

***JSC "TOSMARES KUĢUBŪVĒTAVA"***  
***Annual report***

**For 12 months period until 31 December 2014**

**Liepaja**  
**2015**

**CONTENTS**

General Information	2
Report of the Management	3
Statement of the Management Responsibility	4
Income statement	5
Balance Sheet	6 - 7
Cash flow statement	8
Statement of changes in equity	9
Notes to the financial statement	10 - 19

## General Information

Name of the company	Tosmares kuģubūvētava																				
Legal status of the company	Joint stock company																				
Number, place and date of registration	Register of the companies Nr. 210302283 Liepāja, 03 January 2000  Commercial register Nr. 42103022837 Liepāja, 12 May 2004																				
Address	42/44 Ģ. Baloža Street Liepāja, LV-3402 Latvia																				
Type of operations	NACE 3315: Construction and repair of technological equipment, ships, yachts, catamarans, containers, roltrailers; Port services																				
Names and positions of the Board members	<table><tr><td>Ivica Gajič</td><td>Chairman of the Board ( till 30.05.2014.)</td></tr><tr><td>Aleksandrs Vaļums</td><td>Chairman of the Board ( as from 30.05.2014 līdz 14.10.2014. - Member of the Board, as from 15.10.2014 - Chairman of the Board)</td></tr><tr><td>Boris Galkovičs</td><td>Member of the Board (till 30.05.2014.)</td></tr><tr><td>Vladislavs Blūms</td><td>Member of the Board (as from 27.01.2014. )</td></tr><tr><td>Aleksandrs Murugovs</td><td>Member of the Board ( as from 14.10.2014.)</td></tr></table>	Ivica Gajič	Chairman of the Board ( till 30.05.2014.)	Aleksandrs Vaļums	Chairman of the Board ( as from 30.05.2014 līdz 14.10.2014. - Member of the Board, as from 15.10.2014 - Chairman of the Board)	Boris Galkovičs	Member of the Board (till 30.05.2014.)	Vladislavs Blūms	Member of the Board (as from 27.01.2014. )	Aleksandrs Murugovs	Member of the Board ( as from 14.10.2014.)										
Ivica Gajič	Chairman of the Board ( till 30.05.2014.)																				
Aleksandrs Vaļums	Chairman of the Board ( as from 30.05.2014 līdz 14.10.2014. - Member of the Board, as from 15.10.2014 - Chairman of the Board)																				
Boris Galkovičs	Member of the Board (till 30.05.2014.)																				
Vladislavs Blūms	Member of the Board (as from 27.01.2014. )																				
Aleksandrs Murugovs	Member of the Board ( as from 14.10.2014.)																				
Names and positions of the Council	<table><tr><td>Vasilijs Meļņiks</td><td>Chairman of the Council</td></tr><tr><td>Sergeis Golicins</td><td>Vice-chairman of the Council ( till 23.04.2014 )</td></tr><tr><td>Anatolijs Ustinovs</td><td>Member of the Council ( līdz 23.04.2014 )</td></tr><tr><td>Larisa Artemenko</td><td>Member of the Council ( līdz 23.04.2014 )</td></tr><tr><td>Irina Meļņika</td><td>Member of the Council ( līdz 23.04.2014 )</td></tr><tr><td>Aleksandrs Čerņavskis</td><td>Vice-chairman of the Council ( as from 24.04.2014 )</td></tr><tr><td>Jānis Skvarnovičs</td><td>Member of the Council ( no 24.04.2014 )</td></tr><tr><td>Rolands Klincis</td><td>Member of the Council ( no 24.04.2014 līdz 15.08.2014. )</td></tr><tr><td>Henrik Kasesalu</td><td>Member of the Council ( no 24.04.2014 )</td></tr><tr><td>Viktors Ivanovs</td><td>Member of the Council ( no 26.11.2014 )</td></tr></table>	Vasilijs Meļņiks	Chairman of the Council	Sergeis Golicins	Vice-chairman of the Council ( till 23.04.2014 )	Anatolijs Ustinovs	Member of the Council ( līdz 23.04.2014 )	Larisa Artemenko	Member of the Council ( līdz 23.04.2014 )	Irina Meļņika	Member of the Council ( līdz 23.04.2014 )	Aleksandrs Čerņavskis	Vice-chairman of the Council ( as from 24.04.2014 )	Jānis Skvarnovičs	Member of the Council ( no 24.04.2014 )	Rolands Klincis	Member of the Council ( no 24.04.2014 līdz 15.08.2014. )	Henrik Kasesalu	Member of the Council ( no 24.04.2014 )	Viktors Ivanovs	Member of the Council ( no 26.11.2014 )
Vasilijs Meļņiks	Chairman of the Council																				
Sergeis Golicins	Vice-chairman of the Council ( till 23.04.2014 )																				
Anatolijs Ustinovs	Member of the Council ( līdz 23.04.2014 )																				
Larisa Artemenko	Member of the Council ( līdz 23.04.2014 )																				
Irina Meļņika	Member of the Council ( līdz 23.04.2014 )																				
Aleksandrs Čerņavskis	Vice-chairman of the Council ( as from 24.04.2014 )																				
Jānis Skvarnovičs	Member of the Council ( no 24.04.2014 )																				
Rolands Klincis	Member of the Council ( no 24.04.2014 līdz 15.08.2014. )																				
Henrik Kasesalu	Member of the Council ( no 24.04.2014 )																				
Viktors Ivanovs	Member of the Council ( no 26.11.2014 )																				
Financial year	1 January, 2014 - 31 December, 2014																				
Auditor's name and address	Natalija Zaiceva Certified auditor (LZRA Certificate. No. 138)  "Orients Audit & Finance" Ltd LZRA Licence No. 28 Gunara Astras Street 8b Riga, LV-1082 Latvia																				

**Notes to the financial statement of the year 2014.**

The total turnover in 2014 of A/S "Tosmares kugubuvetava" reached more than 4,9 million Euro (4 879 870 Euro) which is 26,6 % less compared to the previous year.

