

Rigas kugu buvetava JSC
2015 Annual Report
prepared in accordance with
requirements of Latvian statutory requirements,
*(Not audited)**

** 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.*

**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
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**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
GENERAL INFORMATION**

Name of the company	Rigas kugu buvetava JSC
Legal status of the company	Joint stock company
Number, place and date of registration	000304589, December 5, 1991, Companies register, Riga 40003045892, August 26, 2004, Commercial register, Riga
Address	Gales street 2, Riga, LV-1015, Latvia
Share capital of the Company	16 340 950 EUR
Associates	Tosmares kugubuvetava JSC (49.72%) Reg.No. 42103022837 Generala Baloza Street 42/44, Liepaja, Latvia Remars Granula LTD (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	Janis Skvarnovics Chairman of the Board Vladislavs Blums Member of the Board till 15.10.2015. Einars Buks Member of the Board Jekaterina Ivanova Member of the Board
Names and positions of the Council	Vasilijs Melniks Chairman of the Council Aleksandrs Cernavskis Deputy Chairman of the Council Linards Baumanis Member of the Council Valentīna Andrejeva Member of the Council Gaidis Andrejs Zeibots Member of the Council
Financial year	January 1, 2015 - December 31, 2015
Previous financial year	January 1, 2014 – December 31, 2014
Auditor's name and address	Deloitte Audits Latvia LTD License No. 43 4a Gredu street, Riga, LV-1019, Latvia Reg.N.40003606960 Kitija Kepite Sworn Auditor Certificate No. 182

RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT MANAGEMENT REPORT

Company Profile

In 2015 JSC Rigas kugu buvetava /Riga Shipyard/ repaired 69 ships, which is by 18 ships more than in 2014, when repairs were made to 51 ships. Such results were succeeded by using in 2015 winter months old ship hulls for reinforcement and insulation works, without using dock. In 2015 4 ship hulls were built and floated out, which is less than it was planned, but this can be excused by objective circumstances, as the employers could not raise funds to implement the projects in planned time.

The industrial metal structures represent a new segment of our production range. The Company management board and specialists dedicated much time and energy to get the Company certified and obtain real orders in this market sector. In 2015, upon receipt of positive references, we delivered an order, which consisted of 2 metal coils with a diameter of 8.5 meters and 7 metal coils with a diameter of 5.7 meters. Currently negotiations are under way as to receipt of the next order. This new production sector allows maintaining the professional qualifications of the Company's engineering staff at a high level, as well as levelling the work load during winter months and generating surplus income.

The ordering parties for the products and services of Joint-Stock Company Rigas kugu buvetava, as well as suppliers of raw material have not changed. The shipbuilding ordering parties come mostly from Scandinavian countries, ship repairs – ship's agencies and shipping companies from Western countries. The key suppliers of materials and spare parts are the firms registered in Latvia and in the European Union.

Company development and results of financial operations in the reporting year

In 2015 the total net turnover of Joint-Stock Company Rigas kugu buvetava made up EUR 21 295 326 EUR, including ship repairs of EUR 17 423 576 and shipbuilding of EUR 3 546 082 (if compared to 2014, net turnover made up EUR 17 659 180, including shipbuilding of EUR 7 710 590 and ship repair of EUR 9 640 988).

The Company closed the reporting year with gross profit of EUR 1 835 744 (in 2014 gross losses made up EUR 166 327), in 2015 net profit made up EUR 220 974, respectively in 2014 net losses made up EUR 1 048 677). In 2015 Joint-Stock Company Rīgas kuģu būvētava continued the investment programme, which was launched in the preceding years. In 2015 investments made up 1.85 million EUR, a new metal bending machine was procured.

The Company continued capital repairs to the production building, floating docks, gantry cranes, tugboats and other fixed assets.

Joint-Stock Company Rigas kugu buvetava operates and implements production processes in line with the international quality standard EN ISO 9001:2008 and is planning to certify the Company by July 2016 in conformity with EN ISO 9001:2015 Standard, and at the same time to become integrated with a new system and get the Company certified in conformity with ISO 14001:2005 and OHSAS 1801:2005 standards. Introduction of new standards will enable to improve the quality assurance system and to use the natural and also physical resources more rational.

Company's research work and development activities

The Company management board in cooperation with the Company council continues the market research activities, participates in international exhibitions and support programmes to uptake new production sectors and new markets in order to ensure better use of production capacities and increase in labour productivity at the Company. Certification of the Company according to new and additional standards will open up new opportunities to offer our products and services in new markets.

Further development of the Company

Upon evaluation of the existing market situation and the Company's opportunities, the management board continues work to increase the number of the built and repaired ships at the plant, as well as to get engaged more actively in the broader uptake of the market of industrial metal structures.

