

"Rigas kugu buvetava" JSC

*Financial statements on six months of the year 2016
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 REPORT ON PERIOD TILL 30TH OF JUNE 2016
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RIGAS KUGU BUVETAVA JSC REPORT ON SIX MONTHS OF THE YEAR 2016
STATEMENT OF MANAGEMENT RESPONSIBILITIES

Name of the company	Rigas kugu buvetava JSC	
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	16 340 950 EUR	
Associates	Tosmares kugubuvetava JSC (49.72%) Reg.No.42103022837 Generala Baloza Street 42/44, Liepaja, Latvia	
	Remars Granula LLC (49.80%) Reg.No.54103022521 Gales street 2, Riga, 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
	Einars Buks	Member of the Board
	Jekaterina Melnika	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
	Valentina Andrejeva	Member of the Council
	Gaidis Andrejs Zeibots	Member of the Council
Financial period	1 January 2016 - 30 June 2016	
Previous financial period	1 January 2015 - 30 June 2015	
Auditor's name and address	"Oriens Audit & Finance" SIA LZRA Licence No. 28 Gunara Astras street 8b, Riga, LV-1082 Latvia	
	Natalija Zaiceva Sworn Auditor Certificate No. 182	

**RIGAS KUGU BUVETAVA JSC REPORT ON PERIOD TILL 30TH OF JUNE 2016
MANAGEMENT REPORT**

Company Activities

During the first 6 months of 2016, a total of 27 vessels were repaired at the Rigas kugu buvetava JSC (Riga Shipyard) (in comparison to 32 vessels in the first 6 months of 2015), and 1 ship hull was built (in comparison the 2 ship hulls built during the first 6 months of 2015).

During the first 6 months of 2016, there were no substantial changes in the range of suppliers of raw materials, products and services acquired by the Riga Shipyard and the countries of origin being Western Europe, Estonia, Lithuania and Latvia. Traditionally, the ship-owners from the Nordic countries, the Western Europe and Latvia remained as the main customers of ship repair services, while Nordic ship-owners were the main shipbuilding customers who ordered ship hulls.

Company Development and Financial Performance in the First 6 Months in the Reporting Year

During the first 6 months of 2016, the Riga Shipyard had a total net turnover of 10,135,290 EUR, including shipbuilding 2,727,884 EUR and ship repairs 7,183,188 EUR (in comparison in the first 6 months of 2015 the total net turnover was 10,242,446 EUR, including shipbuilding 1,706,030 EUR and ship repairs 8,436,874 EUR). The Company has ended the first 6 months of 2016 with a gross profit of 973,876 EUR (in comparison to the first 6 months of 2015 the gross profit was 334,094 EUR), while the net profit in the first 6 months of 2016 was in the amount of 460,227 EUR (in comparison to the first 6 months of 2015 the net profit amounted to 13,619 EUR).

During the first 6 months of 2016, the Riga Shipyard made investments for the purchase of fixed assets and refurbishment in the amount of 0.3 million EUR (compared to the first 6 months of 2015, when the Company invested of 1.4 millions EUR).

Purchased fixed assets: a CNC Press Brake HPAT 220-3000, an RPD-200C Light Machine Gun, a JDN Mini 1000 air hoist, a JDN Profi 2Ti air hoist, an HDS 8/17 Hot Water High-Pressure Cleaner, a CARPARI HDD 50/2C Vertical Multistage Electric Pump + V3015 Flexible High-Speed Doors, an IL 80/220-30/2 pump and other equipment.

The Company continues to carry out major repairs of its production buildings, floating docks, marine cranes, gantry cranes, tugboats and other fixed assets.

The Riga Shipyard operates and carries out its manufacturing processes in accordance with the EN ISO 9001:2008 International Quality Control Standard and is planning to have the Company certified according to EN ISO 9001:2015 by August 2016 and at the same time is planning integration into a new system and certification of the Company according to ISO 14001:2005 and OHSAS 1801:2005. Implementation of these new standards will help to improve the quality assurance system and provide a more rational use of natural and material resources alike.

Company Research and Development Activities

The Board of Directors continues, in cooperation with the Company Council, market research work, participation in international exhibitions and support programmes in order to open up new production sectors and new markets which would ensure a more extensive load on the Company's production capacities and a work productivity increase. Company certification according to new and additional standards opens up new opportunities to offer our products and services in new markets.

