)               | (1 926 775)               |
| <b>Total retained earnings</b>              |              | <b>2 211 395</b>          | <b>3 279 728</b>          |
| <b>Total equity</b>                         |              | <b>30 875 580</b>         | <b>31 943 913</b>         |
| <b>Provisions</b>                           | 29           | <b>6 530</b>              | <b>44 366</b>             |
| <b>Non-current liabilities</b>              |              |                           |                           |
| Loans from banks                            | 31           | -                         | 100 000                   |
| Deferred income                             | 30           | 710 487                   | 279 278                   |
| Leasing liabilities                         | 32           | 71 477                    | 53 178                    |
| Other loans                                 | 33           | 872 100                   | -                         |
| Deferred tax liabilities                    | 11(b)        | 2 661 850                 | 2 905 960                 |
| <b>Total non-current liabilities</b>        |              | <b>4 315 914</b>          | <b>3 338 416</b>          |
| <b>Current liabilities</b>                  |              |                           |                           |
| Loans from banks                            | 31           | 1 900 000                 | 6 123 215                 |
| Other loans                                 | 33           | 1 200 776                 | -                         |
| Leasing liabilities                         | 32           | 38 736                    | 68 725                    |
| Advances from customers                     | 34           | 3 034 640                 | 13 253 972                |
| Trade payables                              | 35           | 3 802 548                 | 5 133 091                 |
| Payables to associates                      | 36           | 70 214                    | 11 645                    |
| Taxes and social insurance payments         | 37           | 476 216                   | 324 330                   |
| Other liabilities                           | 38           | 349 356                   | 357 802                   |
| Deferred income                             | 30           | 72 120                    | -                         |
| Dividends unpaid                            | 39           | 32 540                    | 37 954                    |
| Accrued liabilities                         | 40           | 679 610                   | 608 784                   |
| <b>Total current liabilities:</b>           |              | <b>11 656 756</b>         | <b>25 919 518</b>         |
| <b>Total liabilities:</b>                   |              | <b>15 972 670</b>         | <b>29 257 934</b>         |
| <b>TOTAL</b>                                |              | <b>46 854 780</b>         | <b>61 246 213</b>         |

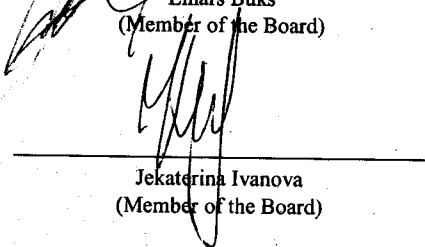
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Jekaterina Ivanova  
(Member of the Board)

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

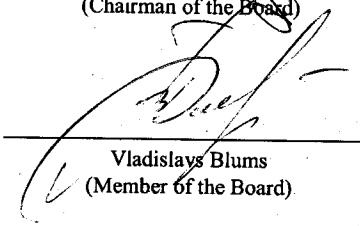
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

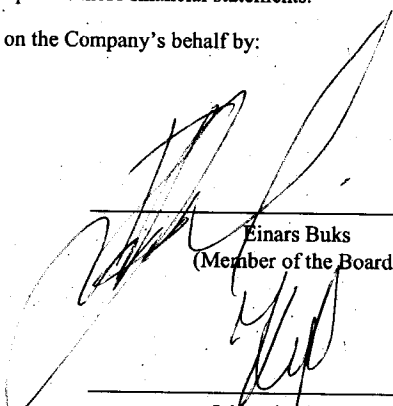
|                                | Share<br>capital | Non-current<br>investments<br>revaluation<br>reserve | Retained<br>earnings | Total       |
|--------------------------------|------------------|------------------------------------------------------|----------------------|-------------|
|                                | EUR              | EUR                                                  | EUR                  | EUR         |
| Balance as of 31 December 2012 | 16 607 912       | 12 056 273                                           | 5 372 582            | 34 036 767  |
| Net loss for the year          | -                | -                                                    | (1 926 775)          | (1 926 775) |
| Dividends                      | -                | -                                                    | (166 079)            | (166 079)   |
| Balance as of 31 December 2013 | 16 607 912       | 12 056 273                                           | 3 279 728            | 31 943 913  |
| Net loss for the year          | -                | -                                                    | (1 068 333)          | (1 068 333) |
| Balance as of 31 December 2014 | 16 607 912       | 12 056 273                                           | 2 211 395            | 30 875 580  |

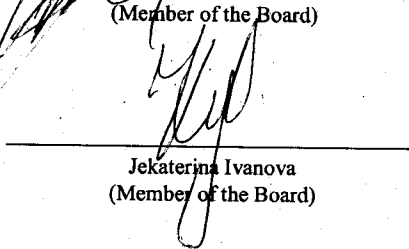
The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

These financial statements were signed on 10 April 2015 on the Company's behalf by:

  
Janis Skvarnovics  
(Chairman of the Board)

  
Vladislavs Blums  
(Member of the Board)

  
Einars Buks  
(Member of the Board)

  
Jekaterina Ivanova  
(Member of the Board)

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

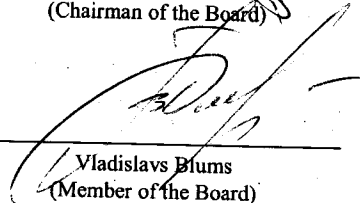
## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

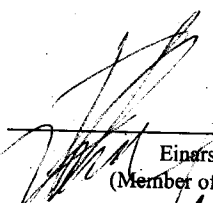
|                                                                         | Notes | 2014<br>EUR        | 2013<br>EUR         |
|-------------------------------------------------------------------------|-------|--------------------|---------------------|
| <b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>                   |       |                    |                     |
| Sales and service income                                                |       | 22 569 547         | 61 737 774          |
| Cash to suppliers, personnel and other primary activity costs           |       | (19 324 186)       | (94 596 968)        |
| <b>Gross cash flow generated from/(used in) operating activities</b>    |       | <b>3 245 361</b>   | <b>(32 859 194)</b> |
| Interest paid                                                           |       | (268 645)          | (412 432)           |
| Corporate income tax paid                                               | 37    | (11 202)           | (1 596)             |
| <b>Net cash flow generated from/(used in) operating activities</b>      |       | <b>2 965 514</b>   | <b>(33 273 222)</b> |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                          |       |                    |                     |
| Sale of shares                                                          |       | -                  | 3 400               |
| Acquisition of fixed and intangible assets                              |       | (2 373 884)        | (957 726)           |
| Proceeds from sales of fixed assets and intangible assets               |       | 552 356            | 29 136              |
| Loans issued                                                            |       | (1 816)            | (1 833)             |
| Interest received                                                       |       | 17 695             | 17 205              |
| <b>Net cash flow used in investing activities</b>                       |       | <b>(1 805 649)</b> | <b>(909 818)</b>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                              |       |                    |                     |
| Loans received                                                          |       | 4 245 000          | 950 668             |
| Loans repaid                                                            |       | (6 483 240)        | -                   |
| Received subsidies                                                      |       | 561 147            | 279 279             |
| Dividends paid                                                          |       | (122)              | (161 244)           |
| <b>Net cash flow (used in)/ generated from financing activities</b>     |       | <b>(1 677 215)</b> | <b>1 068 703</b>    |
| Net foreign exchange gains/losses                                       |       | (93)               | 31 252              |
| Net decrease in cash and cash equivalents                               |       | (517 443)          | (33 083 085)        |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |       | <b>582 570</b>     | <b>33 665 655</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>       |       | <b>65 127</b>      | <b>582 570</b>      |

