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.*

CONTENT

GENERAL INFORMATION

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

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 buinsess 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.

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)	Einars Buks (Member of the Board)
Vladislavs Blums (Member of the Board)	Jekaterina Ivanova (Member of the Board)

STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of 31 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)	Einars Buks (Member of the Board)
Vladislavs Blums (Member of the Board)	Jekaterina Ivanova (Member of the Board)

Deloitte.

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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 kuģu 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 kuģu 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

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

	Notes	2014 EUR	2013 EUR
Net sales	3	17 659 180	53 730 879
Cost of sales	4	(17 825 507)	(54 858 090)
Gross loss		**(166 327)**	**(1 127 211)**
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)
Loss before taxes		**(1 179 212)**	**(1 846 618)**
Corporate income tax	11	-	-
Deferred income tax	11(a)	244 110	53 075
Other taxes	12	(133 231)	(133 232)
Net loss for the year		**(1 068 333)**	**(1 926 775)**
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)

BALANCE SHEET AS OF 31 DECEMBER 2014

ASSETS	Notes	31.12.2014 EUR	31.12.2013 EUR
Non-current assets			
Intangible assets	13	**95 557**	**143 633**
Fixed assets			
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
Total fixed assets	14	**29 404 621**	**27 958 691**
Investment property	14 (a)	**524 024**	**554 470**
Non-current financial investments			
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
Total non-current financial investments		**6 048 847**	**6 036 436**
Total non-current assets		**36 073 049**	**34 693 230**
Current assets			
Inventories			
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
Total inventories		**3 605 188**	**3 730 898**
Account receivable			
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
Total receivables		**7 111 416**	**22 239 515**
Cash and bank	26	**65 127**	**582 570**
Total current assets:		**10 781 731**	**26 552 983**
TOTAL		**46 854 780**	**61 246 213**

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

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BALANCE SHEET AS OF 31 DECEMBER 2014

EQUITY, PROVISIONS AND LIABILITIES	Notes	31.12.2014 EUR	31.12.2013 EUR
Equity			
Share capital	27	16 607 912	16 607 912
Non-current investments revaluation reserve	28	12 056 273	12 056 273
Retained earnings			
prior year's retained earnings		3 279 728	5 206 503
net loss for the year		(1 068 333)	(1 926 775)
Total retained earnings		**2 211 395**	**3 279 728**
Total equity		**30 875 580**	**31 943 913**
Provisions	29	**6 530**	**44 366**
Non-current liabilities			
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
Total non-current liabilities		**4 315 914**	**3 338 416**
Current liabilities			
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
Total current liabilities:		**11 656 756**	**25 919 518**
Total liabilities:		**15 972 670**	**29 257 934**
TOTAL		**46 854 780**	**61 246 213**

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:

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

	Share capital	Non-current investments revaluation reserve	Retained 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.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 EUR	2013 EUR
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
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)
Gross cash flow generated from/(used in) operating activities		**3 245 361**	**(32 859 194)**
Interest paid		(268 645)	(412 432)
Corporate income tax paid	37	(11 202)	(1 596)
Net cash flow generated from /(used in) operating activities		**2 965 514**	**(33 273 222)**
CASH FLOWS USED IN INVESTING ACTIVITIES			
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
Net cash flow used in investing activities		**(1 805 649)**	**(909 818)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received		4 245 000	950 668
Lons repaid		(6 483 240)	-
Received subsidies		561 147	279 279
Dividends paid		(122)	(161 244)
Net cash flow (used in)/ generated from financing activities		**(1 677 215)**	**1 068 703**
Net foreign exchange gains/losses		(93)	31 252
Net decrease in cash and cash equivalents		(517 443)	(33 083 085)
Cash and cash equivalents at the beginning of the financial year		**582 570**	**33 665 655**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**65 127**	**582 570**

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:

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(Member of the Board)

Jekaterina Ivanova
(Member of the Board)

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

The financial statements cover the period from 1 January to 31 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 EUR	31.12.2013 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.

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.

Interst income

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

Dividends

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

Intangible assets

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

Property, plant and equipment

The cost of an item of property, plant and equipment is 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.

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

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

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

Cash and cash equivalents

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

Accrued revenue

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

Deferred expenses

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

Dividends

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

Borrowings

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

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

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

Borrowing costs

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

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

Leases

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

The Company as lessor

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

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

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

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

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

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

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

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

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

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

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

Corporate income tax

Corporate income tax includes current and deferred taxes.

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

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

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

Events after the reporting date

Post-year-end events that provide additional information about the Company's position at the balance sheet date (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.

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.