Future Development of the Company

Upon assessing the current market situation and the Company's prospects, the Board of Directors will continue its work to increase the amount of repaired and newly built ships. To ensure the foregoing, the Board of Directors is developing a business plan for the purchase of technology and technical equipment for ship repairs which will ensure growth of the work productivity and consequently a faster ship repair process, which will help to attract new customers.

These financial statements were signed on 31st August, 2016 on the Company's behalf by:

Janis Skvarnovics
(Chairman of the Board)

Einars Buks
(Member of the Board)

Jekaterina Melnika
(Member of the Board)

**RIGAS KUGU BUVETAVA JSC REPORT ON PERIOD TILL 30TH OF JUNE 2016
MANAGEMENT REPORT**

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 30 June, 2016 and the results of its operations and cash flows for the period 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 11 to 30. 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:

31st August, 2016

Janis Skvarnovics
(Chairman of the Board)

Einars Buks
(Member of the Board)

Jekaterina Melnika
(Member of the Board)

RIGAS KUGU BUVETAVA JSC REPORT OF SIX MONTH 2016
PROFIT OR LOSS STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2016

		6 month 2016	6 month 2015
	Notes	EUR	EUR
Net sales	3	10 135 290	10 242 446
Cost of sales	4	<u>(9 161 414)</u>	<u>(9 908 352)</u>
Gross profit		973 876	334 094
Distribution expenses	5	(800)	(15 433)
Administrative expenses	6	(474 461)	(463 949)
Other operating income	7	569 337	941 644
Other operating expenses	8	(418 683)	(599 899)
Interest and similar income	9	50 760	7 809
Interest and similar expenses	10	<u>(161 629)</u>	<u>(123 541)</u>
Profit before taxes		538 400	80 725
Other taxes	11	<u>(78 173)</u>	<u>(67 106)</u>
Net profit for the period		<u>460 227</u>	<u>13 619</u>
Profit per share		0.039	0.001

The accompanying notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements were signed on 31st of August, 2016 on behalf of the Company:

 Janis Skvarnovics
 (Chairman of the Board)

 Einars Buks
 (Member of the Board)

 Jekaterina Melnika
 (Member of the Board)

BALANCE SHEET AS OF 30 JUNE 2016

	Notes	30.06.2016 EUR	30.06.2015 EUR	31.12.2015 EUR
ASSETS				
Non-current assets				
Intangible assets	12	30 797	71 667	55 458
Fixed assets				
Land and buildings		7 881 054	8 094 150	8 022 928
Leasehold improvements		-	3 358	-
Equipment and machinery		4 457 665	4 185 585	4 516 767
Floating docks		16 451 759	15 958 759	16 562 568
Other fixed assets		412 767	178 846	434 967
Fixed assets under construction		750 470	1 700 751	525 090
Advances for fixed assets		18 550	7 114	9 562
Total fixed assets	13	29 972 265	30 128 563	30 071 882
Investment property	13 (a)	473 743	507 262	490 502
Non-current financial investments				
Investments in associates	14	4 830 590	4 830 590	4 830 590
Securities		235	235	235
Loans and non-current receivables	15	1 158 614	1 218 022	1 158 614
Total non-current financial investments		5 989 439	6 048 847	5 989 439
Total non-current assets		36 466 244	36 756 339	36 607 281
Current assets				
Inventories				
Raw materials and consumables	16	2 104 570	2 407 975	1 933 874
Work in progress	17	64 878	134 914	137 070
Unfinished orders	18	14 015	64 258	28 753
Advances for inventories	19	241 782	141 516	164 437
Total inventories		2 425 245	2 748 663	2 264 134
Account receivable				
Trade receivables	20	1 443 946	2 451 616	1 702 607
Receivables from associates	21	1 285 525	1 269 734	1 277 673
Other receivables	22	1 389 728	756 706	1 276 418
Deferred expense	23	25 124	9 524	28 678
Accrued income	24	2 556 214	328 612	1 062 734
Total receivables		6 700 537	4 816 192	5 348 110
Cash and bank	25	74 864	86 800	132 200
Total current assets:		9 200 646	7 651 655	7 744 444
TOTAL		45 666 890	44 407 994	44 351 725

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(Member of the Board)