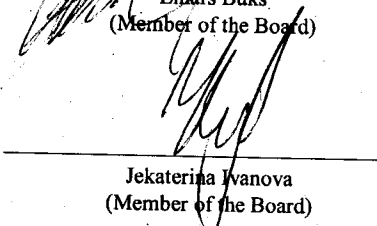
The accompanying notes on pages 14 to 35 are an integral part of these financial statements.

These financial statements were signed on 10 April 2015 on the Company's behalf by:

  
Janis Skvarnovics  
(Chairman of the Board)

  
Vladislavs Blums  
(Member of the Board)

  
Einars Buks  
(Member of the Board)

  
Jekaterina Ivanova  
(Member of the Board)

## RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### 1. GENERAL INFORMATION

Rīgas kuģu būvētava AS is registered in the Republic of Latvia on 5<sup>th</sup> of December, 1991 (further in text – the Company). The Company is registered as a joint stock company in the Commercial Register of the Republic of Latvia and the legal and business activity address is: Gales street 2, Riga, Latvia. The registration number in the Register of companies of the Republic of Latvia is 40003045892.

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

#### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Laws of the Republic of Latvia on Accounting and on Annual Reports.

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

The financial statements cover the period from 1 January to 31 December 2014.

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

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

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

#### ACCOUNTING POLICIES

##### *Foreign currencies*

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

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

|       | 31.12.2014 | 31.12.2013 |
|-------|------------|------------|
|       | EUR        | EUR        |
| 1 USD | 0,82366    | 0,72511    |
| 1 LTL | 0,28962    | 0,28962    |
| 1 RUB | 0,01382    | 0,02206    |
| 1 GBP | 1,28386    | 1,19947    |

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

## RIGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### ***Revenue recognition***

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

Revenue is recognized according to the following principles:

#### ***Sale of goods***

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

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

#### ***Rendering of services, ship repairs and construction***

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

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

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

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

#### ***Interest income***

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

#### ***Dividends***

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

#### ***Intangible assets***

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

## RIGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### *Property, plant and equipment*

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

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

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

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

|                                   | Estimated useful life, years |
|-----------------------------------|------------------------------|
| Buildings                         | 2 - 15                       |
| Other buildings and constructions | 3.5 - 20                     |
| Equipment and machinery           | 5 - 50                       |
| Other fixed assets                | 10 - 40                      |

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

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

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the carrying amount and the sales proceeds of the asset and is recognised in the statement of profit or loss. Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other directly attributable expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

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

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

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

Floating docks are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity, but not less frequently than every 5 years, such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

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



## RIGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### ***Investment property***

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

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

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

#### ***Investments in subsidiaries and associates and other financial investments***

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

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

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

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

#### ***Inventories***

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

#### ***Financial assets***

##### **Loans**

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

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

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

## RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### Trade receivables

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

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

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

#### Cash and cash equivalents

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

#### Accrued revenue

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

#### Deferred expenses

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

#### Dividends

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

#### Borrowings

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

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

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

#### Borrowing costs

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

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

#### Leases

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

#### The Company as lessor

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

## RIGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

#### The Company as lessee

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

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

#### **Government grants**

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

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

#### **Trade payables**

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

#### **Deferred revenue**

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

#### **Provisions**

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

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

#### **Accrual for unused employee vacations**

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

## RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### *Corporate income tax*

Corporate income tax includes current and deferred taxes.

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

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

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

#### *Events after the reporting date*

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

#### *Use of estimates and critical judgments*

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

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

#### *Allowance for doubtful trade receivables*

The Company's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Company's management has evaluated the trade receivables and considers that it is not necessary to make an additional significant allowance as of 31 December 2014.

#### *Net realisable value of inventories*

The Company's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories then an allowance is recorded. The Company's management has evaluated the net realisable value of inventories and considers that it is not necessary to make an additional significant allowance as of 31 December 2014.

#### *Useful lives of property, plant and equipment*

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

#### *The carrying amounts of property, plant and equipment*

The Company's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Company's planned level of activities and the estimated market value of the assets, the Company's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2014.

## RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### *Revaluation of floating docks*

The Company's management evaluates whether there have been significant changes in the fair values of land and buildings which are carried at their revalued amounts. The management considers that the fair values of the revalued land and buildings approximate their carrying amounts, and, therefore, no significant adjustments to the carrying amounts of the land and buildings are necessary as of 31 December 2014.

#### *Carrying amounts of issued loans*

The Company's management evaluates the carrying amounts of issued loans and evaluates their recoverability, making an allowance for doubtful loans, if necessary. The Company's management has evaluated the issued loans and considers that it is not necessary to make an additional significant allowance as of 31 December 2014.

#### *Deferred tax asset on tax losses to be carried forward*

A deferred tax asset is recognised on all tax losses to be carried forward as of 31 December 2014. The Company's management assumes that it is probable that the Company will have sufficient taxable profits in the future against which the tax losses will be utilised.

#### *The carrying amounts of investments in associate*

The Company's management reviews the carrying amounts of the investments in associates and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on investments in associates based on the expected future returns of the assets. The Company's management considers that no significant adjustments to the carrying values of the investments in associates are necessary as of 31 December 2014.

#### *The determination of ship buildings construction contract stage of completion*

At each balance sheet date the Company's management evaluates the stage of completion of unfinished construction contracts and the associated revenue and costs. Based on the assessment made as of 31 December 2014 and information available at the date of these financial statements, the Company's management considers that the no additional significant adjustments in relation to construction contracts are necessary as of 31 December 2014.