In spite of reduction of the turnover in comparison with 2013 the market of ship repair services has grown up.

If in 2013 the significant share of the turnover (over 45 %) took up customers from two countries (Lithuania, Russia), that in 2014 except of these countries are also represented the countries like Norway, Panama, Malta, the Netherlands and others.

Compared with the previous year the share of ship-repair works again has in the top of the structure of industrial loading of the Company, namely:

	2014	2013
-shipbuilding and constructional jobs	19 %	29 %
- ship repair	78 %	68 %
- others orders	3%	3%
The total turnover	100%	100%

The share of export services has grown from 82.3 % in 2013 up to 96.1 % in 2014.

In the 2014 also the manufacturing of non-standard equipment was carried out. So called "Reel" was produced on order of the gas producing company.

There was a change of management structures of the Council and the Board of Directors of the Company in the first half of 2014.

The management in their work pays attention not only to performance of commodity orders, but simultaneously also plans works onto arrangement of industrial base as well as internal territories of the Company. Several works concerning replacement of technical equipment of dry docks have been carried out in order to increase the effectiveness of water pumping out of the dock's. Also cleaning works have been performed inside docks. Repair of yard's tugs have been carried out with the purpose of expansion their services etc.

In the first half of the year the company completed with the loss more than 460 thousand EUR, but in the second half as a result of improving economic activity with the profit more than 445 thousand EUR.

In 2014 the certification of the enterprise continued.

In addition to the quality certificate - ISO 9001:2008 received in 2013, the certificate EN 1090-2 was received in 2014.

Chair man of the board

/Alexandrs Valums

Member of the board

/Vladislav Blums/

Member of the board

/Alexandrs Murugovs/

2015.04.07.



### Statement of the Management Responsibility

The Management is responsible for the preparation of the financial statements in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 5 to page 19 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating in the Company in compliance with the legislation of the Republic of Latvia.

Chairman of the Board

A.Vaļums

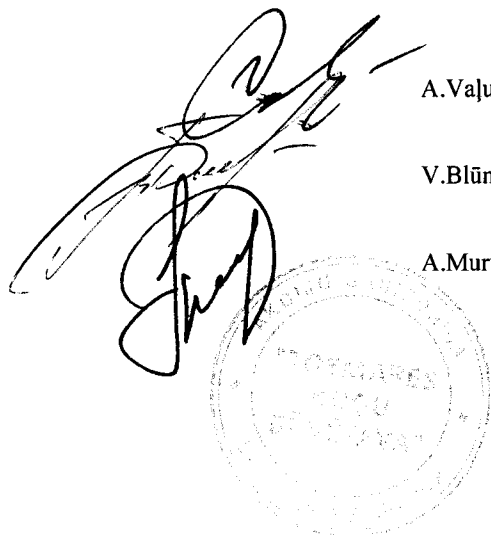
Member of the Board

V.Blūms

Member of the Board

A.Murugovs

07 April 2015



JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

**INCOME STATEMENT**  
For the years 2014 and 2013

	Notes	2014 EUR	(Adjusted*) 2013 EUR
Net sales	(1)	4 879 870	6 644 909
Cost of sales	(2)	(4 896 345)	(6 586 794)
<b>Gross profit or losses</b>		<b>(16 475)</b>	<b>58 115</b>
Distribution expenses	(3)	(3 052)	(6 106)
Administrative expenses	(4)	(261 447)	(348 033)
Other operating income	(5)	160 969	653 904
Other operating expenses	(6)	(112 465)	(399 103)
Interest payments and similar costs	(7)	(109 747)	(85 899)
<b>Profit or losses before taxes</b>		<b>(342 217)</b>	<b>(127 122)</b>
Corporate income tax	(8)	17 765	(20 214)
Other taxes	(9)	(37 752)	(36 108)
<b>Net profit or losses</b>		<b>(362 204)</b>	<b>(183 444)</b>

Profit per share -0.113 -0.0572

\*View the note No. 37

Notes from 10. up to 19. page are an integral part of these financial statements.