RIGAS KUGU BUVETAVA JSC REPORT OF SIX MONTH 2016
BALANCE SHEET AS OF 30 JUNE, 2016

	Notes	30.06.2016. EUR	30.06.2015. EUR	31.12.2015. EUR
EQUITY, PROVISIONS AND LIABILITIES				
Equity				
Share capital	26	16 340 950	16 340 950	16 340 950
Non-current investments revaluation reserve	27	11 948 867	12 056 273	12 056 273
Retained earnings		266 962	266 962	266 962
prior year's retained earnings		2 453 233	2 211 395	2 231 051
net loss for the year		460 227	13 619	222 182
Total retained earnings		<u>2 913 460</u>	<u>2 225 014</u>	<u>2 453 233</u>
Total equity		31 470 239	30 889 199	31 117 418
Provisions	28	1 643	6 530	1 643
Non-current liabilities				
Loans from banks	30	1 900 000	0	1 900 000
Deferred income	29	602 307	674 427	638 367
Leasing liabilities	31	32 834	54 530	42 216
Other loans	32	1 182 669	1 165 000	1 182 863
Deferred tax liabilities		2 685 427	2 661 850	2 685 427
Total non-current liabilities		<u>6 403 237</u>	<u>4 555 807</u>	<u>6 448 873</u>
Current liabilities				
Loans from banks	30	-	1 900 000	-
Other loans	32	513 607	850 703	762 909
Leasing liabilities	31	19 566	37 916	29 660
Advances from customers	33	2 973 741	1 054 250	1 589 864
Trade payables	34	2 191 503	3 125 187	2 686 385
Payables to associates	35	490 424	41 002	472 203
Taxes and social insurance payments	36	590 312	751 950	275 239
Other liabilities	37	438 526	385 546	452 692
Deferred income	29	72 120	72 120	72 120
Dividends unpaid	38	25 680	32 540	25 680
Accrued liabilities	39	476 292	705 244	417 039
Total current liabilities:		<u>7 791 771</u>	<u>8 956 458</u>	<u>6 783 791</u>
		<u>14 195 008</u>	<u>13 512 265</u>	<u>13 232 664</u>
Total liabilities:		<u>45 666 890</u>	<u>44 407 994</u>	<u>44 351 725</u>

The accompanying notes on pages 11 to 30 are an integral part of these financial statements.

These financial statements were signed on 31st of August, 2016 on behalf of the Company:

Janis Skvarnovics
(Chairman of the Board)

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(Member of the Board)

Jekaterina Melnika
(Member of the Board)

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE, 2016

	Share capital	Non-current investments revaluation reserve	Other reserves	Retained earnings	Total
	EUR	EUR		EUR	EUR
Balance as of 31 December 2014	16 607 912	12 056 273	-	2 211 395	30 875 580
Net profit for the period	-	-	-	13 619	13 619
Reserves drawn up in the result of the denomination	(266 962)	-	266 962	-	-
Balance as of 30 June 2015	16 340 950	12 056 273	266 962	2 225 014	30 889 199
Balance as of 31 December 2015	16 340 950	12 056 273	266 962	2 453 233	31 117 418
Net profit for the period	-	-	-	460 227	460 227
Revaluation reserve	-	*(107 406)	-	-	(107 406)
Balance as of 30 June 2016	16 340 950	11 948 867	266 962	2 913 460	31 470 239

* A decrease in the revaluation reserve for the estimated depreciation

The accompanying notes on pages 11 to 30 are an integral part of these financial statements.

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RIGAS KUGU BUVETAVA JSC REPORT OF SIX MONTH 2016
CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2016

	Notes	6 month 2016 EUR	6month 2015 EUR
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Sales and service income		10 500 072	11 492 241
Cash to suppliers, personnel and other primary activity costs		(10 160 493)	(11 199 131)
Gross cash flow generated from/(used in) operating activities		339 579	293 110
Interest paid		(101 217)	(123 541)
Corporate income tax paid			
Net cash flow generated from /(used in) operating activities		238 362	169 569
CASH FLOWS USED IN INVESTING ACTIVITIES			
Sale of shares			
Acquisition of fixed and intangible assets		(68 702)	(397 177)
Proceeds from sales of fixed assets and intangible assets		111	174 247
Loans issued		23 841	-
Interest received		18 543	-
Net cash flow used in investing activities		(26 207)	(222 930)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received		-	410 000
Lons repaid		(269 476)	(335 000)
Net cash flow (used in)/ generated from financing activities		(269 476)	75 000
Net foreign exchange gains/losses		(15)	34
Net decrease in cash and cash equivalents		(57 336)	21 673
Cash and cash equivalents at the beginning of the financial year		132 200	65 127
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		74 864	86 800

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These financial statements were signed on 31st of August, 2016 on behalf of the Company:

Janis Skvarnovics
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Einars Buks
(Member of the Board)

Jekaterina Melnika
(Member of the Board)

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 30 June 2016.