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 3. Net sales

|                        | 2014              | 2013              |
|------------------------|-------------------|-------------------|
| Business segments:     | EUR               | EUR               |
| Shipbuilding           | 9 640 988         | 15 214 037        |
| Ship repair            | 7 710 590         | 37 645 042        |
| Mechanical engineering | 299 512           | 800 654           |
| Other works            | 8 090             | 71 146            |
| <b>Total</b>           | <b>17 659 180</b> | <b>53 730 879</b> |

|                       | 2014              | 2013              |
|-----------------------|-------------------|-------------------|
| Geographical markets: | EUR               | EUR               |
| Denmark               | 3 827 469         | 206 120           |
| Finland               | 2 393 031         | 5 270 161         |
| Cyprus                | 2 289 316         | 1 859 452         |
| Belgium               | 1 467 931         | 2 115 998         |
| Germany               | 1 464 336         | 1 345 731         |
| Greece                | 1 067 974         | -                 |
| Singapore             | 879 195           | -                 |
| Sweden                | 786 402           | 2 065 583         |
| Latvia                | 785 176           | 20 726 197        |
| The Netherlands       | 694 418           | -                 |
| Norway                | 686 591           | 1 905 484         |
| Marshall Island       | 373 197           | 383 137           |
| Italy                 | 293 500           | 300 000           |
| Iceland               | 243 855           | 134 427           |
| Estonia               | 220 410           | 790 535           |
| Russia                | 173 895           | 14 665 854        |
| Malta                 | 7 360             | 1 962 200         |
| Monako                | 5 124             | -                 |
| <b>Total</b>          | <b>17 659 180</b> | <b>53 730 879</b> |

### 4. Cost of sales

|                                      | 2014                | 2013                |
|--------------------------------------|---------------------|---------------------|
|                                      | EUR                 | EUR                 |
| Purchase costs of goods sold         | (11 427 238)        | (45 421 563)        |
| Salary expenses                      | (3 904 979)         | (5 485 754)         |
| Depreciation of fixed assets         | (1 251 838)         | (1 824 053)         |
| Social insurance                     | (888 906)           | (1 280 693)         |
| Provisions for annual leave expenses | -                   | (11 562)            |
| Other costs                          | (352 546)           | (834 465)           |
| <b>Total</b>                         | <b>(17 825 507)</b> | <b>(54 858 090)</b> |

### 5. Distribution expenses

|                      | 2014            | 2013            |
|----------------------|-----------------|-----------------|
|                      | EUR             | EUR             |
| Advertising expenses | (11 435)        | (57 410)        |
| <b>Total</b>         | <b>(11 435)</b> | <b>(57 410)</b> |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 6. Administrative expenses

|                                             | 2014               | 2013               |
|---------------------------------------------|--------------------|--------------------|
|                                             | EUR                | EUR                |
| Remuneration of the Council members         | (199 268)          | (224 102)          |
| Remuneration of the Board members           | (187 281)          | (282 249)          |
| Salary expenses (administration)            | (146 724)          | (84 699)           |
| Social insurance                            | (115 452)          | (137 346)          |
| Representative vehicle maintenance expenses | (96 228)           | (126 550)          |
| Transportation costs, travelling allowances | (96 114)           | (126 714)          |
| Legal services                              | (42 459)           | (29 415)           |
| Depreciation of fixed assets                | (38 389)           | (22 450)           |
| Representation costs                        | (23 462)           | (59 003)           |
| Communication costs                         | (19 589)           | (23 991)           |
| Audit expenses                              | (17 000)           | (14 229)           |
| Office rent and utilities                   | (14 108)           | (4 604)            |
| Insurance                                   | (5 376)            | (2 602)            |
| <b>Total</b>                                | <b>(1 001 450)</b> | <b>(1 137 954)</b> |

### 7. Other operating income

|                                                 | 2014             | 2013             |
|-------------------------------------------------|------------------|------------------|
|                                                 | EUR              | EUR              |
| Income from rent and delivered utility services | 951 633          | 1 136 428        |
| Sale of materials                               | 345 559          | 244 637          |
| Net income from sales of fixed assets (Note 14) | 150 993          | 11 614           |
| Written-off accounts payable                    | 132 585          | 85 808           |
| Tugboat services income                         | 96 916           | 219 795          |
| Decrease of provisions for unused annual leave  | 77 767           | -                |
| Income from projects financing                  | 60 698           | -                |
| Transport services                              | 12 458           | 19 452           |
| Net income from exchange rate fluctuations      | 10 513           | 63 525           |
| Chemical analyses                               | 430              | 1 437            |
| Remuneration to insurance expenditures          | -                | 13 971           |
| Agency fees                                     | -                | 240 000          |
| Other income                                    | 52 303           | 24 541           |
| <b>Total</b>                                    | <b>1 891 855</b> | <b>2 061 208</b> |

### 8. Other operating expenses

|                                        | 2014               | 2013               |
|----------------------------------------|--------------------|--------------------|
|                                        | EUR                | EUR                |
| Leased fixed assets maintenance costs  | (778 131)          | (622 735)          |
| Material expenses                      | (332 051)          | (206 462)          |
| Costs on tugboat services              | (76 615)           | (109 025)          |
| Representation costs 60%               | (38 082)           | (99 065)           |
| Provisions for bad and doubtful debts  | (203 251)          | (25 933)           |
| Provisions for warranty repairs        | (15 000)           | (42 686)           |
| Medical services                       | (12 234)           | (12 507)           |
| Material allowances, gifts             | (9 941)            | (9 967)            |
| Donations                              | (3 575)            | (12 302)           |
| Burial expenses                        | (3 063)            | (5 117)            |
| Net loss from sale of foreign currency | (123)              | -                  |
| Other expenses                         | (54 546)           | (37 574)           |
| <b>Total</b>                           | <b>(1 526 612)</b> | <b>(1 183 373)</b> |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 9. Interest and similar income

|                                 | 2014<br>EUR   | 2013<br>EUR   |
|---------------------------------|---------------|---------------|
| Interest income on loans issued | 56 419        | 13 071        |
| Interest income on deposit      | -             | 2 402         |
| Bank interests                  | -             | 807           |
| Penalties received              | -             | 925           |
| <b>Total</b>                    | <b>56 419</b> | <b>17 205</b> |

### 10. Interest and similar expenses

|                             | 2014<br>EUR      | 2013<br>EUR      |
|-----------------------------|------------------|------------------|
| Interest expenses for loans | (228 800)        | (229 677)        |
| Bank charges for guarantees | (87 246)         | (149 836)        |
| Penalties paid              | (80 294)         | (39 570)         |
| State fee                   | (25 322)         | -                |
| <b>Total</b>                | <b>(421 662)</b> | <b>(419 083)</b> |

### 11. Corporate income tax

#### 11. (a) Components of corporate income tax:

|                                            | 2014<br>EUR    | 2013<br>EUR   |
|--------------------------------------------|----------------|---------------|
| Changes in deferred income tax             | 244 110        | 53 075        |
| Corporate income tax of the financial year | -              | -             |
| <b>Total</b>                               | <b>244 110</b> | <b>53 075</b> |