To achieve the set objectives the Company management board reviewed the agency contracts concluded earlier, assessed their effectiveness and concluded contracts with those agents, which make real contribution to the development of the Company's production. Ditto, new agency contracts were concluded in markets, where traditionally we were not represented actively. In 2016 the management board will continue expansion of the launched course of development with a focus on the environmental protection arrangements, as well as continue investing in the updating of production equipment of the Company, thereby enhancing competitiveness of the Company and contributing to the business development.

**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
MANAGEMENT REPORT**

Circumstances and events since the end of the reporting year

Within the period of time since the last day of the reporting year to the signing of the present Report no significant development took place, which would imply adjustments in the present financial statement or which would need explanations in the present financial statement.

Proposals on distribution of the Company's profit

The management board of Joint-Stock Company proposes to channel net profit of the year 2015 in the amount of EUR 220 974 to further development of the Company.

These financial statements were signed on 29th February 2016 on the Company's behalf by:

Janis Skvarnovics
(Chairman of the Board)

Einars Buks
(Member of the Board)

Jekaterina Ivanova
(Member of the Board)

**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF MANAGEMENT RESPONSIBILITIES**

The management of Rigas kugu buvetava JSC (the Company) is responsible for preparation of the financial statements.

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of December 31, 2015 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 7 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)

Jekaterina Ivanova
(Member of the Board)

RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 EUR	(Adjusted*)2014 EUR
Net sales	3	21 295 326	17 659 180
Cost of sales	4	(19 459 582)	(17 825 507)
Gross profit (loss)		1 835 744	(166 327)
Distribution expenses	5	(19 827)	(11 435)
Administrative expenses	6	(947 301)	(1 055 341)
Other operating income	7	1 674 043	1 891 855
Other operating expenses	8	(1 216 223)	(1 526 612)
Interest and similar income	9	78 805	56 419
Interest and similar expenses	10	(427 123)	(421 662)
Profit (loss) before taxes		978 118	(1 233 103)
Corporate income tax	11	-	-
Deferred income tax	11(a)	(622 933)	317 657
Other taxes	12	(134 211)	(133 231)
Net profit (loss) for the year		220 974	(1 048 677)
Profit (loss) per share		0,02	(0,09)

* View the note No.42

The accompanying notes on pages 12 to 35 are an integral part of these financial statements.

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RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
BALANCE SHEET AS OF 31 DECEMBER 2015

	Notes	31.12.2015 EUR	(Adjusted*) 31.12.2014 EUR
ASSETS			
Non-current assets			
Intangible assets	13	55 458	95 557
Fixed assets			
Land and buildings		8 022 928	8 241 782
Leasehold improvements		0	3 358
Equipment and machinery		4 516 767	4 535 036
Floating docks		16 562 568	16 082 747
Other fixed assets		434 967	205 530
Fixed assets under construction		525 090	329 054
Advances for fixed assets		9 562	7 114
Total fixed assets	14	30 071 882	29 404 621
Investment property	14 (a)	490 502	524 024
Non-current financial investments			
Investments in associates	15	4 830 590	4 830 590
Securities		235	235
Loans and non-current receivables	16	1 197 629	1 218 022
Total non-current financial investments		6 028 454	6 048 847
Total non-current assets		36 646 296	36 073 049
Current assets			
Inventories			
Raw materials and consumables	17	2 303 874	2 591 561
Work in progress	18	137 070	389 534
Unfinished orders	19	29 055	41 944
Advances for inventories	20	162 161	582 149
Total inventories		2 632 160	3 605 188
Account receivable			
Trade receivables	21	1 745 808	1 650 559
Receivables from associates	22	1 277 673	1 267 828
Other receivables	23	1 270 188	336 840
Deferred expense	24	29 670	38 115
Accrued income	25	1 159 499	3 788 414
Total receivables		5 482 838	7 081 756
Cash and bank	26	132 199	65 127
Total current assets:		8 247 197	10 752 071
TOTAL		44 893 493	46 825 120

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RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
BALANCE SHEET AS OF 31 DECEMBER 2015