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 period, unless otherwise stated.

ACCOUNTING POLICIES

Foreign currencies

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 30 June.

The exchange rates established by the European Central Bank are as follows:

	30.06.2016.	30.06.2015.
	EUR	EUR
1 USD	0.90074	0.89823
1 RUB	0.01398	0.01623
1 GBP	1.20992	1.41143

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;
- 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;
- 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.

Property, plant and equipment

The cost of an item of property, plant and equipment is recognized 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 recognized 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 the value is calculated using the straight-line method in compliance with the following depreciation rates on fixed assets set by the management to allocate their cost to their residual values over their estimated useful lives, as follows:

	Depreciation rate:
Buildings	2 - 15
Other buildings and constructions	2.5 - 20
Equipment and machinery	2 - 50
Other fixed assets	8 - 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.

During revaluation accumulated depreciation is taken out from initial asset value. The net amount is included in reevaluated amount. 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 sell 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.

RIGAS KUGU BUVETAVA JSC REPORT OF SIX MONTH 2016
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2016

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 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 period, 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.

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.

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.

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.

Revaluation of floating docks

The Company's management evaluates whether there have been significant changes in the fair values of floating docks which are carried at their revalued amounts. The management considers that the fair values of the revalued floating docks approximate their carrying amounts.

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.

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 30 June 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 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.

2. Net sales

	6 month of 2016	6 month of 2015
	EUR	EUR
Business segments:		
Ship repair	7 183 188	8 436 874
Shipbuilding	2 727 884	1 706 030
Mechanical engineering	214 690	98 141
Other works	9 528	1 401
Total	10 135 290	10 242 446

3. Cost of sales

	6 month of 2016	6 month of 2015
	EUR	EUR
Material costs and services from outside	(1 894 904)	(1 731 018)
Contragents services	(2 921 049)	(4 026 015)
Salary expenses	(2 099 037)	(1 845 820)
Depreciation of fixed assets	(527 530)	(634 972)
Social insurance	(477 979)	(418 380)
Electricity costs	(548 200)	(624 920)
Heat energy costs	(316 867)	(334 325)
Other costs	(375 848)	(292 902)
Total	(9 161 414)	(9 908 352)

4. Distribution expenses

	6 months of 2016	6 month of 2015
	EUR	EUR
Advertising expenses	(800)	(15 433)
Total	(800)	(15 433)

5. Administrative expenses

	6 months of 2016	6 months of 2015
	EUR	EUR
Remuneration of the Council members	(138 427)	(110 412)
Remuneration of the Board members	(64 800)	(86 400)
Salary expenses (administration)	(79 034)	(68 087)
Social insurance	(64 784)	(61 109)
Representative vehicle maintenance expenses	(12 641)	(30 717)
Transportation costs, travelling allowances	(69 721)	(61 248)
Legal services	(155)	(70)
Depreciation of fixed assets	(20 627)	(20 242)
Representation costs	(9 532)	(9 781)
Communication costs	(9 531)	(8 512)
Office rent and utilities	(3 557)	(5 631)
Insurance	(1 652)	(1 740)
Total	(474 461)	(463 949)

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6. Other operating income

	6 months of 2016	6 months of 2015
	EUR	EUR
Income from rent and delivered utility services	271 555	325 049
Sale of materials	171 957	226 566
Net income from sales of fixed assets	72	79 566
Written-off accounts payable	23 566	0
Tugboat services income	21 041	37 455
Income from projects financing	36 060	36 060
Net income from exchange rate fluctuations	12	74
Chemical analyses	303	585
Remuneration to insurance expenditures	0	209 677
Other income	44 771	26 612
Total	569 337	941 644