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

|                                                                                            | 31.12.2014<br>EUR   | 31.12.2013<br>EUR   |
|--------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Deferred tax liability:</b>                                                             |                     |                     |
| Difference between residual value of fixed assets in financial accounting and tax purposes | 20 884 820          | 19 685 428          |
| <b>Total deferred tax liabilities</b>                                                      | <b>20 884 820</b>   | <b>19 685 428</b>   |
| <b>Deferred tax (assets):</b>                                                              |                     |                     |
| Provisions for leave expenses                                                              | (190 231)           | (267 999)           |
| Provisions for warranty repair                                                             | (6 530)             | (44 365)            |
| Accumulated tax loss                                                                       | (2 942 399)         | -                   |
| <b>Total deferred tax (assets)</b>                                                         | <b>(17 745 660)</b> | <b>(19 373 064)</b> |
| Deferred taxation liabilities, rate 15%                                                    | 2 661 850           | 2 905 960           |
| <b>Deferred tax liabilities</b>                                                            | <b>2 661 850</b>    | <b>2 905 960</b>    |

#### 11. (c) Deferred income tax change:

|                                            | 2014<br>EUR      | 2013<br>EUR      |
|--------------------------------------------|------------------|------------------|
| Tax at the beginning of the financial year | 2 905 960        | 2 959 035        |
| Deferred income tax decrease               | (244 110)        | (53 075)         |
| <b>Total</b>                               | <b>2 661 850</b> | <b>2 905 960</b> |



# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 12. Other taxes:

|                 | 2014<br>EUR      | 2013<br>EUR      |
|-----------------|------------------|------------------|
| Real estate tax | (133 231)        | (133 232)        |
| <b>Total</b>    | <b>(133 231)</b> | <b>(133 232)</b> |

### 13. Intangible assets

|                                 | Software<br>EUR | Advances for<br>intangible<br>assets<br>EUR | Total<br>EUR |
|---------------------------------|-----------------|---------------------------------------------|--------------|
| <b>Cost</b>                     |                 |                                             |              |
| As of 01.01.2013                | 344 716         | -                                           | 344 716      |
| Additions                       | -               | 2 845                                       | 2 845        |
| Disposals                       | -               | (2 845)                                     | (2 845)      |
| As of 31.12.2013                | 344 716         | -                                           | 344 716      |
| <b>Accumulated amortisation</b> |                 |                                             |              |
| As of 01.01.2013                | 152 176         | -                                           | 152 176      |
| Calculated                      | 48 907          | -                                           | 48 907       |
| As of 31.12.2013                | 201 083         | -                                           | 201 083      |
| <b>Net carrying amount</b>      |                 |                                             |              |
| As of 01.01.2013                | 192 540         | -                                           | 192 540      |
| As of 31.12.2013                | 143 633         | -                                           | 143 633      |
| <b>Cost</b>                     |                 |                                             |              |
| As of 01.01.2014                | 344 716         | -                                           | 344 716      |
| Additions                       | -               | -                                           | -            |
| As of 31.12.2014                | 344 716         | -                                           | 344 716      |
| <b>Accumulated amortisation</b> |                 |                                             |              |
| As of 01.01.2014                | 201 083         | -                                           | 201 083      |
| Calculated                      | 48 076          | -                                           | 48 076       |
| As of 31.12.2014                | 249 159         | -                                           | 249 159      |
| <b>Net carrying amount</b>      |                 |                                             |              |
| As of 01.01.2014                | 143 633         | -                                           | 143 633      |
| As of 31.12.2014                | 95 557          | -                                           | 95 557       |

**JSC "RIGAS KUĢU BŪVĒTAVA" ANNUAL REPORT OF YEAR 2014**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

| <b>14. Fixed assets</b>    | <b>Buildings, constructions</b> | <b>Advance payments</b> | <b>Leasehold improvements</b> | <b>Equipment and machines</b> | <b>Floating docks</b> | <b>Unfinished construction</b> | <b>Other Fixed assets</b> | <b>Total</b> |
|----------------------------|---------------------------------|-------------------------|-------------------------------|-------------------------------|-----------------------|--------------------------------|---------------------------|--------------|
|                            | <b>EUR</b>                      | <b>EUR</b>              | <b>EUR</b>                    | <b>EUR</b>                    | <b>EUR</b>            | <b>EUR</b>                     | <b>EUR</b>                | <b>EUR</b>   |
| <b>Cost/revaluation</b>    |                                 |                         |                               |                               |                       |                                |                           |              |
| As of 01.01.2013           | 10 081 710                      | 5 650                   | 16 587                        | 11 514 493                    | 17 977 940            | 921 450                        | 1 429 636                 | 41 947 466   |
| Additions                  | -                               | 43 302                  | -                             | -                             | -                     | 2 101 500                      | -                         | 2 144 802    |
| Disposals                  | -                               | -                       | (6 636)                       | (76 065)                      | -                     | -                              | (168)                     | (82 869)     |
| Reclassified               | 712 179                         | (6 565)                 | -                             | 606 540                       | 335 018               | (1 700 894)                    | 53 722                    | -            |
| As of 31.12.2013           | 10 793 889                      | 42 387                  | 9 951                         | 12 044 968                    | 18 312 958            | 1 322 056                      | 1 483 190                 | 44 009 399   |
| <b>Depreciation</b>        |                                 |                         |                               |                               |                       |                                |                           |              |
| As of 01.01.2013           | (3 867 597)                     | -                       | -                             | (7 773 936)                   | (1 807 291)           | -                              | (1 155 352)               | (14 604 176) |
| Calculated                 | (294 765)                       | -                       | -                             | (857 775)                     | (278 603)             | -                              | (79 157)                  | (1 510 300)  |
| Disposals                  | -                               | -                       | -                             | 63 600                        | -                     | -                              | 168                       | 63 768       |
| As of 31.12.2013           | (4 162 362)                     | -                       | -                             | (8 568 111)                   | (2 085 894)           | -                              | (1 234 341)               | (16 050 708) |
| <b>Net carrying amount</b> |                                 |                         |                               |                               |                       |                                |                           |              |
| As of 01.01.2013           | 6 214 113                       | 5 650                   | 16 587                        | 3 740 557                     | 16 170 649            | 921 450                        | 274 284                   | 27 343 290   |
| As of 31.12.2013           | 6 631 527                       | 42 387                  | 9 951                         | 3 476 857                     | 16 227 064            | 1 322 056                      | 248 849                   | 27 958 691   |
| <b>Cost/revaluation</b>    |                                 |                         |                               |                               |                       |                                |                           |              |
| As of 01.01.2014           | 10 793 889                      | 42 387                  | 9 951                         | 12 044 968                    | 18 312 958            | 1 322 056                      | 1 483 190                 | 44 009 399   |
| Additions                  | -                               | 211 127                 | -                             | -                             | -                     | 2 705 138                      | -                         | 2 916 265    |
| Disposals                  | -                               | -                       | (6 593)                       | (642 866)                     | -                     | -                              | (23 694)                  | (673 153)    |
| Reclassified               | 1 910 802                       | (246 400)               | -                             | 1 876 777                     | 120 685               | (3 698 140)                    | 36 276                    | -            |
| As of 31.12.2014           | 12 704 691                      | 7 114                   | 3 358                         | 13 278 879                    | 18 433 643            | 329 054                        | 1 495 772                 | 46 252 511   |
| <b>Depreciation</b>        |                                 |                         |                               |                               |                       |                                |                           |              |
| As of 01.01.2014           | (4 162 362)                     | -                       | -                             | (8 568 111)                   | (2 085 894)           | -                              | (1 234 341)               | (16 050 707) |
| Calculated                 | (300 547)                       | -                       | -                             | (500 364)                     | (265 003)             | -                              | (76 237)                  | (1 142 151)  |
| Disposals                  | -                               | -                       | -                             | 324 632                       | -                     | -                              | 20 336                    | 344 968      |
| As of 31.12.2014           | (4 462 909)                     | -                       | -                             | (8 743 843)                   | (2 350 896)           | -                              | (1 290 242)               | (16 847 890) |
| <b>Net carrying amount</b> |                                 |                         |                               |                               |                       |                                |                           |              |
| As of 01.01.2014           | 6 631 527                       | 42 387                  | 9 951                         | 3 476 857                     | 16 227 064            | 1 322 056                      | 248 849                   | 27 958 691   |
| As of 31.12.2014           | 8 241 782                       | 7 114                   | 3 358                         | 4 535 036                     | 16 082 747            | 329 054                        | 205 530                   | 29 404 621   |