	Notes	31.12.2015. EUR	(Adjusted*) 31.12.2014. EUR
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	27	16 340 950	16 607 912
Non-current investments revaluation reserve	28	12 056 273	12 056 273
Reserves			
other reserves		266 962	
Retained earnings			
prior year's retained earnings		2 231 051	3 279 728
net profit (loss) for the year		220 974	(1 048 677)
Total retained earnings		2 452 025	2 231 051
Total equity		31 116 210	30 895 236
Provisions			
	29	1 643	6 530
Non-current liabilities			
Loans from banks			
Deferred income	30	638 367	710 487
Leasing liabilities	32	42 216	71 477
Other loans	33	1 182 863	872 100
Deferred tax liabilities	11(b)	3 211 235	2 588 302
Total non-current liabilities		5 074 681	4 242 366
Current liabilities			
Loans from banks	31	1 900 000	1 900 000
Other loans	33	762 909	1 200 776
Leasing liabilities	32	29 660	38 736
Advances from customers	34	1 589 864	3 034 640
Trade payables	35	2 622 742	3 802 548
Payables to associates	36	472 203	70 214
Taxes and social insurance payments	37	294 561	500 447
Other liabilities	38	445 425	349 357
Deferred income	30	72 120	72 120
Dividends unpaid	39	25 680	32 540
Accrued liabilities	40	485 795	679 610
Total current liabilities:		8 700 959	11 680 988
Total liabilities:		13 775 640	15 923 354
TOTAL		44 893 493	46 825 120

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**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital	Non-current investments revaluation reserve	Other reserves	Retained earnings	Total
	EUR	EUR		EUR	EUR
Balance as of 31 December 2013	16 607 912	12 056 273		3 279 728	31 943 913
Net loss for the year (adjusted*)	-	-		(1 048 677)	(1 048 677)
Balance as of 31 December 2014	16 607 912	12 056 273		2 231 051	30 895 236
Reserves drawn up in the result of the denomination	(266 962)		266 962		
Net profit for the year				220 974	220 974
Balance as of 31 December 2015	16 340 950	12 056 273	266 962	2 452 025	31 116 210

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**RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 EUR	2014 EUR
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Sales and service income		23 295 613	22 569 547
Cash to suppliers, personnel and other primary activity costs		<u>(22 523 355)</u>	<u>(19 324 186)</u>
Gross cash flow generated from/(used in) operating activities		772 258	3 245 361
Interest paid		(299 298)	(268 645)
Corporate income tax paid	37	<u>(79)</u>	<u>(11 202)</u>
Net cash flow generated from /(used in) operating activities		472 881	2 965 514
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of fixed and intangible assets		(595 505)	(2 373 884)
Proceeds from sales of fixed assets and intangible assets		240 317	552 356
Loans issued		(493 841)	(1 816)
Repayment of loans		2 441	0
Interest received		15 748	17 695
Net cash flow used in investing activities		(830 840)	(1 805 649)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received		860 000	4 245 000
Loans repaid		(435 000)	(6 483 240)
Received subsidies		0	561 147
Dividends paid		0	(122)
Net cash flow (used in)/ generated from financing activities		425 000	(1 677 215)
Net foreign exchange gains/losses		31	(93)
Net decrease in cash and cash equivalents		<u>67 072</u>	<u>(517 443)</u>
Cash and cash equivalents at the beginning of the financial year		65 127	582 570
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		132 199	65 127

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RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

Rigas kugu buvetava JSC 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 2015.

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 Euro zone 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:

	31.12.2015.	31.12.2014.
	EUR	EUR
1 USD	0,91853	0,82366
1 RUB	0,012396	0,01382
1 GBP	1,36249	1,28386

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 KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

RIGAS KUGU BUVETAVA JSC 2015 ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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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.

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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 2015.

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 2015.

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 2015.

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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 2015.

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 2015.

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 2015. 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 2015.

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 2015 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 2015.

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3. Net sales

	2015	2014
	EUR	EUR
Business segments:		
Ship repair	17 423 576	9 640 988
Shipbuilding	3 546 082	7 710 590
Mechanical engineering	323 434	299 512
Other works	2 234	8 090
Total	<u>21 295 326</u>	<u>17 659 180</u>

	2015	2014
	EUR	EUR
Geographical markets:		
Denmark	3 929 004	3 827 469
Finland	281 996	2 393 031
Cyprus	2 522 238	2 289 316
Belgium	1 504 812	1 467 931
Germany	1 732 461	1 464 336
Greece	1 898 631	1 067 974
Singapore	897 251	879 195
Sweden	143 689	786 402
Latvia	1 041 044	785 176
The Netherlands	186 340	694 418
Norway	1 207 188	686 591
Marshall Island	1 532 458	373 197
Italy	0	293 500
Iceland	952	243 855
Estonia	27 369	220 410
Russia	1 637 358	173 895
Bulgaria	925 026	
Malta	0	7 360
Lithuania	6 932	0
Poland	1 097 997	
Monako	722 580	5 124
Total	<u>21 295 326</u>	<u>17 659 180</u>

4. Cost of sales

	2015	2014
	EUR	EUR
Purchase costs of goods sold	(12 925 603)	(11 427 238)
Salary expenses	(3 789 864)	(3 904 979)
Depreciation of fixed assets	(1 228 087)	(1 251 838)
Social insurance	(858 516)	(888 906)
Provisions for annual leave expenses	(1 817)	-
Other costs	(655 695)	(352 546)
Total	<u>(19 459 582)</u>	<u>(17 825 507)</u>