Chairman of the Board

A.Vaļums

Member of the Board

V.Blūms

Member of the Board

A.Murugovs

07 April 2015

JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

**BALANCE SHEET**

For the years ending 31st of December 2014 and 31st of December 2013

	Notes	31.12.2014. EUR	(Adjusted*)31.12.2013. EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Other intangible assets	(10)	494	1 139
<b>Total intangible assets</b>		<b>494</b>	<b>1 139</b>
<b>Fixed assets</b>			
Land and buildings	(10)	2 557 332	2 638 141
Equipment and machinery	(10)	3 582 578	3 331 465
Other fixed assets	(10)	26 364	28 244
Fixed assets under construction	(10)	16 163	536 016
<b>Total fixed assets</b>		<b>6 182 437</b>	<b>6 533 866</b>
<b>Total non-current assets</b>		<b>6 182 931</b>	<b>6 535 005</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables	(11)	687 531	854 060
Finished goods and work in progress	(12)	1 409 853	885 806
Advances paid for materials		8	86
<b>Total inventories</b>		<b>2 097 392</b>	<b>1 739 952</b>
<b>Account receivables</b>			
Trade receivables	(13)	1 273 128	1 599 352
Other receivables	(14)	100 868	26 689
Related company's debt	(15)	70 214	
Expenses of future periods	(16)	21 167	20 416
Accrued income	(17)	365 127	119 351
<b>Total receivables</b>		<b>1 830 504</b>	<b>1 765 808</b>
<b>Cash and bank</b>	(18)	<b>178 138</b>	<b>66 182</b>
<b>Total current assets:</b>		<b>4 106 034</b>	<b>3 571 942</b>
<b>Total assets</b>		<b>10 288 965</b>	<b>10 106 947</b>

\*View the note No. 37

Notes from 10. up to 19. page are an integral part of these financial statements.

JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

**BALANCE SHEET**

For the years ending 31st of December 2014 and 31st of December 2013

	Notes	31.12.2014. EUR	(Adjusted*)31.12.2013. EUR
<b><u>EQUITY, PROVISIONS AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital		4 484 756	4 558 023
Non-current investments revaluation reserve	(20)	1 338 520	1 338 520
Reserves:			
other reserves	(21)	73 267	
Retained earnings:			
previous year's retained earnings		300 906	484 350
current year's profit or losses		(362 204)	(183 444)
<b>Total equity</b>		<b>5 835 245</b>	<b>6 197 449</b>
<b>Provisions</b>			
Other provision	(22)	52 927	48 299
<b>Total provisions</b>		<b>52 927</b>	<b>48 299</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other borrowings	(23)	1 566 000	
Leasing liabilities	(24)	507 425	
Deferred income tax liabilities	(25)	505 983	523 749
Next period income	(26)	313 454	
<b>Total non-current liabilities</b>		<b>2 892 862</b>	<b>523 749</b>
<b>Current liabilities</b>			
Loans from banks	(27)		1 855 966
Other borrowings	(28)	16 684	
Leasing liabilities	(29)	81 755	
Advances from customers	(30)	205 951	170 634
Trade payables	(31)	962 923	938 590
Payables to related companies	(32)	5 902	78 565
Taxes and social insurance payments	(33)	124 004	222 968
Other liabilities	(34)	71 992	70 721
Deferred income		35 154	
Dividends unpaid		6	6
Accrued liabilities		3 560	
<b>Total current liabilities:</b>		<b>1 507 931</b>	<b>3 337 450</b>
<b>Total liabilities:</b>		<b>4 400 793</b>	<b>3 861 199</b>
<b>Total equity, provisions and liabilities</b>		<b>10 288 965</b>	<b>10 106 947</b>

\*View the note No. 37

Notes from 10. up to 19. page are an integral part of these financial statements.

Chairman of the Board

A. Vaļums

Member of the Board

V. Blūms

Member of the Board

A. Murugovs

07 April 2015





JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

**CASH FLOW STATEMENT**

For the years ending 31st of December 2014 and 31st of December 2013 (direct method)

Notes	2014 EUR	2013 EUR
<b>Cash flow from operating activities</b>		
Sales and service income	5 563 795	6 156 446
Cash to suppliers, personnel and others primary activity costs	(4 873 887)	(5 609 255)
<b>Gross cash flow generated from operating activities</b>	<b>689 908</b>	<b>547 191</b>
Interest paid	(74 537)	(64 332)
Corporate income tax paid	(54 500)	(2 006)
<b>Cash flow before extraordinary items</b>	<b>560 871</b>	<b>480 853</b>
<b>Net cash flow generated from operating activities</b>	<b>560 871</b>	<b>480 853</b>
<b>Cash flow from investment activity</b>		
Acquisition of fixed and intangible assets	(91 578)	(277 763)
Proceeds from sales of fixed assets and intangible assets	4 299	1 175
<b>Net cash flow generated from investing activities</b>	<b>(87 279)</b>	<b>(276 588)</b>
<b>Cash flow from financing activities</b>		
Loans received	1 566 000	
Expenses on repayment of loan	(1 855 966)	(145 722)
Leased assets redemption expenses	(71 670)	
<b>Net cash flow generated from financing activities</b>	<b>(361 636)</b>	<b>(145 722)</b>
<b>Net foreign exchange gains/losses</b>		
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>111 956</b>	<b>58 543</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>66 182</b>	<b>7 639</b>
<b>Cash and Cash equivalents at the end of the financial year</b>	<b>178 138</b>	<b>66 182</b>

Notes from 10. up to 19. page are an integral part of these financial statements.