Real Estate (buildings) cadastral value as of 31.12.2014: 5 723 487 EUR (31.12.2013: 5 864 830 EUR).  
Information about assets used as collaterals for borrowings included in Notes 31 and 43.

**Financial result of disposed, eliminated and sold fixed assets:**

|                                             | <b>31.12.2014</b> | <b>31.12.2013</b> |
|---------------------------------------------|-------------------|-------------------|
|                                             | <b>EUR</b>        | <b>EUR</b>        |
| Historical value                            | 666 560           | 76 233            |
| Accumulated depreciation                    | (344 968)         | (63 767)          |
| Residual value                              | 321 592           | 12 466            |
| Revenue from selling the fixed assets       | 472 585           | 24 079            |
| <b>Profit from disposal of fixed assets</b> | <b>150 993</b>    | <b>11 613</b>     |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 14. (a) Investment property

|                                 | Investment<br>property<br>EUR |
|---------------------------------|-------------------------------|
| <b>Cost</b>                     |                               |
| As of 01.01.2013                | 838 231                       |
| Additions                       | 1 352                         |
| As of 31.12.2013                | 839 583                       |
| <b>Accumulated depreciation</b> |                               |
| As of 01.01.2013                | (245 855)                     |
| Calculated                      | (39 258)                      |
| As of 31.12.2013                | (285 113)                     |
| <b>Net carrying amount</b>      |                               |
| As of 01.01.2013                | 592 376                       |
| As of 31.12.2013                | 554 470                       |
| <b>Cost</b>                     |                               |
| As of 01.01.2014                | 839 583                       |
| Additions                       | 5 644                         |
| As of 31.12.2014                | 845 227                       |
| <b>Accumulated depreciation</b> |                               |
| As of 01.01.2014                | (285 113)                     |
| Calculated                      | (36 090)                      |
| As of 31.12.2014                | (321 203)                     |
| <b>Net carrying amount</b>      |                               |
| As of 01.01.2014                | 554 470                       |
| As of 31.12.2014                | 524 024                       |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 15. Investments in associates

Shares in the capital of associates and their carrying values:

|                          | 31.12.2014       | Participating interest | Equity 31.12.2014 | Profit / (loss) 2014 |
|--------------------------|------------------|------------------------|-------------------|----------------------|
| Name                     | EUR              | %                      | EUR               | EUR                  |
| Tosmares kuģubūvētava AS | 3 630 590        | 49.72                  | 5 835 245         | (362 204)            |
| Remars Granula SIA       | 1 200 000        | 49.80                  | 254 060           | 37 984               |
| <b>Total</b>             | <b>4 830 590</b> |                        | <b>6 089 305</b>  | <b>(324 220)</b>     |

|                          | 31.12.2013       | Participating interest | Equity 31.12.2013 | Profit / (loss) 2013 |
|--------------------------|------------------|------------------------|-------------------|----------------------|
| Name                     | EUR              | %                      | EUR               | EUR                  |
| Tosmares kuģubūvētava AS | 3 630 590        | 49.72                  | 6 197 449         | (183 444)            |
| Remars Granula SIA       | 1 200 000        | 49.80                  | 216 076           | 61 440               |
| <b>Total</b>             | <b>4 830 590</b> |                        | <b>6 413 525</b>  | <b>(122 004)</b>     |

### 16. Other loans and non-current receivables

| Name / Type of Loan                       | As of 31.12.2013 | Loans issued in 2014 | Interest accrued | Currency exchange rate change | As of 31.12.2014 | Term of repayment |
|-------------------------------------------|------------------|----------------------|------------------|-------------------------------|------------------|-------------------|
| Loans to employees (students)             | 94 793           | 1 816                | -                | 10 595                        | 107 204          | 2016-2029         |
| Loans for Tosmares Kuģubūvētava AS shares | 1 110 818        | -                    | 38 724           | -                             | 1 110 818        | 2020              |
| <b>Total</b>                              | <b>1 205 611</b> | <b>1 816</b>         | <b>38 724</b>    | <b>10 595</b>                 | <b>1 218 022</b> |                   |

Total amount receivable after 5 years: 1 212 702 EUR.

### 17. Raw materials and consumables

|                                  | 31.12.2014       | 31.12.2013       |
|----------------------------------|------------------|------------------|
|                                  | EUR              | EUR              |
| Metal, non-ferrous metals, pipes | 1 699 192        | 1 763 385        |
| Metal ware                       | 73 327           | 78 156           |
| Timbering                        | 29 816           | 2 575            |
| Equipment                        | 29 248           | 15 408           |
| Fuel                             | 24 556           | 9 101            |
| Varnish and paint                | 23 977           | 143 985          |
| Cables                           | 15 631           | 29 212           |
| Coveralls                        | 10 835           | 12 467           |
| Technical rubber ware            | 8 848            | 14 091           |
| Wire cables                      | 7 011            | 2 069            |
| Household goods                  | 3 094            | 1 491            |
| Other                            | 666 026          | 872 027          |
| <b>Total</b>                     | <b>2 591 561</b> | <b>2 943 967</b> |

### 18. Work in progress

|                     | 31.12.2014     | 31.12.2013     |
|---------------------|----------------|----------------|
|                     | EUR            | EUR            |
| Shipbuilding orders | 389 534        | 285 199        |
| <b>Total</b>        | <b>389 534</b> | <b>285 199</b> |