7. Other operating expenses

	6 months of 2016	6 months of 2015
	EUR	EUR
Leased fixet assets maintenance costs	(214 901)	(321 845)
Material expenses	(153 582)	(213 792)
Costs on tugboat services	(16 014)	(19 812)
Representation costs 60%	(15 257)	(15 091)
Medical services	(5 198)	(6 114)
Material allowances, gifts	(540)	(714)
Donations	(4 006)	(500)
Burial expenses	(1 057)	(3 086)
Net loss from sale of foreign currency	(143)	(209)
Other expenses	(7 985)	(18 736)
Total	(418 683)	(599 899)

8. Interest and similar income

	6 months of 2016	6 months of 2015
	EUR	EUR
Interest income on loans issued	50 760	7 809
Total	50 760	7 809

9. Interest and similar expenses

	6 months of 2016	6 months of 2015
	EUR	EUR
Interest expenses for loans	(111 177)	(68 733)
Bank charges for guarantees	(4 150)	(40 490)
Penalties paid	(33 500)	(13 707)
State fee	(12 802)	(611)
Total	(161 629)	(123 541)

10. Other taxes:

	6 months of	6 months of
	2016	2015
	EUR	EUR
Real estate tax	(78 173)	(67 106)
Total	(78 173)	(67 106)

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11. Intangible assets

	Software EUR	Advances for intangible assets	Total EUR
Cost			
As of 01.01.2015.	344 716		344 716
Additions			
Disposals			
As of 30.06.2015.	344 716		344 716
Acumulated amortizations			
As of 01.01.2015.	(249 159)		(249 159)
Calculated	(23 890)		(23 890)
As of 30.06.2015.	(273 049)		(273 049)
Net carrying amount			
As of 01.01.2015.	95 557		95 557
As of 30.06.2015.	71 667		71 667
Cost			
As of 01.01.2016.	351 950		351 950
Additions			
As of 30.06.2016.	351 950		351 950
Acumulated amortizations			
As of 01.01.2016.	(296 492)		(296 492)
Calculated	(24 661)		(24 661)
As of 30.06.2016.	(321 153)		(321 153)
Net carrying amount			
As of 01.01.2016.	55 458		55 458
As of 30.06.2016.	30 797		30 797

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2016

12. Fixed assets

	Buildings, constru- ctions EUR	Advance payments EUR	Leasehold improve- ments PL EUR	Equipment and machines EUR	Floating docks EUR	Unfinished con- struction EUR	Other Fixed assets EUR	Total EUR
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	-	-	-	-	-	1 410 379	-	1 410 379
Disposals	-	-	-	(378 522)	-	-	-	(378 522)
Reclassified	3 406	-	-	28 980	-	(38 682)	6 296	0
As of 30 06 2015	12 708 097	7 114	3 358	12 929 337	18 433 643	1 700 751	1 502 068	47 284 368
Depreciations								
As of 01 01 2015	(4 462 909)	0	0	(8 743 843)	(2 350 896)	0	(1 290 242)	(16 847 890)
Calculated	(151 038)	0	0	(306 557)	(123 988)	-	(32 980)	(614 563)
Disposals	-	-	-	306 648	-	-	-	306 648
As of 30 06 2015	(4 613 947)	0	0	(8 743 752)	(2 474 884)	0	(1 323 222)	(17 155 805)
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 30 06 2015	8 094 150	7 114	3 358	4 185 585	15 958 759	1 700 751	178 846	30 128 563
Cost/revaluation								
As of 01 01 2016	12 786 482	9 562	-	13 086 752	19 161 840	525 090	1 740 465	47 310 191
Additions	-	8 988	-	-	-	505 559	-	514 547
Disposals	(270)	-	-	(46 470)	-	-	(3 492)	(50 232)
Reclassified	4 297	-	-	236 951	16 578	(280 179)	22 353	-
As of 30 06 2016	12 790 509	18 550	-	13 277 233	19 178 418	750 470	1 759 326	47 774 506
Depreciations								
As of 01 01 2016	(4 763 554)	-	-	(8 569 985)	(2 599 272)	-	(1 305 498)	(17 238 309)
Calculated	(146 151)	-	-	(296 053)	(19 980)	-	(44 553)	(506 737)
Disposals	250	-	-	46 470	-	-	3 492	50 212
Relocated	-	-	-	-	*(107 407)	-	-	(107 407)
As of 30 06 2016	(4 909 455)	-	-	(8 819 568)	(2 726 659)	-	(1 346 559)	(17 802 241)
Net carrying amount								
As of 01 01 2015	8 022 928	9 562	-	4 516 767	16 562 568	525 090	434 967	30 071 882
As of 30 06 2015	7 881 054	18 550	-	4 457 665	16 451 759	750 470	412 767	29 972 265

Real Estate (buildings) cadastral value as of 30 06 2016: 5 723 487 EUR (as of 30 06 2015: 5 723 487 EUR).