Chairman of the Board

A. Vaļums

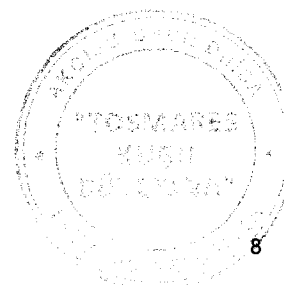
Member of the Board

V. Blūms

Member of the Board

A. Murugovs

07 April 2015



JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

**STATEMENT OF CHANGES IN EQUITY**

For the years 2014 and 2013

	Share capital	Revaluation reserve of Non-current investments	Retained earnings	Other reserves	Total
	EUR	EUR	EUR	EUR	EUR
<b>Balance as at 31.12.2012.</b>	<b>4 558 023</b>	<b>1 574 729</b>	<b>484 350</b>		<b>6 617 102</b>
Correction of the amount indicated in the balance sheet of a previous year		(236 209)			(236 209)
Profit or losses for the financial year			(183 444)		(183 444)
<b>Balance as at 31.12.2013.</b>	<b>4 558 023</b>	<b>1 338 520</b>	<b>300 906</b>		<b>6 197 449</b>
Reserves drawn up in the result of the denomination	(73 267)			73 267	0
Profit or losses for the financial year			(362 204)		(362 204)
<b>Balance as at 31.12.2014.</b>	<b>4 484 756</b>	<b>1 338 520</b>	<b>(61 298)</b>	<b>73 267</b>	<b>5 835 245</b>

\*View the note No. 37

EPS as at 31.12.2014. EUR (- 362 204 : 3 203 397) = - 0,113 EUR;

EPS as at 31.12.2013. EUR (- 183 444 : 3 203 397) = - 0,0572 EUR;

Notes from 10. up to 19. page are an integral part of these financial statements.

Chairman of the Board

Member of the Board

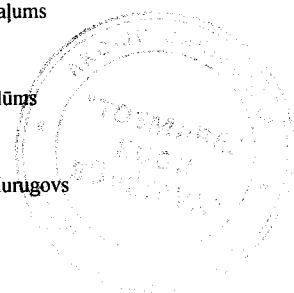
Member of the Board

07 April 2015

A.Vajums

V.Blūms

A.Murugovs



## NOTES

### ACCOUNTING POLICIES

#### (1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting and On the Annual reports and the Regulations of Cabinet of Ministers Nr. 488 "Provisions of Law enforcement on Annual report " and No. 481 "Regulations on the cash flow statement and statement of changes in equity contents and order of preparation" As the best practice are applied the Latvian accounting standards.

The income statement is prepared in accordance with the turnover method.

The Cash flow statement has been prepared under the direct cash flow method.

The financial statements are prepared based on going concept and according to the historical cost accounting principle.

In comparison with the previous financial year, the accounting and evaluation methods used by the Company has not been changed.

In connection with the Latvian official currency exchange from 1 January 2014, the Company's functional and reporting currency is the euro, which replaced the national currency Latvian lats. Prior period financial information that has been presented in Latvian lats, have been converted into euro using the official currency exchange rate of 0.702804 LVL against EUR 1. Since the Latvian lats had previously been pegged to the euro with the same exchange rate, the functional and reporting currency change had no effect on company's financial statement, financial results and cash flows.

The accompanying financial statements have been drawn up in the Latvian national currency - the euro (EUR).

#### (2) Income recognition and net sales

Net sales contain the total value of goods and services sold during the year excluding discounts value added tax and costs related to sales.

In accordance to the Regulations of Cabinet of Ministers, revenue from ship repair work is recognized when the customer has accepted the executed repair work.

Other income are recognized as following:

- rent income – in the moment of appearance;
- income from fines and penalties – in the moment of its receipt;
- dividends – at the moment when the legal rights on them arise.

#### (3) Long-term agreements

Agreement costs are recognized when incurred. When the outcome of an agreement cannot be estimated reliably, agreement revenue is recognized only to the extent of agreement costs incurred that are likely to be recoverable. When the outcome of an agreement can be estimated reliably and it is possible that the agreement will be profitable, agreement revenue is recognized over the period of the agreement. When it is probable that total costs will exceed total agreement revenue, the expected loss is recognized as an expense immediately.

The Company apply the percentage of completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the agreement costs uncured up to balance sheet date as a percentage of total estimated costs for each agreement or carrying out surveys of work performed to date. Costs incurred in the year in connection with future activity on an agreement are excluded from agreement in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

**(5) Nemateriālie ieguldījumi**

Intangible assets are valued as per initial cost excluding accumulated amortization. Amortization is calculated on a straight-line method useful life is determined as 4 years.

**(6) Fixed assets and low-grade material**

Fixed assets are estimated according to their initial expense value or reestimated initial value, excluding accrued depreciation. Depreciation is calculated according to (linear) method, using the rates of fixed assets depreciation calculation, that are based on the evaluation of fixed assets useful service duration:

	Gadi	%
Buildings	33.3	3
Equipment and technical utilities	10	10
Rolling stock, seacraft transport, power plant	14.3	7
Furniture and office machines	10	10
Computers and facilities	4	25
Vehicles	5	20
Instruments and inventory	10	10

The depreciation of fixed assets is started to calculate with the first day of next month after its commissioning and is finished with the first day of next month after its exclusion from fixed assets.

Company capitalizes fixed assets whose value exceeds EUR 142,29 and the period of useful utilization exceeds 1 year.

Reestimating the fixed assets, their value increase is reflected in non-current investment reestimation reserve. To incomes in profit or loss statement is applied to fixed assets liquidation.

Net gains or losses from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

Low-grade stock booked at the purchase prices and costs was 100% written off after commissioning.

**(7) Non-current investments in leased fixes assets**

Expenses of leased fixed assets overhaul are written off according to linear method rate in time of the period.

**(8) Rent with ransom (financial leasing)**

In cases when fixed assets that are obtained in lease with ransom (financial leasing) in relation to what all risks and liabilities pass over to the company, that is characteristic to ownership, is considered as company's actives at such value as they could be acquired for spot cash. Leasing interest payments and similar payments are included in profit or loss statement of the period when they have arisen.