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

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 19. Unfinished orders

|                               | 31.12.2014    | 31.12.2013    |
|-------------------------------|---------------|---------------|
|                               | EUR           | EUR           |
| Ship repair orders            | 39 163        | 24 214        |
| Various                       | 2 727         | 5 024         |
| Mechanical engineering orders | 54            | 67 271        |
| <b>Total</b>                  | <b>41 944</b> | <b>96 509</b> |

### 20. Advances for inventories

|               | 31.12.2014     | 31.12.2013     |
|---------------|----------------|----------------|
|               | EUR            | EUR            |
| For materials | 582 149        | 405 223        |
| <b>Total</b>  | <b>582 149</b> | <b>405 223</b> |

### 21. Trade receivables

|                                       | 31.12.2014       | 31.12.2013       |
|---------------------------------------|------------------|------------------|
|                                       | EUR              | EUR              |
| Book value of trade receivables       | 2 210 872        | 4 169 362        |
| Provisions for bad and doubtful debts | (560 313)        | (393 158)        |
| <b>Trade receivables, net</b>         | <b>1 650 559</b> | <b>3 776 204</b> |

### Change in provisions

|                                    | Trade receivables | Other receivables | Total          |
|------------------------------------|-------------------|-------------------|----------------|
| Provisions as of 31.12.2013        | 393 158           | 10 652            | 403 810        |
| Increase in provisions             | 167 155           | 36 096            | 203 251        |
| <b>Provisions as of 31.12.2014</b> | <b>560 313</b>    | <b>46 748</b>     | <b>607 061</b> |

### 22. Receivables from associates

|                                                                      | 31.12.2014       | 31.12.2013       |
|----------------------------------------------------------------------|------------------|------------------|
|                                                                      | EUR              | EUR              |
| Remars Granula SIA debt for loan according to assignment agreement * | 770 000          | 770 000          |
| Remars Granula SIA loan **                                           | 491 925          | 485 874          |
| Tosmares kuģubūvētava AS debt for service and materials              | 5 903            | 8 567            |
| Tosmares kuģubūvētava AS advance for services                        | -                | 70 000           |
| <b>Total</b>                                                         | <b>1 267 828</b> | <b>1 334 441</b> |

\* Debt related to assignment (cession) agreement signed with SEB bank AS, Rīgas Kuģu būvētava and SIA Remars Granula, no interest charged and no collateral received.

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

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 23. Other receivables

|                                    | 31.12.2014     | 31.12.2013     |
|------------------------------------|----------------|----------------|
|                                    | EUR            | EUR            |
| Book value                         | 413 248        | 546 206        |
| Provisions established             | (46 748)       | (10 652)       |
| <b>Other receivables, net</b>      | <b>366 500</b> | <b>535 554</b> |
|                                    |                |                |
|                                    | 31.12.2014     | 31.12.2013     |
|                                    | EUR            | EUR            |
| Value added tax overpaid (37 Note) | 167 260        | 184 674        |
| Corporate income tax (37 Note)     | 56 207         | 134 627        |
| Advance payments for services      | 53 714         | 68 909         |
| Interests                          | 38 724         | -              |
| Payments personal debts            | 30 511         | 12 822         |
| Payment of salary                  | 16 204         | 276            |
| Other receivables                  | 3 276          | 133 643        |
| Input VAT accepted                 | 604            | 603            |
| <b>Total</b>                       | <b>366 500</b> | <b>535 554</b> |

### 24. Deferred expenses

|                                         | 31.12.2014    | 31.12.2013    |
|-----------------------------------------|---------------|---------------|
|                                         | EUR           | EUR           |
| Advertising expenses                    | 9 585         | -             |
| Property insurance                      | 9 506         | 14 774        |
| Health insurance                        | 9 111         | 12 783        |
| Renovation costs of leased fixed assets | 6 592         | 6 592         |
| Other expenses                          | 3 235         | 1 478         |
| Subscription to the press               | 86            | 194           |
| <b>Total</b>                            | <b>38 115</b> | <b>35 821</b> |

### 25. Accrued income

|              | 31.12.2014       | 31.12.2013        |
|--------------|------------------|-------------------|
|              | EUR              | EUR               |
| Shipbuilding | 3 366 752        | 16 367 775        |
| Ship repair  | 421 662          | 189 720           |
| <b>Total</b> | <b>3 788 414</b> | <b>16 557 495</b> |

### 26. Cash and bank

|                                  | 31.12.2014    | 31.12.2013     |
|----------------------------------|---------------|----------------|
|                                  | EUR           | EUR            |
| Cash at bank on current accounts | 58 047        | 581 123        |
| Cash on hand                     | 7 080         | 1 447          |
| <b>Total</b>                     | <b>65 127</b> | <b>582 570</b> |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 27. Share capital

Rīgas kuģu būvētava AS was founded in 1995. Share capital of the Company is 16 607 912 EUR, which is comprised of 11 672 107 ordinary shares, nominal value of one share is 1 LVL (1.42 EUR). Currently there are in total 11 672 107 shares of which 10 000 000 shares are publicly traded and 1 672 107 shares are in closed issue. The joint stock company is public and its shares are quoted on exchange market AS NASDAQ OMX on the secondary list. All shares give equal rights for receiving dividends, liquidation quotes and voting rights at the shareholders meeting. 1 share gives 1 voting right.

Amendments to the Statutes:

1. Increase of the share capital up to EUR 15 651 590 on 30 December 1998.
2. Increase of the share capital up to EUR 16 607 912 on 30 December 1999.

Share capital as of 31.12.2014 is not yet denominated in EUR currency.

Rīgas kuģu būvētava AS shareholders:

|                      | 31.12.2014        |            | 31.12.2013        |            |
|----------------------|-------------------|------------|-------------------|------------|
|                      | EUR               | %          | EUR               | %          |
| Remars-Rīga AS       | 8 279 967         | 49.86      | 8 279 967         | 49.86      |
| Individuals          | 5 082 656         | 30.60      | 5 768 879         | 34.73      |
| Other legal entities | 3 245 289         | 19.54      | 2 559 066         | 15.41      |
| <b>Total</b>         | <b>16 607 912</b> | <b>100</b> | <b>16 607 912</b> | <b>100</b> |

### 28. Non-current investments revaluation reserve

Based on certified appraisers valuation report, Company performed revaluation of floating docks. In 2007 Baltic Kontor SIA performed valuation of the Company's real estate (three floating docks) and as a result of the valuation estimated fair value of three floating docks which as of 20.12.2017 amounted to 17 107 000 EUR. Company's management considers that floating docks value increase is permanent and it is appropriate to value assets at their fair value. Difference arising from revaluation for the amount of 12 056 273 EUR was recognized in equity under Long-term investments revaluation reserve that was decreased by the related deferred tax liability. Subsequently in 2012 and 2014 certified appraisers performed floating docks' revaluation and concluded that estimated value does not significantly differ from previously evaluated value and no amendments into value of floating docks was recognized. In performing valuation the appraisers used a cost approach including adjustments for the docks technical condition, age and technological usefulness of the assets. The values obtained were compared to available information in the market for the similar assets.