5. Distribution expenses

	2015	2014
	EUR	EUR
Advertising expenses	(19 827)	(11 435)
Total	<u>(19 827)</u>	<u>(11 435)</u>

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6. Administrative expenses

	2015	2014
	EUR	EUR
Remuneration of the Council members	(228 796)	(199 268)
Remuneration of the Board members	(168 717)	(187 281)
Salary expenses (administration)	(145 210)	(190 329)
Social insurance	(113 951)	(125 738)
Representative vehicle maintenance expenses	(59 511)	(96 228)
Transportation costs, travelling allowances	(118 521)	(96 114)
Legal services	(1 120)	(42 459)
Depreciation of fixed assets	(40 918)	(38 389)
Representation costs	(21 026)	(23 462)
Communication costs	(18 407)	(19 589)
Audit expenses	(17 000)	(17 000)
Office rent and utilities	(10 467)	(14 108)
Insurance	(3 657)	(5 376)
Total	(947 301)	(1 055 341)

7. Other operating income

	2015	2014
	EUR	EUR
Income from rent and delivered utility services	635 736	951 633
Sale of materials	393 874	345 559
Proceeds from the sale of quotas	209 677	0
Net income from sales of fixed assets (Note 14)	87 648	150 993
Written-off accounts payable	128 090	132 585
Tugboat services income	81 318	96 916
Decrease of provisions for unused annual leave	0	77 767
Income from projects financing	72 120	60 698
Transport services	10 708	12 458
Net income from exchange rate fluctuations	11 536	10 513
Chemical analyses	875	430
Other income	42 461	52 303
Total	1 674 043	1 891 855

8. Other operating expenses

	2015	2014
	EUR	EUR
Leased fixet assets maintenance costs	(711 429)	(778 131)
Material expenses	(353 347)	(332 051)
Costs on tugboat services	(39 660)	(76 615)
Representation costs 60%	(33 571)	(38 082)
Provisions for bad and doubtful debts	(17 297)	(203 251)
Provisions for warranty repairs	(10 000)	(15 000)
Medical services	(13 151)	(12 234)
Material allowances, gifts	(12 704)	(9 941)
Donations	(3 219)	(3 575)
Burial expenses	(4 895)	(3 063)
Net loss from sale of foreign currency	(335)	(123)
Other expenses	(16 615)	(54 546)
Total	(1 216 223)	(1 526 612)

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9. Interest and similar income

	2015	2014
	EUR	EUR
Interest income on loans issued	78 751	56 419
Penalties received	54	-
Total	78 805	56 419

10. Interest and similar expenses

	2015	2014
	EUR	EUR
Interest expenses for loans	(231 500)	(228 800)
Bank charges for guarantees	(49 154)	(87 246)
Penalties paid	(145 461)	(80 294)
State fee	(1 008)	(25 322)
Total	(427 123)	(421 662)

11. Corporate income tax

11. (a) Components of corporate income tax:

	2015	2014
	EUR	EUR
Changes in deferred income tax	(622 933)	317 657
Corporate income tax of the financial year	-	-
Total	(622 933)	317 657

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

	31.12.2015	31.12.2014
	EUR	EUR
Deferred tax liability:		
Difference between residual value of fixed assets in financial accounting and tax purposes	21 601 937	20 884 820
Total deferred tax liabilities	21 601 937	20 884 820

Deferred tax (assets):

Provisions for leave expenses	(192 048)	(190 231)
Provisions for warranty repair	(1 643)	(6 530)
Accumulated tax loss	-	(3 432 705)
Total deferred tax (assets)	21 408 246	17 755 354

Deferred taxation liabilities, rate 15%

	3 211 235	2 588 302
Deferred tax liabilities	3 211 235	2 588 302

11. (c) Deferred income tax change:

	2015	2014
	EUR	EUR
Tax at the beginning of the financial year	2 588 302	2 905 959
Deferred income tax decrease	622 933	(317 657)
Total	3 211 235	2 588 302

12. Other taxes:

	2015	2014
	EUR	EUR
Real estate tax	(134 211)	(133 231)
Total	(134 211)	(133 231)

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13. Intangible assets

	Software EUR	Advances for intangible assets EUR	Total EUR
Cost			
As of 01.01.2014.	344 716	-	344 716
Additions	-	-	-
Disposals	-	-	-
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
Cost			
As of 01.01.2015.	344 716	-	344 716
Additions	7 679	-	7 679
Disposals	(445)	-	(445)
As of 31.12.2015.	351 950	-	351 950
Accumulated amortisation			
As of 01.01.2015.	(249 159)	-	(249 159)
Calculated	(47 778)	-	(47 778)
Disposals	445	-	445
As of 31.12.2015.	(296 492)	-	(296 492)
Net carrying amount			
As of 01.01.2015.	95 557	-	95 557
As of 31.12.2015.	55 458	-	55 458