**(9) Lease without rights of ransom (operative leasing)**

In cases when fixed assets are leased on lease provisions without rights on ransom, lease payments and prepayments for lease are included in profit or loss statement according to linear method in the period of lease.

**(10) Inventories**

Inventories are stated at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses are included in the production cost of inventories. Selling expenses has not included in cost. Cost is stated on the weighted average method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

Inventories are reflected at the lowest market or purchase value, using the FIFO (weighted average) method. In case of necessity the value of obsolete, slow turnover or damaged stock is written off.

In prime costs of produces goods are included the costs of used raw materials and materials and other expenses that are directly connected with production of corresponding object.

**(11) Accounts receivable**

Account receivable in the balance sheet have been shown at the net value, obtained deducting provisions for doubtful debts from the total amount of Account receivable. Account receivable's actual sum complies with contracts and other accounting basic documents. The comparison of account's receivable debts has been performed and the bad debts has been written-off.

**(12) Other investments**

Non-current investments, excluding investments in subsidiaries and associates, are stated at purchased value, adjusted in cases of their permanent value increase or decrease.

**(13) Cash and cash equivalents**

In the report of cash flow consist of the money in cash-box, remnants of active bank cont and demand deposits in the credit institutions with term to 90 days.

**(14) Accrued liabilities for unused annual leave**

Amount of accumulated unused annual leave is determined by multiplying the average day rate og employees for the last six monts of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

**(15) Corporate income tax**

Corporate income tax was calculated according to Latvia Republic tax laws. Tax laws in 2014 and further fixed tax rate is 15%.

**(16) Deffered tax**

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different fixed asset depreciation rates, as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statement only if a future taxable profit will be available against which the temporary differences can be utilised.

**(17) Grants**

For fixed assets formation received grants are regarded as next periods incomes, that gradually includes the in incomes received of for grants acquired fixed assets in useful utilization time of period. Other grants are related to results of the year of account in the period of grant receipt.

**(18) Use of calculations**

Preparing the financial statements, company's management has to make calculations and assumptions that influence the actives and passives shown in statements and off-balance for the day of statement preparation, as well as shown incomes and expenses of accounting period. The actual results can differ from these calculations.

**(19) Related parties**

Related parties are considered Group companies, Board and Council members, their close family members and Companies, in which the previously mentioned persons/Group companies have significant influence or control.

## Notes to Income Statement

### (1) Net sales

	EUR	EUR
	<u>2014</u>	<u>2013</u>
Income from ship building	918 050	1 989 320
Income from ship repair services	3 789 158	4 469 854
Other income	172 662	185 735
<b>Total</b>	<b><u>4 879 870</u></b>	<b><u>6 644 909</u></b>
<b>By location</b>		
Income from sales of service in Latvia	179 986	1 154 532
Income from sales of service in		
Farer's island	863 200	453 470
Russia	791 501	1 771 888
Lietuvania	921 245	1 185 067
Antiqua Barbuda	126 862	287 360
Beleez		832 296
Cyprus	35 456	10 350
Niderland	661 235	295 191
Senvinsent&Grenadinas		147 637
Malta	227 763	157 132
Germany	37 321	139 221
Gibraltar	8 215	144 944
Sweden		12 341
Poland	11 817	
Kambodja	130 955	
Maršla's island	24 360	
Norvēģija	402 230	53 480
Panama	457 159	
St.Kitts&Nevis	565	
<b>Total</b>	<b><u>4 879 870</u></b>	<b><u>6 644 909</u></b>

### (2) Cost of sales

Material purchase costs	835 386	1 275 318
Employees salary	1 037 102	1 060 178
Social insurance costs	237 924	247 807
Electricity costs	361 579	331 229
Depreciation of fixed assets	435 798	470 570
Contagent's services	1 648 768	2 862 185
Services from outside	279 341	279 106
Lease payment	54 749	52 960
Other costs	5 698	7 442
<b>Total</b>	<b><u>4 896 345</u></b>	<b><u>6 586 795</u></b>

### (3) Distribution expenses

Media advertising expenditures	533	1 478
Business trips	2 519	4 628
<b>Total</b>	<b><u>3 052</u></b>	<b><u>6 106</u></b>

### (4) Administrative expenses

Communication costs	1 341	1 710
Reward for the board and council	162 080	235 562
Social insurance costs	37 568	54 902
Office maintenance costs	4 420	4 070
Stock exchange costs	7 501	7 257
Lawyer's services	17 168	15 176
Expenses for the audit of 2014 financial statements	3 560	3 560
Transport costs, business trips	10 065	9 092
Bank services	8 173	13 411
Representation expenses	4 031	3 293
Other costs	5 540	
<b>Total</b>	<b><u>261 447</u></b>	<b><u>348 033</u></b>

Fees paid to auditor for the audit of 2014 financial statements amounted as 3 560,00 EUR.

JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

Notes to Income Statement (continuation)

	EUR	EUR
	<u>2014</u>	<u>2013</u>
<b>(5) Other operating income</b>		
Income from realization of materials	42 615	6 898
Income from rent	59 343	45 860
Income from tugboat's services	34 811	34 900
Income from exchange rate fluctuations	42	
Other income	24 158	566 246
<b>Total</b>	<u><u>160 969</u></u>	<u><u>653 904</u></u>
<b>(6) Other operating expenses</b>		
Written off bad debtors	2 370	313 240
Accrued liabilities ( holiday reserves )	4 628	-9 021
Fixed assets exclusion expenses	1 452	8 324
Material purchase expenses	36 175	1 478
Personnel expenses (material assistance)	2 062	2 213
Tugboat's services expenses	63 929	61 954
Losses from exchange rate fluctuations		18 496
Donations		57
Gifts to employees	376	353
Property maintenance	1 473	2 009
Other expenses		
<b>Total</b>	<u><u>112 465</u></u>	<u><u>399 103</u></u>
<b>(7) Interest and similar expenses</b>		
Interest charge	55 609	64 332
Penalties paid	54 138	21 567
<b>Total</b>	<u><u>109 747</u></u>	<u><u>85 899</u></u>
<b>(8) Corporate income tax for the financial year</b>		
<b>(8a) Components of corporate income tax</b>		
<b>Income statement</b>		
Deferred tax	17 765	5 945
Corporate income tax for the financial year	0	14 269
<b>Total</b>	<u><u>17 765</u></u>	<u><u>20 214</u></u>
<b>(8b) Deferred tax liabilities calculation:</b>		
<b>Deferred tax liabilities:</b>		
Difference between residual value of FA in financial accounting and tax purposes	2 270 202	1 965 226
<b>Net deferred tax liability (assets):</b>		
Provisions for leave expenses	52 927	48 299
Provisions for inventories		
Other temporary differences		
The accumulated tax losses	418 780	
<b>Total temporary differences</b>	<u><u>1 798 495</u></u>	<u><u>1 916 927</u></u>
Deferred taxation liabilities/(assets), rate 15%	269 774	287 539
Unrecognized deferred tax asset		
<b>Deferred tax liabilities</b>	<u><u>269 774</u></u>	<u><u>287 539</u></u>
Deferred tax liabilities from revaluation reserves of non-current investments	236 209	236 209
<b>Total deferred tax liabilities</b>	<u><u>505 983</u></u>	<u><u>523 749</u></u>
<b>(9) Other taxes</b>		
Real estate tax for land	14 490	14 490
Real estate tax for buildings	23 262	21 618
<b>Total</b>	<u><u>37 752</u></u>	<u><u>36 108</u></u>

Notes to the balance sheet by December 31st 2014

(10) Intangible assets and fixed assets

	Other intangible assets (software)	Lands and buildings	Equipment and machines	Other fixed assets	Fixed assets aunder construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost/revaluation</b>						
2013.12.31.	10 465	3 884 470	5 571 527	128 504	536 016	10 130 982
Additions		55 667	605 222	8 754		669 643
Disposals			662 255	4 134		666 389
Revaluation					519 853	519 853
2014.12.31.	10 465	3 940 137	5 514 494	133 124	16 163	9 614 383
<b>Depreciation</b>						
2013.12.31.	9 325	1 246 330	2 240 061	100 261		3 595 977
Calculated	646	136 475	288 388	10 288		435 797
Disposals			596 533	3 789		600 322
2014.12.31.	9 971	1 382 805	1 931 916	106 760		3 431 452
2013.12.31.	2 638 141	2 638 141	3 331 465	28 243	536 016	6 535 005
2014.12.31.	494	2 557 332	3 582 578	26 364	16 163	6 182 931

**Cadastral value**

Cadastral value of freehold land as at December 31, 2014 is 966 006,00 EUR, cadastral value for the building is 1 550 784 EUR.

(11) Raw materials and consumables

	EUR	EUR
	31.12.2014.	31.12.2013.
Metal	353 704	454 037
Abrasive	621	433
Pipes	140 973	167 634
Non-ferrous metals	56 254	64 799
Products of technical rubber	37 599	39 180
Other expenses	98 380	127 977
<b>Total</b>	<b>687 531</b>	<b>854 060</b>

(12) Finished goods

Yacht's hull	890 000	885 806
Equipment for yacht	519 853	
<b>Total</b>	<b>1 409 853</b>	<b>885 806</b>

(13) Trade receivables

Book value of trade receivables	1 273 128	1 599 352
<b>Net worth of trade receivables</b>	<b>1 273 128</b>	<b>1 599 352</b>

(14) Other receivables

In budget advance paid and overpaid VAT tax	22 984	26 559
Corporate income tax advance payments	44 491	
Advance payments for services	33 393	130
<b>Total</b>	<b>100 868</b>	<b>26 689</b>

(15)

AS "Rīgas kuģu būvētava" debt for the loan	70 214	
<b>Total</b>	<b>70 214</b>	<b>0</b>

For the use of the loan is paid 6% per annum. Loan return deadline is 01 June 2015.

(16) Expenses of future periods

Preses izdevumu abonēšana	567	238
Insurance expenses	3 580	
Other expenses	17 020	20 178
<b>Total</b>	<b>21 167</b>	<b>20 416</b>



JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

Notes to the balance sheet by December 31st 2014 (continuation)

		<u>EUR</u>	<u>EUR</u>
(17) Accrued income		<u>31.12.2014.</u>	<u>31.12.2013.</u>
Shipbuilding		265 948	118 826
Ship repair		99 179	525
<b>Total</b>		<u><u>365 127</u></u>	<u><u>119 351</u></u>

**a) Non-current investments**

Costs incurred and profit recognised as income (minus recognized losses)		<u>(28 615)</u>	<u>(101 151)</u>
Gross amount of work-in-progress		<u><u>(28 615)</u></u>	<u><u>(101 151)</u></u>

Corresponding amounts:

Agreement revenue recognised in income statement ("Net sales")		365 127	119 351
Advances received from customers (as "Advances from customers")		201 096	163 392

**(18) Cash and Bank**

Cash on hand		9	
Cash at bank on current accounts		<u>178 129</u>	<u>66 182</u>
<b>Total</b>		<u><u>178 138</u></u>	<u><u>66 182</u></u>

**(19) Information about company's own shares and total stock**

AS "Tosmares kuģubūvētava" was established in 2000 with share capital 2 281 428 EUR that consist of 1 603 397 common shares, nominal value of share is 1,42 EUR.