### 29. Provisions

|                                 | 31.12.2014   | 31.12.2013    |
|---------------------------------|--------------|---------------|
|                                 | EUR          | EUR           |
| Provisions for warranty repairs | 6 530        | 44 366        |
| <b>Total</b>                    | <b>6 530</b> | <b>44 366</b> |

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

### 30. Deferred income

|                                                                                                                                                                                    | 31.12.2014     | 31.12.2013     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                                                                    | EUR            | EUR            |
| 1) Financing in accordance with an agreement signed in 2012 with the government agency LIAA about the EU co-financed project Rīgas kuģu būvētava AS Heating system reconstruction. | 457 801        | 72 091         |
| 2) Financing in accordance with an agreement signed in 2012 with the government agency LIAA about the EU co-financed project Rīgas kuģu būvētava AS Heating system reconstruction. | 324 806        | 207 187        |
| <b>Total</b>                                                                                                                                                                       | <b>782 607</b> | <b>279 278</b> |
| <b>Total long-term part</b>                                                                                                                                                        | <b>710 487</b> | <b>279 278</b> |
| <b>Total short-term part</b>                                                                                                                                                       | <b>72 120</b>  | <b>-</b>       |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 31. Loans from banks

#### a) Long-term part

|              | 31.12.2014<br>EUR | 31.12.2013<br>EUR |
|--------------|-------------------|-------------------|
| ABLV Bank AS | -                 | 100 000           |
| <b>Total</b> | <b>-</b>          | <b>100 000</b>    |

#### b) Short-term part

|                                    | 31.12.2014<br>EUR | 31.12.2013<br>EUR |
|------------------------------------|-------------------|-------------------|
| ABLV Bank AS                       | 1 900 000         | 1 759 401         |
| Nordea Bank AB affiliate in Latvia | -                 | 4 363 814         |
| <b>Total</b>                       | <b>1 900 000</b>  | <b>6 123 215</b>  |

1. In October 2013 the Company concluded with ABLV Bank AS the Creditline contract No. 13-FP-0207 for current assets needs. The repayment term is 18 October 2015. The interest rate is 4,5% + 6 months EURIBOR. Mortgage agreement on real estate properties was signed. Pledged real estate net book value as of 31 December 2014 is 5 476 112 EUR.

2. On the 4 September 2014 the Company had concluded amendments to the Overdraft and guarantee line agreement No. 2003/4 /OD/GA and Overdraft agreement No. 2012-187-OD with Nordea Bank affiliate in Latvia. On 31 December 2014 the total Guarantee line limit was 2 172 000 EUR, and as security floating dock K-4, 2 floating cranes, 14 portal cranes and accounts receivables were pledged. The balance sheet value of assets pledged as of 31 December 2014 is 6 196 831 EUR.

3. On the 8 December 2014 there was signed the Bank Guarantee limit Agreement with AS Baltic International Bank No. 05/10/14. As of 31 December 2014 the total Guarantee limit available is 3 500 000 EUR, used Guarantee limit is 562 500 EUR. As security 1st stage mortgage agreement for floating dock No 170 was signed. The mortgaged property balance sheet value as of 31 December 2014 is 10 215 853 EUR.

### 32. Leasing liabilities

|                                              | 31.12.2014<br>EUR | 31.12.2013<br>EUR |
|----------------------------------------------|-------------------|-------------------|
| Total long-term part of leasing liabilities  | 71 477            | 53 178            |
| Total short-term part of leasing liabilities | 38 736            | 68 725            |
| <b>Total</b>                                 | <b>110 213</b>    | <b>121 903</b>    |

### 33. Other loans

|                                      | 31.12.2014<br>EUR | 31.12.2013<br>EUR |
|--------------------------------------|-------------------|-------------------|
| Short-term part (interest rate 4,5%) | 1 200 776         | -                 |
| Long-term part (interest 6%)         | 872 100           | -                 |
| <b>Total</b>                         | <b>2 072 876</b>  | <b>-</b>          |

In 2014 Company received 2 loans from private person and from Company, repayment term is 2018. No assets are pledged as collateral.

### 34. Advances from customers

|                  | 31.12.2014<br>EUR | 31.12.2013<br>EUR |
|------------------|-------------------|-------------------|
| For shipbuilding | 2 555 754         | 13 222 323        |
| For ship repair  | 478 504           | 20 250            |
| Others           | 382               | 11 399            |
| <b>Total</b>     | <b>3 034 640</b>  | <b>13 253 972</b> |



# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 35. Trade payables

|                        | 31.12.2014       | 31.12.2013       |
|------------------------|------------------|------------------|
|                        | EUR              | EUR              |
| Payables for services  | 2 736 895        | 3 886 839        |
| Payables for materials | 1 065 653        | 1 246 252        |
| <b>Total</b>           | <b>3 802 548</b> | <b>5 133 091</b> |

### 36. Payables to associates

|                          | 31.12.2014    | 31.12.2013    |
|--------------------------|---------------|---------------|
|                          | EUR           | EUR           |
| Tosmares kugubuvetava AS | 70 214        | -             |
| Remars Granula SIA       | -             | 11 645        |
| <b>Total</b>             | <b>70 214</b> | <b>11 645</b> |

### 37. Taxes and social insurance payments

|                           | 01.01.2014       | Calculated     | Calculated<br>penalty and<br>delay fees | (Paid)/<br>repaid | Transferred<br>to other<br>taxes | 31.12.2014       |
|---------------------------|------------------|----------------|-----------------------------------------|-------------------|----------------------------------|------------------|
|                           | EUR              | EUR            | EUR                                     | EUR               | EUR                              | EUR              |
| Social insurance payments | 151 364          | 1 450 930      | 1 276                                   | (98 214)          | (1 388 434)                      | 116 922          |
| Value added tax           | (184 674)        | (1 776 336)    | 40                                      | 133 273           | 1 660 437                        | (167 260)        |
| Personal income tax       | 171 841          | 843 224        | 23 127                                  | (367 748)         | (361 233)                        | 309 211          |
| Corporate income tax      | (134 627)        | -              | 62                                      | (11 202)          | 89 560                           | (56 207)         |
| Real estate tax           | 432              | 133 231        | 4 893                                   | (89 322)          | -                                | 49 234           |
| Natural resources tax     | 475              | 4 861          | -                                       | (4 040)           | (612)                            | 684              |
| Risk duty                 | 218              | 2 242          | -                                       | (2 295)           | -                                | 165              |
| Customs duty on import    | 0                | 1 354          | -                                       | (1 636)           | 282                              | -                |
| <b>Total</b>              | <b>5 029</b>     | <b>659 506</b> | <b>29 398</b>                           | <b>(441 184)</b>  | <b>-</b>                         | <b>252 749</b>   |
| <b>Tax debt</b>           | <b>324 330</b>   |                |                                         |                   |                                  | <b>476 216</b>   |
| <b>Tax overpayment*</b>   | <b>(319 301)</b> |                |                                         |                   |                                  | <b>(223 467)</b> |