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14. Fixed assets

	Buildings, constructions	Advance payments	Leasehold improvements	Equipment and machines	Floating docks	Unfinished construction	Other Fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
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)	(2 085 893)	-	(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

Cost/revaluation

As of 01.01.2015.	12 704 691	7 114	3 358	13 278 879	18 433 643	329 054	1 495 772	46 252 511
Additions	-	20 491	-	-	-	2 019 096	-	2 039 587
Disposals	(88)	(18 043)	(3 358)	(918 407)	-	-	(60 054)	(999 950)
Reclassified	81 879	-	-	726 280	728 197	(1 823 060)	304 747	18 043
As of 31.12.2015.	12 786 482	9 562	0	13 086 752	19 161 840	525 090	1 740 465	47 310 191

Depreciation

As of 01.01.2015.	(4 462 909)	-	-	(8 743 843)	(2 350 896)	-	(1 290 242)	(16 847 890)
Calculated	(300 733)	-	-	(600 713)	(248 376)	-	(71 405)	(1 221 227)
Disposals	88	-	-	774 571	-	-	56 149	830 808
As of 31.12.2015.	(4 763 554)	-	-	(8 569 985)	(2 599 272)	-	(1 305 498)	(17 238 309)

Net carrying amount

As of 01.01.2015.	8 241 782	7 114	3 358	4 535 036	16 082 747	329 054	205 530	29 404 621
As of 31.12.2015.	8 022 928	9 562	-	4 516 767	16 562 568	525 090	434 967	30 071 882

Real Estate (buildings) cadastral value as of 31.12.2015. : 5 723 487 EUR (31.12.2014.: 5 723 487 EUR).

Information about assets used as collaterals for borrowings included in Notes 31 and 44.

Financial result of disposed, eliminated and sold fixed assets:

	31.12.2015. EUR	31.12.2014. EUR
Historical value	978 994	666 560
Accumulated depreciation	(831 253)	(344 968)
Residual value	147 741	321 592
Revenue from selling the fixed assets	235 390	472 585
Profit from disposal of fixed assets	87 649	150 993

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14. (a) Investment property

	Investment property EUR
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
Cost	
As of 01.01.2015.	845 227
Additions	-
As of 31.12.2015..	845 227
Accumulated depreciation	
As of 01.01.2015.	(321 203)
Calculated	(33 522)
As of 31.12.2015.	(354 725)
Net carrying amount	
As of 01.01.2015.	524 024
As of 31.12.2015.	490 502

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15. Investments in associates

Shares in the capital of associates and their carrying values:

Name	31.12.2015.	Participating	Equity	Profit / (loss)
	EUR	interest %	31.12.2015. EUR	2015. EUR
Tosmares kugubuvetava JSC	3 630 590	49.72	6 022 967	187 222
Remars Granula LTD	1 200 000	49.80	244 098	(9 962)
Total	4 830 590		6 267 065	177 260

Name	31.12.2014.	Participating	Equity	Profit / (loss)
	EUR	interest %	31.12.2014. EUR	2014 EUR
Tosmares kugubuvetava JSC	3 630 590	49.72	5 835 245	(362 204)
Remars Granula LTD	1 200 000	49.80	254 060	37 984
Total	4 830 590		6 089 305	(324 220)

16. Other loans and non-current receivables

Name / Type of Loan	As of 31.12.2014.	Loans issued in 2015	Loans granted in 2015	Disposals	Interest accrued	Currency exchange rate change	As of 31.12.2015.	Term of repayment
Loans to employees (students)	107 204	-	(2 595)	(29 277)		11 478	86 810	2020-2029
Loans for Tosmares kugubuvetava JSC shares	1 110 818				95 036 (95 036)		1 110 818	2020
Total	1 218 022		(2 595)	(29 277)	0	11 478	1 197 628	

Total amount receivable after 5 years: 80 638 EUR.