The join-stock company is public and its shares counts among the stock exchange. All shares give equal rights to receipt of dividends, receipt of liquidation quotas and right to vote in the shareholders meeting. One share gives the right to 1 vote in the shareholders meeting. The Company has no shares that are held by the Company itself or anyone else in its assignment.

Modifications in Statues:

- 1 In a year of 2001 an increase of share capital of the company to 3 704 300 EUR.
- 2 In a year of 2002 an increase of share capital of the company to 4 558 023 EUR.
- 3 In 2011 the 2 562 660 shares were determined as registered shares, and 640 737 shares as bearer shares; all shares are non-certificated shares / book-entry shares.
- 4 Equity capital is 4 484 756 EUR after denomination. JSC "Tosmares kuģubūvētava" has 3 203 397 stocks. One stock costs 1.40 EUR.

		<u>EUR</u>	<u>EUR</u>
(20) Non-current investments revaluation reserve		<u>31.12.2014.</u>	<u>31.12.2013.</u>
Investment revaluation of floating dock was on December, 2011		1 338 520	1 338 520
<b>Total</b>		<u><u>1 338 520</u></u>	<u><u>1 338 520</u></u>

The assessment of floating dock was carried out by certified technical expert SIA "Baltic Kontor".

**(21) Other reserves**

Reserves from resulting of the denomination of the share in accordance with the shareholders' decision.

		<u>73 267</u>	
<b>Total</b>		<u><u>73 267</u></u>	<u><u></u></u>

**(22) Other provisions**

Provisions for annual leave

		<u>52 927</u>	<u>48 299</u>
<b>Total</b>		<u><u>52 927</u></u>	<u><u>48 299</u></u>

**(23) Other borrowings**

**Total** 1 566 000

Loan is received from the legal person with 6 % annual rate with the deadline of return in 2019.

As security for the loan liabilities accomplishment the Company's fixed assets are pledged. The value of the pledged fixed assets is 833 471 EUR.

**(24) Non-current leasing liabilities**

Overhead cranes		431 379	
Automobile		<u>76 046</u>	<u></u>
<b>Total</b>		<u><u>507 425</u></u>	<u><u></u></u>

Liabilities under the finance leases are repayable within 2-5 years. **507 425**

The company has purchased cargo cranes by financial lease from SIA "SEB lizings." Interest payments are set at 3,45% + 3 months EURIBOR.

The automobile has been purchased by financial lease from SIA "Citadele lizings un faktoringis". Interest payments are set at 5% + 6 months EURIBOR.

JSC "Tosmares kuģubūvētava"  
ANNUAL REPORT  
for period ended 31 December 2014

Notes to the balance sheet by December 31st 2014 (continuation)

(25) Deferred tax liabilities	EUR	EUR
	31.12.2014.	31.12.2013.
Deferred tax liabilities at the beginning of year	523 749	281 595
Deferred tax liability from revaluation reserve of floating dock		236 209
Deferred tax liability increase in the financial year	(17 765)	5 945
<b>Liabilities in the end of a period</b>	<b>505 984</b>	<b>523 749</b>
(26) Next period income (non-current part)		
Atgriezīniskā līzīngā rezultāta gūtīe ieņēmumi.	313 454	
<b>Total</b>	<b>313 454</b>	
(27) Loans from credit institutions		
		1 855 966
<b>Total</b>		<b>1 855 966</b>

The Company had an opened credit facility in JSC "SEB bank" on December 31, 2013.  
As security for the liabilities were pledged by the Company belonging property - equipment, floating dock and two dry docks. In 2014 the liabilities to the credit institution were paid off. The balance sheet value of the pledged fixed assets on December 31, 2013 is 3 331 465 EUR.

(28) Other borrowings		
Interests unpaid	16 684	
<b>Total</b>	<b>16 684</b>	
(29) Current leasing liabilities		
Automobile	17 434	
Overhead cranes	64 321	
<b>Total</b>	<b>81 755</b>	
(30) Advances from customers		
Ship building	201 096	163 392
Other	4 855	7 242
<b>Total</b>	<b>205 951</b>	<b>170 634</b>
(31) Trade payables		
Debts for materials	146 560	256 592
Debts for services	155 386	183 768
Debts for ship building and ship repair	627 730	453 203
Debts for fixed assets	33 247	45 027
<b>Total</b>	<b>962 923</b>	<b>938 590</b>
(32) Payables to related companies		
Debt to the AS "Rīgas kuģu būvētava" for the materials and services	5 902	78 565
<b>Total</b>	<b>5 902</b>	<b>78 565</b>
(33) Taxes and social insurance payments in 2014		