Information about assets used as collaterals for borrowings included in Notes 30 and 40.

* Depreciation in the first 6 months of the Reporting Period for which the long-term investment revaluation reserve is being reduced.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2016

13. (a) Investment property

	Investment property EUR
Cost	
As of 01.01.2015.	845 227
Additions	0
As of 30.06.2015.	845 227
Accumulated depreciation	
As of 01.01.2015.	(321 203)
Calculated	(16 762)
As of 30.06.2015.	(337 965)
Net carrying amount	
As of 01.01.2015.	524 024
As of 30.06.2015.	507 262
Cost	
As of 01.01.2016.	845 227
Additions	-
As of 30.06.2016.	845 227
Accumulated depreciation	
As of 01.01.2016.	(354 725)
Calculated	(16 759)
As of 30.06.2016.	(371 484)
Net carrying amount	
As of 01.01.2016.	490 502
As of 30.06.2016.	473 743

RIGAS KUGU BUVETAVA JSC REPORT OF SIX MONTH 2016
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2016

14. Investments in associates

Shares in the capital of associates and their carrying values:

Name	30 06 2016	Participating interest	Equity	Profit/ (loss)
	EUR	%	30 06 2016 EUR	01 01 2016- 30 06 2016 EUR
JSC "Tosmares kugubuvetava"	3 630 590	49.72	5 978 197	24 541
LLC "Remars Granula"	1 200 000	49.80	228 445	(15 749)
Total	4 830 590		6 206 642	8 792

Name	30 06 2015	Participating interest	Equity	Profit/ (loss)
	EUR	%	30 06 2015 EUR	01 01 2015- 30 06 2015 EUR
JSC "Tosmares kugubuvetava"	3 630 590	49.72	5 906 661	71 416
LLC "Remars Granula"	1 200 000	49.80	245 667	(8 394)
Total	4 830 590		6 152 328	63 022

15. Other loans and non-current receivables

Name / Type of Loan	As of	Loans	Interest	Currency	As of	Term of
	31.12.2015	issued in	accrued	exchange	30.06.2016	repayment
		2016		rate		
				change		
Loans to employees (students)	47 796	-	-	-	47 796	2016-2029
Loans for Tosmares Kugubuvetava JSC shares	1 110 818	-	-	-	1 110 818	Year 2020
Total	1 158 614	-	-	-	1 158 614	

Total amount on 30th of June, 2016 receivable after 5 years: 24 286 EUR.

16. Raw materials and consumables

	6 month of 2016	6 month of 2015
	EUR	EUR
Metal, non-ferrous metals, pipes	1 391 564	1 710 288
Metal ware	65 827	69 394
Timbering	3 309	1 176
Equipment	37 379	18 378
Fuel	10 317	3 038
Varnish and paint	20 636	22 039
Cables	30 778	30 033
Coveralls	5 743	4 941
Technical rubber ware	35 676	51 884
Wire cables	8 868	6 407
Household goods	6 363	6 899
Other	488 110	483 498
Total	2 104 570	2 407 975

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

17. Work in progress

	6 month of 2016	6 month of 2015
	EUR	EUR
Shipbuilding orders	64 878	134 914
Total	64 878	134 914

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

18. Unfinished orders

	6 month of 2016	6 month of 2015
	EUR	EUR
Ship repair orders	9 891	58 575
Various	3 299	3 198
Mechanical engineering orders	825	2 485
Total	14 015	64 258

19. Advances for inventories

	6 month of 2016	6 month of 2015
	EUR	EUR
For materials	241 782	141 516
Total	241 782	141 516

20. Trade receivables

	6 month of 2016	6 month of 2015
	EUR	EUR
Book value of trade receivables	2 060 411	3 011 929
Provisions for bad and doubtful debts	(616 465)	(560 313)
Trade receivables, net	1 443 946	2 451 616