3. Net sales

Business segments:	2014 EUR	2013 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
Total	**17 659 180**	**53 730 879**

Geographical markets:	2014 EUR	2013 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	-
Total	**17 659 180**	**53 730 879**

4. Cost of sales

	2014 EUR	2013 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)
Total	**(17 825 507)**	**(54 858 090)**

5. Distribution expenses

	2014 EUR	2013 EUR
Advertising expenses	(11 435)	(57 410)
Total	**(11 435)**	**(57 410)**

6. Administrative expenses

	2014 EUR	2013 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)
Total	**(1 001 450)**	**(1 137 954)**

7. Other operating income

	2014 EUR	2013 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
Writen-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
Total	**1 891 855**	**2 061 208**

8. Other operating expenses

	2014 EUR	2013 EUR
Leased fixet 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)
Total	**(1 526 612)**	**(1 183 373)**

9. Interest and similar income

	2014 EUR	2013 EUR
Interest income on loans issued	56 419	13 071
Interest income on deposit	-	2 402
Bank interests	-	807
Penalties received	-	925
Total	**56 419**	**17 205**

10. Interest and similar expenses

	2014 EUR	2013 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)	-
Total	**(421 662)**	**(419 083)**

11. Corporate income tax

11. (a) Components of corporate income tax:

	2014 EUR	2013 EUR
Changes in deferred income tax	244 110	53 075
Corporate income tax of the financial year	-	-
Total	**244 110**	**53 075**

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

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

11. (c) Deferred income tax change:

	2014 EUR	2013 EUR
Tax at the beginning of the financial year	2 905 960	2 959 035
Deferred income tax decrease	(244 110)	(53 075)
Total	**2 661 850**	**2 905 960**

12. Other taxes:

	2014 EUR	2013 EUR
Real estate tax	(133 231)	(133 232)
Total	**(133 231)**	**(133 232)**

13. Intangible assets

	Software EUR	Advances for intangible assets EUR	Total EUR
Cost			
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**
Accumulated amortisation			
As of 01.01.2013	**152 176**	**-**	**152 176**
Calculated	48 907	-	48 907
As of 31.12.2013	**201 083**	**-**	**201 083**
Net carrying amount			
As of 01.01.2013	**192 540**	**-**	**192 540**
As of 31.12.2013	**143 633**	**-**	**143 633**
Cost			
As of 01.01.2014	**344 716**		**344 716**
Additions	-	-	-
As of 31.12.2014	**344 716**	**-**	**344 716**
Accumulated amortisation			
As of 01.01.2014	**201 083**	**-**	**201 083**
Calculated	48 076	-	48 076
As of 31.12.2014	**249 159**	**-**	**249 159**
Net carrying amount			
As of 01.01.2014	**143 633**	**-**	**143 633**
As of 31.12.2014	**95 557**	**-**	**95 557**

14. Fixed assets

	Buildings, constructions EUR	Advance payments EUR	Leasehold improvements EUR	Equipment and machines EUR	Floating docks EUR	Unfinished construction EUR	Other Fixed assets EUR	Total EUR
Cost/revaluation								
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**
Depreciation								
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)**
Net carrying amount								
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**
Cost/revaluation								
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**
Depreciation								
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)**
Net carrying amount								
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:

	31.12.2014 EUR	31.12.2013 EUR
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
Profit from disposal of fixed assets	**150 993**	**11 613**

14. (a) Investment property

	Investment property EUR
Cost	
As of 01.01.2013	**838 231**
Additions	1 352
As of 31.12.2013	**839 583**
Accumulated depreciation	
As of 01.01.2013	**(245 855)**
Calculated	(39 258)
As of 31.12.2013	**(285 113)**
Net carrying amount	
As of 01.01.2013	**592 376**
As of 31.12.2013	**554 470**

Cost	
As of 01.01.2014	**839 583**
Additions	5 644
As of 31.12.2014	**845 227**
Accumulated depreciation	
As of 01.01.2014	**(285 113)**
Calculated	(36 090)
As of 31.12.2014	**(321 203)**
Net carrying amount	
As of 01.01.2014	**554 470**
As of 31.12.2014	**524 024**

15. Investments in associates

Shares in the capital of associates and their carrying values:

Name	31.12.2014 EUR	Participating interest %	Equity 31.12.2014 EUR	Profit / (loss) 2014 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
Total	**4 830 590**		**6 089 305**	**(324 220)**

Name	31.12.2013 EUR	Participating interest %	Equity 31.12.2013 EUR	Profit / (loss) 2013 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
Total	**4 830 590**		**6 413 525**	**(122 004)**

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
Total	**1 205 611**	**1 816**	**38 724**	**10 595**	**1 218 022**	

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

17. Raw materials and consumables

	31.12.2014 EUR	31.12.2013 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
Total	**2 591 561**	**2 943 967**

18. Work in progress

	31.12.2014 EUR	31.12.2013 EUR
Shipbuilding orders	389 534	285 199
Total	**389 534**	**285 199**

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

19. Unfinished orders

	31.12.2014 EUR	31.12.2013 EUR
Ship repair orders	39 163	24 214
Various	2 727	5 024
Mechanical engineering orders	54	67 271
Total	**41 944**	**96 509**

20. Advances for inventories

	31.12.2014 EUR	31.12.2013 EUR
For materials	582 149	405 223
Total	**582 149**	**405 223**

21. Trade receivables

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

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
Provisions as of 31.12.2014	**560 313**	**46 748**	**607 061**

22. Receivables from associates

	31.12.2014 EUR	31.12.2013 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
Total	**1 267 828**	**1 334 441**

* Debt related to assignement (cession) agreement signed with SEB bank AS, Rigas Kugu buvetava and SIA Remars Granula, no interest charged and no collateral received.