17. Raw materials and consumables

	31.12.2015. EUR	31.12.2014. EUR
Metal, non-ferrous metals, pipes	1 549 021	1 699 192
Metal ware	67 532	73 327
Timbering	2 171	29 816
Equipment	29 864	29 248
Fuel	7 778	24 556
Varnish and paint	18 473	23 977
Cables	31 442	15 631
Coveralls	7 622	10 835
Technical rubber ware	58 095	8 848
Wire cables	8 648	7 011
Household goods	3 938	3 094
Other	519 290	666 026
Total	2 303 874	2 591 561

18. Work in progress

	31.12.2015. EUR	31.12.2014. EUR
Shipbuilding orders	137 070	389 534
Total	137 070	389 534

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

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19. Unfinished orders

	31.12.2015.	31.12.2014.
	EUR	EUR
Ship repair orders	24 911	39 163
Mechanical engineering orders	2 920	54
Various	1 224	2 727
Total	<u>29 055</u>	<u>41 944</u>

20. Advances for inventories

	31.12.2015.	31.12.2014.
	EUR	EUR
For materials	162 161	582 149
Total	<u>162 161</u>	<u>582 149</u>

21. Trade receivables

	31.12.2015.	31.12.2014.
	EUR	EUR
Book value of trade receivables	2 323 418	2 210 872
Provisions for bad and doubtful debts	(577 610)	(560 313)
Trade receivables, net	<u>1 745 808</u>	<u>1 650 559</u>

Change in provisions

	Trade receivables	Other receivables	Total
Provisions as of 31.12.2014.	560 313	46 748	607 061
Increase in provisions	17 297		17 297
Provisions as of 31.12.2015.	<u>577 610</u>	<u>46 748</u>	<u>624 358</u>

22. Receivables from associates

	31.12.2014.	31.12.2015.
	EUR	EUR
Remars Granula SIA debt for loan according to assignment agreement *	770 000	770 000
Remars Granula SIA loan **	507 673	491 925
Tosmares kuģubūvētava AS debt for service and materials	0	5 903
Total	<u>1 277 673</u>	<u>1 267 828</u>

* Debt related to assignment (cession) agreement signed with JSC SEB Bank , JSC Rigas kugu buvetava and Remars Granula LTD, no interest charged and no collateral received.

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

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23. Other receivables

	31.12.2015.	31.12.2014.
	EUR	EUR
Book value	1 316 936	413 248
Provisions established	(46 748)	(46 748)
Other receivables, net	<u>1 270 188</u>	<u>366 500</u>

	31.12.2015.	31.12.2014.
	EUR	EUR
Short-term loans (interest rate 6 %)	500 531	0
Value added tax overpaid (37 Note)	151 442	167 260
Corporate income tax (37 Note)	0	56 207
Advance payments for services	421 785	53 714
Interests	95 036	38 724
Payments personal debts	77 157	851
Payment of salary	22 259	16 204
Other receivables	1 978	3 880
Total	<u>1 270 188</u>	<u>336 840</u>

24. Deferred expenses

	31.12.2015.	31.12.2014.
	EUR	EUR
Advertising expenses	0	9 585
Property insurance	11 996	9 506
Health insurance	1 034	9 111
Renovation costs of leased fixed assets	3 358	6 592
Subscription to the press	0	86
Travelling allowances	12 964	0
Other expenses	318	3 235
Total	<u>29 670</u>	<u>38 115</u>

25. Accrued income

	31.12.2015.	31.12.2014.
	EUR	EUR
Shipbuilding	737 159	3 366 752
Ship repair	222 607	421 662
	199 733	0
Total	<u>1 159 499</u>	<u>3 788 414</u>

26. Cash and bank

	31.12.2015.	31.12.2014.
	EUR	EUR
Cash at bank on current accounts	115 018	58 047
Cash on hand	17 181	7 080
Total	<u>132 199</u>	<u>65 127</u>

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27. Share capital

Rigas kugu buvetava JSC was founded in 1991. Share capital of the Company is 16 340 950 EUR, which is comprised of 11 672 107 ordinary shares, nominal value of one share is 1 LVL (1.40 EUR). Currently there are in total 11 672 107 shares of which 10 000 000 shares are publicly traded and 1 672 107 shares are in closed issue. The joint stock company is public and its shares are quoted on exchange market JSC NASDAQ Riga on the secondary list. All shares give equal rights for receiving dividends, liquidation quotes and voting rights at the shareholders meeting. 1 share gives 1 voting right.

Amendments to the Statutes:

1. Increase of the share capital up to EUR 15 651 590 on 30 December 1998.
2. Increase of the share capital up to EUR 16 607 912 on 30 December 1999.
3. Denomination of the share capital was done in May 2015. The share capital after the denomination is 16 340 950 EUR, the nominal value of one share is 1.40 EUR.