Change in provisions (EUR)

	Trade	Other	Total
	receivables	receivables	
Provisions as of 31.12.2015.	616 465	46 748	663 213
Increase in provisions	0	0	0
Provisions as of 30.06.2016.	616 465	46 748	663 213

21. Receivables form associates

	6 month of 2016	6 month of 2015
	EUR	EUR
LLC "Remars Granula" debt for loan according to assignment agreement *	770 000	770 000
LLC "Remars Granula" loan **	515 525	499 734
Total	1 285 525	1 269 734

* Debt related to assignement (cession) agreement signed with SEB bank JSC, Rigas kugu buvetava JSC and Remars Granula LLC, collaterated by a pledge.

** Loan interest rate 5%, repayment term on demand.

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22. Other receivables

	6 month of 2016	6 month of 2015
	EUR	EUR
Book value	1 436 476	803 454
Provisions established	(46 748)	(46 748)
Other receivables, net	1 389 728	756 706

	6 month of 2016	6 month of 2015
	EUR	EUR
Value added tax	273 995	561 866
Advance payments for services	457 660	53 487
Short-term loans (interest rate 6 %)*	472 977	0
Interests	123 277	38 724
Payments personal debts	33 681	85 136
Payment of salary	22 580	17 168
Other receivables	5 558	325
Total	1 389 728	756 706

*The loans has no security, maturity date 31.12.2016

23. Deferred expenses

	6 month of	6 month of
	2016	2015
	EUR	EUR
Property insurance	9 081	4 207
Health insurance	9 463	0
Renovation costs of leased fixed assets	62	3 296
Exhibition	6 285	0
Other expenses	233	2 021
Total	25 124	9 524

24. Accrued income

	6 month of 2016	6 month of
	EUR	2015
	EUR	EUR
Shipbuilding	2 158 826	328 612
Ship repair	397 388	0
Total	2 556 214	328 612

25. Cash and bank

	6 month 2016	6 month 2015
	EUR	EUR
Cash at bank on current accounts	67 954	17 697
Cash on hand	6 910	69 103
Total	74 864	86 800

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26. Share capital

Rigas kugu buvetava JSC was founded in 1991. 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 (1.40 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 NASDAQ RIGA JSC 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.

JSC "Rigas kugu buvetava" shareholders

	30.06.2016	%	30.06.2015	%
	EUR		EUR	
Remars-Riga AS	8 146 872	49.86	8 146 872	49.86
Individuals	5 102 817	31.22	5 000 955	30.6
Other legal entities	3 091 261	18.92	3 193 123	19.54
Total	16 340 950	100	16 340 950	100

27. Non-current investments revaluation reserve

	30.06.2016	30.06.2015
	EUR	EUR
	11 948 867	12 056 273
Total	11 948 867	12 056 273

Based on certified appraisers valuation report, Company performed revaluation of floating docks. In 2007 Baltic Kontor LLC 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.

As of 30 June 2016, the revaluation reserve is reduced by an amount equal to the difference between the depreciation calculated on the basis of the revaluated value of the fixed asset and the depreciation calculated on the basis of the acquisition value of the fixed asset.

28. Provisions

	6 month of 2016	6 month of 2015
	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.

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29. Deferred income

	6 month of 2016 EUR	6 month of 2015 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"	281 428	310 347
2) Financing in accordance with an agreement signed in 2012 with the Latvian Investment and Development Agency about the EU co-financed project Rigas kugu buvetava JSC Heating system reconstruction.	392 999	436 200
Total	674 427	746 547
Total long-term part	602 307	674 427
Total short-term part	72 120	72 120

30. Loans from banks

	6 month of 2016 EUR	6 month of 2015 EUR
ABLV Bank JSC		
a) Long-term part	1 900 000	-
b) Short – term part	-	1 900 000
Total	1 900 000	1 900 000

1. On October 28, 2015 the Company had concluded with ABLV Bank JSC amendments to the October 18, 2013 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 June 30, 2016 is 5 605 532 EUR.

2. On December 8, 2014 there was signed the Bank Guarantee limit Agreement with Baltic International Bank JSC No. 05/10/14. The total Guarantee limit available is 3 514 000 EUR, used Guarantee limit is 2 587 250 EUR. As security 1st stage mortgage agreement for floating dock No 170 was signed. The mortgaged property balance sheet value as of June 30 , 2016 is 10 347 727 EUR.