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

### 38. Other liabilities

|                           | 31.12.2014     | 31.12.2013     |
|---------------------------|----------------|----------------|
|                           | EUR            | EUR            |
| Salaries                  | 244 113        | 265 477        |
| Payments for debts        | 67 989         | 24 581         |
| Payments to personnel     | 30 423         | 47 898         |
| Payments for credit cards | 6 831          | 18 777         |
| Retention from salaries   | -              | 1 069          |
| <b>Total</b>              | <b>349 356</b> | <b>357 802</b> |

# RIGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

|                                                          |                   |                   |
|----------------------------------------------------------|-------------------|-------------------|
| <b>39. Dividends unpaid</b>                              | <b>31.12.2014</b> | <b>31.12.2013</b> |
|                                                          | <b>EUR</b>        | <b>EUR</b>        |
| As at the beginning of the period                        | 37 954            | 33 190            |
| Dividends calculated                                     | -                 | 166 079           |
| Dividends paid                                           | (180)             | (161 315)         |
| Written-off (older than 10 years)                        | (5 234)           | -                 |
| As at the end of the period                              | <u>32 540</u>     | <u>37 954</u>     |
| <b>40. Accrued liabilities</b>                           | <b>31.12.2014</b> | <b>31.12.2013</b> |
|                                                          | <b>EUR</b>        | <b>EUR</b>        |
| For services                                             | 489 379           | 340 786           |
| Accrued liabilities for unused annual leave expenses     | 190 231           | 267 998           |
| Total                                                    | <u>679 610</u>    | <u>608 784</u>    |
| <b>41. Staff costs and number of employees</b>           | <b>2014</b>       | <b>2013</b>       |
|                                                          | <b>EUR</b>        | <b>EUR</b>        |
| Total remuneration to personnel                          | 4 438 252         | 5 270 141         |
| Salary                                                   | 1 004 358         | 1 229 176         |
| Social insurance payments                                | 5 442 610         | 6 499 317         |
| Total                                                    | <u>5 442 610</u>  | <u>6 499 317</u>  |
| <b>Incl. Personnel salary (production department)</b>    | <b>2014</b>       | <b>2013</b>       |
|                                                          | <b>EUR</b>        | <b>EUR</b>        |
| Salary                                                   | 3 904 979         | 4 679 090         |
| Social insurance payments                                | 888 906           | 1 092 370         |
| Total                                                    | <u>4 793 885</u>  | <u>5 771 460</u>  |
| <b>Incl. Administration</b>                              | <b>2014</b>       | <b>2013</b>       |
|                                                          | <b>EUR</b>        | <b>EUR</b>        |
| Salary                                                   | 146 724           | 84 699            |
| Social insurance payments                                | 33 433            | 20 206            |
| Total                                                    | <u>180 157</u>    | <u>104 905</u>    |
| <b>Incl. Remuneration of the Board members</b>           | <b>2014</b>       | <b>2013</b>       |
|                                                          | <b>EUR</b>        | <b>EUR</b>        |
| Salary                                                   | 187 281           | 282 249           |
| Social insurance payments                                | 43 898            | 66 356            |
| Total                                                    | <u>231 179</u>    | <u>348 605</u>    |
| <b>Incl. Remuneration of the Council members</b>         | <b>2014</b>       | <b>2013</b>       |
|                                                          | <b>EUR</b>        | <b>EUR</b>        |
| Salary                                                   | 199 268           | 224 102           |
| Social insurance payments                                | 38 121            | 50 784            |
| Total                                                    | <u>237 389</u>    | <u>274 886</u>    |
| <b>Average number of employees during reporting year</b> | <b>2014</b>       | <b>2013</b>       |
|                                                          | <u>477</u>        | <u>601</u>        |

# RĪGAS KUĢU BŪVĒTAVA AS 2014 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 42. Transactions with related parties

|                          | Type of commitment    | Goods or services sold | Purchased goods or services | Other transactions |
|--------------------------|-----------------------|------------------------|-----------------------------|--------------------|
|                          | EUR                   | EUR                    | EUR                         | EUR                |
| Remars-Rīga AS           | Significant influence | 490 792                | 1 326 183                   | -                  |
| Tosmares kuģubūvētava AS | Associated company    | 127 447                | 14 504                      | 70 214             |
| Remars-Granula AS        | Associated company    | -                      | -                           | 17 695             |
| <b>Total</b>             |                       | <b>618 239</b>         | <b>1 340 687</b>            | <b>87 909</b>      |

### 43. Off-balance liabilities

1. The Company has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid till 31.8.2028. The Company has the priority to extend the agreement term.

2. On the 28 December 2010 there was issued ship covered bond No.EH 28.12.2010/KO about floating dock deposit in the favour of UniCreditBank AS and bond is valid until the secured obligations are fully met. Ship bond is issued as a guarantee for Eiroholdings SIA obligations, that results from credit line agreement Nr. EH 01.07.2008/CL dated on 1 July 2008; creditline obligations as of 31 December 2014 is 1 529 994 EUR. Maximum guarantee claim is 4 183 243 EUR. Mortgaged floating dock 791, with the balance sheet value as of 31 December 2014 4 972 871 EUR. At the date of approval of these financial statements Management considers that there is low probability that the settlement of the obligation resulting from the above mentioned agreement is likely.

3. On 15 June 2011 between Rīgas kuģu būvētava AS and DNB Nord Banka AS was signed mortgage agreement Nr. 17/11K23-2 for the first mortgage on Rīgas kuģu būvētava AS real estate - caldron house as security for Remars- Rīga AS liabilities that are resulting from 15 June 2011 credit agreement Nr.17/11K23. As of 31 December 2014 liabilities amounted to 999 021 EUR. Total amount of secured claim is 3 874 130 EUR. The pledged property balance sheet value as of 31 December 2014 is 441 650 EUR. At the date of approval of these financial statements Management considers that there is low probability that the settlement of the obligation resulting from the above mentioned agreement is likely.

### 44. Risk management

#### Liquidity risk

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

#### Credit risk

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

#### Interest rate risk

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

### 45. Going concern

The Company's net result for 2014 is a loss in the amount of EUR 1.1 million (net result for 2013 - loss in the amount of EUR 1.9 million), while total carrying value of fixed assets included in Company's balance sheet as of 31 December 2014 is EUR 29.4 million. Company's current liabilities exceed its current assets by EUR 0.9 million. Accordingly the Company's ability to continue as a going concern and recoverability of fixed assets depends management's ability to ensure profitable operations of the Company and ability to settle current liabilities. These financial statements are prepared on a going concern basis and do not contain any adjustments that might be necessary if going concern assumption would not be applicable.