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

23. Other receivables

	31.12.2014 EUR	31.12.2013 EUR
Book value	413 248	546 206
Provisions established	(46 748)	(10 652)
Other receivables, net	**366 500**	**535 554**

	31.12.2014 EUR	31.12.2013 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
Total	**366 500**	**535 554**

24. Deferred expenses

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

25. Accrued income

	31.12.2014 EUR	31.12.2013 EUR
Shipbuilding	3 366 752	16 367 775
Ship repair	421 662	189 720
Total	**3 788 414**	**16 557 495**

26. Cash and bank

	31.12.2014 EUR	31.12.2013 EUR
Cash at bank on current accounts	58 047	581 123
Cash on hand	7 080	1 447
Total	**65 127**	**582 570**

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-Riga 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
Total	**16 607 912**	**100**	**16 607 912**	**100**

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
Total	**6 530**	**44 366**

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 Rigas kugu buvetava 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
Total	**782 607**	**279 278**
Total long-term part	710 487	279 278
Total short-term part	72 120	-

31. Loans from banks

a) Long-term part

	31.12.2014 EUR	31.12.2013 EUR
ABLV Bank AS	-	100 000
Total	**-**	**100 000**

b) Short-term part

	31.12.2014 EUR	31.12.2013 EUR
ABLV Bank AS	1 900 000	1 759 401
Nordea Bank AB affiliate in Latvia	-	4 363 814
Total	**1 900 000**	**6 123 215**

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 ammendments 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 EUR	31.12.2013 EUR
Total long-term part of leasing liabilities	71 477	53 178
Total short-term part of leasing liabilities	38 736	68 725
Total	**110 213**	**121 903**

33. Other loans

	31.12.2014 EUR	31.12.2013 EUR
Short-term part (interest rate 4,5%)	1 200 776	-
Long-term part (interest 6%)	872 100	-
Total	**2 072 876**	**-**

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 EUR	31.12.2013 EUR
For shipbuilding	2 555 754	13 222 323
For ship repair	478 504	20 250
Others	382	11 399
Total	**3 034 640**	**13 253 972**

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
Total	**3 802 548**	**5 133 091**

36. Payables to associates

	31.12.2014	31.12.2013
	EUR	EUR
Tosmares kugubuvetava AS	70 214	-
Remars Granula SIA	-	11 645
Total	**70 214**	**11 645**

37. Taxes and social insurance payments

	01.01.2014	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to other 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	-
Total	**5 029**	**659 506**	**29 398**	**(441 184)**	**-**	**252 749**
Tax debt	**324 330**					**476 216**
Tax overpayment*	**(319 301)**					**(223 467)**

*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
Total	**349 356**	**357 802**

39. Dividends unpaid

	31.12.2014 EUR	31.12.2013 EUR
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	**32 540**	**37 954**

40. Accrued liabilities

	31.12.2014 EUR	31.12.2013 EUR
For services	489 379	340 786
Accrued liabilities for unused annual leave expenses	190 231	267 998
Total	**679 610**	**608 784**

41. Staff costs and number of employees

	2014 EUR	2013 EUR
Total remuneration to personnel		
Salary	4 438 252	5 270 141
Social insurance payments	1 004 358	1 229 176
Total	5 442 610	6 499 317

	2014 EUR	2013 EUR
Incl. Personnel salary (production department)		
Salary	3 904 979	4 679 090
Social insurance payments	888 906	1 092 370
Total	4 793 885	5 771 460

	2014 EUR	2013 EUR
Incl. Administration		
Salary	146 724	84 699
Social insurance payments	33 433	20 206
Total	**180 157**	**104 905**

	2014 EUR	2013 EUR
Incl. Remuneration of the Board members		
Salary	187 281	282 249
Social insurance payments	43 898	66 356
Total	**231 179**	**348 605**

	2014 EUR	2013 EUR
Incl. Remuneration of the Council members		
Salary	199 268	224 102
Social insurance payments	38 121	50 784
Total	**237 389**	**274 886**

	2014	2013
Average number of employees during reporting year	477	601

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
Total		**618 239**	**1 340 687**	**87 909**

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 Comapny 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 foalting 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- Riga 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 cooperaton 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.