Rigas kugu buvetava JSC shareholders:

	31.12.2015.		31.12.2014.	
	EUR	%	EUR	%
Remars-Riga JSC	8 146 872	49.86	8 279 967	49.86
Individuals	5 102 817	31.22	5 082 656	30.60
Other legal entities	3 091 261	18.92	3 245 289	19.54
Total	16 340 950	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 LTD performed valuation of the Company's real estate (three floating docks) and as a result of the valuation estimated fair value of three floating docks which as of 20.12.2017. 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

	31.12.2015.	31.12.2014.
	EUR	EUR
Provisions for warranty repairs	1 643	6 530
Total	1 643	6 530

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

	31.12.2015.	31.12.2014.
	EUR	EUR
1) Financing in accordance with the signed agreement in 2013 with the Ministry of Environmental Protection and Regional Development for the project implementation "Measure of the Energy efficiency in the production buildings"	414 600	457 801
2) Financing in accordance with an agreement signed in 2012 with the government agency LIAA about the EU co-financed project "Rigas kugu buvetava JSC Heating system reconstruction".	295 887	324 806
Total	710 487	782 607
Total long-term part	638 367	710 487
Total short-term part	72 120	72 120

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31. Loans from banks
a) Short-term part

	31.12.2015.	31.12.2014.
	EUR	EUR
ABLV Bank JSC	1 900 000	1 900 000
Total	<u>1 900 000</u>	<u>1 900 000</u>

1. In October 2013 the Company concluded with ABLV Bank JSC the Creditline contract No. 13-FP-0207 for current assets needs. The repayment term is October 18, 2017. The interest rate is 4,5% + 6 months EURIBOR. Mortgage agreement on real estate properties was signed. Pledged real estate net book value as of December 31, 2015 is 5 691 607 EUR.

2. On the 8 December 2014 there was signed the Bank Guarantee limit Agreement with JSC Baltic International Bank No. 05/10/14. As of December 31, 2015 the total Guarantee limit available is 3 514 000 EUR, used Guarantee limit is 1 374 250 EUR. As security 1st stage mortgage agreement for floating dock No 170 was signed. The mortgaged property balance sheet value as of December 31, 2015 is 10 416 958 EUR.

3. According to the JSC Baltic International Bank Client service agreement NR.952 / 01/14 and the Annex "The request for payment cards" No.1 concluded on the December 8, 2014, Company received a corporate payment cards with a total credit limit of EUR 60 000.

As collateral on November 17, 2015 entered into a pledge agreement No. 8/12/15 per tug "Nikolay Nechiporenko" pledge. The book value of the mortgaged property shall draw up a EUR 102 366.

32. Leasing liabilities

	31.12.2015.	31.12.2014.
	EUR	EUR
Total long-term part of leasing liabilities	42 216	71 477
Total short-term part of leasing liabilities	29 660	38 736
Total	<u>71 876</u>	<u>110 213</u>

33. Other loans

	31.12.2015.	31.12.2014.
	EUR	EUR
Long-term part (interest 6%)	1 182 863	872 100
Short-term part (interest rate 4,5%)	762 909	1 200 776
Total	<u>1 945 772</u>	<u>2 072 876</u>

In 2014 Company received 1 loan from private person, repayment term is 2016 and 1 loan from Company, repayment term is 2018. No assets are pledged as collateral.

34. Advances from customers

	31.12.2015.	31.12.2014.
	EUR	EUR
For shipbuilding	1 418 000	2 555 754
For ship repair	105 000	478 504
Others	66 864	382
Total	<u>1 589 864</u>	<u>3 034 640</u>

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35. Trade payables

	31.12.2015.	31.12.2014.
	EUR	EUR
Payables for services	1 995 519	2 736 895
Payables for materials	627 223	1 065 653
Total	<u>2 622 742</u>	<u>3 802 548</u>

36. Payables to associates

	31.12.2015.	31.12.2014.
	EUR	EUR
Short-term part from Tosmares kugubuvetava JSC (interest rate 6 %)	472 203	70 214
Total	<u>472 203</u>	<u>70 214</u>

In 2014 Company received loan from Tosmares kugubuvetava JSC, repayment term is 2016.

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37. Taxes and social insurance payments

	01.01.2015.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to other taxes	31.12.2015.
	EUR	EUR	EUR	EUR	EUR	EUR
Social insurance payments	131 787	1 404 478	16 588	(246 517)	(1 167 687)	138 649
Value added tax	(167 260)	(1 552 059)			1 567 877	(151 442)
Personal income tax	318 577	808 914	48 856	(569 789)	(456 200)	150 358
Corporate income tax	(56 207)	79	197	(79)	56 010	
Real estate tax	49 234	134 211	9 985	(188 878)		4 552
Natural resources tax	684	3 955		(3 797)		842
Risk duty	165	1 966		(1 971)		160
Customs duty on import	-	49		(49)		
Total	276 980	801 593	75 626	(1 011 080)		143 119
Tax debt	500 447					294 561
Tax overpayment*	(223 467)					(151 442)