3. According to the Baltic International Bank JSC 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 mortgaged property balance sheet value as of June 30 , 2016 is 104 049 EUR.

31. Leasing liabilities

	6 month of 2016 EUR	6 month of 2015 EUR
Total long-term part of leasing liabilities	32 834	54 530
Total short-term part of leasing liabilities	19 566	37 916
Total	52 400	92 446

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32. Other loans

	6 month of 2016	6 month of 2015
	EUR	EUR
Long-term part (interest 6%)**	1 182 669	1 165 000
Short-term part (interest rate 4,5%)*	513 607	850 703
Total	1 696 276	2 015 703

*In 2014 Company received a loan from private person, repayment term is year 2017.

** In 2014 Company received a loan from from foreign Fund, repayment term is year 2018. No assets are pledged as collateral.

33. Advances from customers

	6 month of 2016	6 month of 2015
	EUR	EUR
For shipbuilding	2 587 150	1 054 250
For ship repair	384 717	0
Others	1 774	0
Total	2 973 741	1 054 250

34. Trade payables

	6 month of 2016	6 month of 2015
	EUR	EUR
Payables for services	1 462 214	2 371 010
Payables for materials	729 289	754 177
Total	2 191 503	3 125 187

35. Payables to associates

	6 month of 2016	6 month of 2015
	EUR	EUR
Short-term part from Tosmares kugubuvetava JSC (interest rate 6 %)	481 424	41 002
Payables for services	9 000	-
Total	490 424	41 002

In 2014 Company received loan from Tosmares kugubuvetava JSC, repayment term is 2016. No collateral has been provided.

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36. Taxes and social insurance payments

	01.01.2016. EUR	Calculated EUR	Calculated penalty and delay fees EUR	(Paid)/ repaid EUR	Transferred to other taxes EUR	30.06.2016 EUR
Social insurance payments	138 649	784 167	127	(65 312)	(608 890)	248 741
Value added tax	(158 738)	(812 086)	-	21 993	674 836	(273 995)
Personal income tax	131 036	449 488	11 973	(189 082)	(65 946)	337 469
Corporate income tax	-	-	-	-	-	-
Real estate tax	4 552	78 173	-	(80 227)	-	2 498
Natural resources tax	842	1 771	-	(1 195)	-	1 418
Risk duty	160	1 061	-	(1 035)	-	186
Customs duty on import	-	-	-	-	-	-
Total	116 501	502 574	12 100	(314 858)	0	316 317
Tax debt						275 239
Tax overpayment *						(158 738)
						590 312
						(273 995)

* The overpayment of taxes is included in Other receivables (Note 22).

37. Other liabilities

	6 month of 2016 EUR	6 month of 2015 EUR
Salaries	306 507	254 401
Payments for debts	128 895	68 831
Payments to personnel	611	31 058
Payments for credit cards	155	30 340
Retention from salaries	2 358	916
Total	438 526	385 546

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38.Dividends unpaid

	6 month of 2016	6 month of 2015
	EUR	EUR
As at the beginning of the period	25 680	32 540
Dividends calculated	0	0
Dividends paid	0	0
Written-off (older than 10 years)	0	0
As at the end of the period	25 680	32 540

39.Accrued liabilities

	6 month of 2016	6 month of 2015
	EUR	EUR
For services	284 244	515 013
Accrued liabilities for unused annual leave expenses	192 048	190 231
Total	476 292	705 244

40.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 28 December, 2010 there was issued ship covered bond No.EH 28.12.2010/KO about foalting 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 LLC obligations, that results from credit line agreement No.EH 01.07.2008/CL dated on 1 July 2008; creditline obligations as of 30 of June 2016 is 989 994 EUR. Maximum guarantee claim is 4 183 243 EUR . Mortgaged floating dock 791, with the balance sheet value as of 30 June 2016 5 107 981 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 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 12 December 2014 credit agreement No. 14-FP-032. As of 30 June, 2016 liabilities amounted to 1 784 847 EUR. Total amount of secured claim is 2 860 000 EUR. The pledged property balance sheet value as of 30 June, 2016 is 6 106 868 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.