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

38. Other liabilities

	31.12.2015.	31.12.2014.
	EUR	EUR
Salaries	248 362	244 113
Payments for debts	193 241	67 990
Payments to personnel	891	30 423
Payments for credit cards	2 181	6 831
Retention from salaries	750	-
Total	445 425	349 357

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39. Dividends unpaid

	31.12.2015.	31.12.2014.
	EUR	EUR
As at the beginning of the period	32 540	37 954
Dividends calculated		-
Dividends paid		(180)
Written-off (older than 10 years)	(6 860)	(5 234)
As at the end of the period	25 680	32 540

40. Accrued liabilities

	31.12.2015.	31.12.2014.
	EUR	EUR
For services	293 747	489 379
Accrued liabilities for unused annual leave expenses	192 048	190 231
Total	485 795	679 610

41. Staff costs and number of employees

	2015	2014
	EUR	EUR
Total remuneration to personnel		
Salary	4 332 587	4 438 252
Social insurance payments	972 467	1 004 358
Total	5 305 054	5 442 610

	2015	2014
	EUR	EUR
Incl. Personnel salary (production department)		
Salary	3 789 864	3 904 979
Social insurance payments	858 516	888 906
Total	4 648 380	4 793 885

	2015	2014
	EUR	EUR
Incl. Administration		
Salary	145 210	146 724
Social insurance payments	32 549	33 433
Total	177 759	180 157

	2015	2014
	EUR	EUR
Incl. Remuneration of the Board members		
Salary	168 717	187 281
Social insurance payments	44 629	43 898
Total	213 346	231 179

	2015	2014
	EUR	EUR
Incl. Remuneration of the Council members		
Salary	228 796	199 268
Social insurance payments	36 773	38 121
Total	265 569	237 389

	2015	2014
Average number of employees during reporting year	425	477

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42. Last year's correction

In Year 2015 after the tax audit

<u>Income statements items</u>	31.12.2014. Before corrections, EUR	Correction amount EUR	31.12.2014. After corrections, EUR
Administrative expenses	(1 001 450)	(53 891)	(1 055 341)
Deferred income tax	244 110	73 547	317 657
Net profit (loss) for the year	(1 068 333)	19 656	(1 048 677)

Balance sheet items

Assets

Other receivables	366 500	(29 660)	336 840
Total current assets:	10 781 731	(29 660)	10 752 071

Equity,provisions and liabilities

net profit (loss) for the year	(1 068 333)	19 656	(1 048 677)
Total equity	30 875 580	19 656	30 895 236
Deferred tax liabilities	2 661 850	(73 548)	2 588 302
Taxes and social insurance payments	476 231	24 216	500 447
Total liabilities	15 972 670	(49 316)	15 923 354

43. Transactions with related parties

	Type of commitment	Goods or services sold EUR	Purchased goods or services EUR	Other transactions EUR
Remars-Riga JSC	Significant influence	412 289	1 257 571	
Tosmares kugubuvetava JSC	Associated company	283 116	2 091	588 292
Remars-Granula LTD	Associated company	-	-	15 748
Total		695 405	1 259 662	604 040

44. Off-balance liabilities

1. The Company has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid till 31.08.2028. The Company has the priority to extend the agreement term.

2. On the December 28, 2010 there was issued ship covered bond No.EH 28.12.2010/KO about floating dock deposit in the favour of UniCreditBank JSC and bond is valid until the secured obligations are fully met. Ship bond is issued as a guarantee for Eiroholdings LTD obligations, that results from credit line agreement Nr. EH 01.07.2008/CL dated on July 1, 2008; creditline obligations as of December 31, 2015 is EUR 1 169 994. Maximum guarantee claim is EUR 4 183 243 . Mortgaged floating dock 791, with the balance sheet value as of

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December 31, 2015 EUR 5 142 292. At the date of approval of these financial statements Management considers that there is low probability that the settlement of the obligation resulting from the above mentioned agreement is likely.

3. On December 12, 2014 between Rigas kugu buvetava JSC and ABLV Bank JSC was signed mortgage agreement No. 14-FP-0328/01 for the first mortgage on Rigas kugu buvetava JSC real estate - as security for Remars- Riga JSC liabilities that are resulting from December 12, 2014 credit agreement No. 14-FP-032. As of December 31, 2015 liabilities amounted to EUR 1 924 663. Total amount of secured claim is EUR 2 860 000. The pledged property balance sheet value as of December 31, 2015 is EUR 6 199 567. 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.

45. 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.

46. Going concern

The Company's net result for 2015 is a profit in the amount of EUR 0,2 million (net result for 2014 - loss in the amount of EUR 1.1 million), while total carrying value of fixed assets included in Company's balance sheet as of December 31, 2015 is EUR 30.1 million. Company's current liabilities exceed its current assets by EUR 0.5 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.