	01.01.2014.	Calculated 2014.	Calculated penalty and delay fees	(Paid) / repaid	Transferred to other taxes	31.12.2014.
	EUR	EUR	EUR	EUR		EUR
Value added tax	(26 560)	(300 060)	41	15 235		288 360 (22 984)
Personal income tax	101 659	228 611	7 330	(300 500)		(237) 36 863
Social insurance payments	99 172	410 541	3 987	(163 000)		(285 069) 65 631
Corporate income tax	11 594		1 493	(54 500)		(3 078) (44 491)
Real estate tax (land)	3 623	14 490	1 514	(11 312)		8 315
Real estate tax (building)	5 404	23 262	1 372	(17 688)		12 350
Natural resources tax	1 452	3 970	28	(4 689)	24	785
Risk duty	64	794	3	(801)		60
<b>Total</b>	<b>196 408</b>	<b>381 608</b>	<b>15 768</b>	<b>(537 255)</b>	<b>0</b>	<b>56 529</b>

Tax debt	222 968	124 004
Tax overpayment	(26 560)	(67 475)

(34) Other liabilities	EUR	EUR
	31.12.2014.	31.12.2013.
Salaries	71 108	69 218
Retention from salaries	506	592
Other liabilities	378	911
<b>Total</b>	<b>71 992</b>	<b>70 721</b>

## General notes

(35) Average number of people employed	2014. gads	2013. gads
Average number of people employed by the Company in the financial year	<u>193</u>	<u>213</u>
(36) Personnel salary	1 528 068	1 629 345
- salaries	1 243 952	1 321 605
- social insurance payments	284 116	307 740
including:		
Personnel salary (production department)	1 328 420	1 338 881
- salaries	1 081 872	1 086 042
- social insurance payments	246 548	252 839
Remuneration to the Board	103 581	124 377
- remuneration	83 810	100 231
- social insurance payments	19 771	24 146
Remuneration to the Council	96 067	166 086
- remuneration	78 270	135 331
- social insurance payments	17 797	30 755
(37) Correction of errors of previous years		

In 2014 it was stated that in preparation of 2013 annual report was not carried out an assessment of long-term agreements in accordance with their the stage of completion on 31/12/13. Also, the company had not carried out the deferred tax adjustments related to the recognized revaluation reserve. In Annual Report for the year 2014 has been made that mistake retrospectively corrections which impact on the comparative 2013 figures is as follows:

<u>Income statements items</u>	2013 Before corrections, EUR	Correction amount EUR	2013 After corrections, EUR
Net sales	6 525 558	119 351	6 644 909
Cost of sales	6 366 293	220 502	6 586 795
Gross profit	<u>159 265</u>	<u>(101 151)</u>	<u>58 114</u>
Corporate income tax	(29 441)	9 227	20 214
Net profit	<u>(97 465)</u>	<u>(91 924)</u>	<u>(183 444)</u>
<u>Balance sheet items</u>			
<u>Assets</u>			
<u>Current assets</u>			
Work in progress	220 502	(220 502)	
Accrued income		119 351	119 351
<b>Total current assets</b>	<b>220 502</b>	<b>(101 151)</b>	<b>119 351</b>
<u>Equity, provisions and liabilities</u>			
<u>Equity</u>			
Non-current investments revaluation reserve	1 574 729	(236 209)	1 338 520
Current year's profit or losses	(97 465)	(91 924)	(183 444)
<b>Total equity</b>	<u>1 477 264</u>	<u>(328 133)</u>	<u>1 155 076</u>
Deferred tax liabilities	287 540	236 209	523 749
Taxes and social insurance payments	238 139	(15 171)	222 968
<b>Total liabilities:</b>	<u>525 679</u>	<u>(221 038)</u>	<u>746 717</u>

General notes (continuation)

(38) Transactions with related parties

The biggest shareholder of the Company, who owns 49,72% of shares is JSC "Rīgas kuģu būvētava"

In 2014 The Company had economic transactions with the JSC "Rīgas kuģu būvētava" - the purchase of materials, receipt of services, as well as the loan was issued at amount of 70 000 EUR.

Transactions with JSC "Rīgas kuģu būvētava"	2014 Sale	2014 Purchase
Purchase of materials		88 292
Services		17 036
Loans issued	70 000	
Interest accrued	214	

(39) Pledged assets, guarantees, off-balance sheet commitments

The security for the loans are pledged assets. (View Note No. 23)  
Guarantees are not issued. Off-balance sheet commitments are not standing.

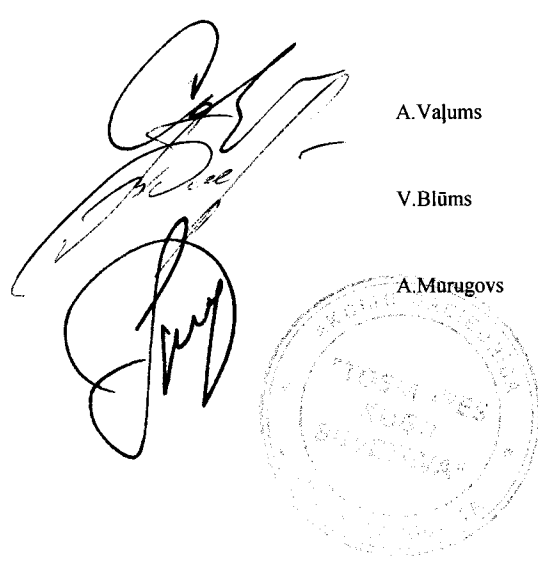
The annual report for the year 2014 from page 1 to the page 19 approve:

Chairman of the Board

Member of the Board

Member of the Board

07 April 2015



A. Vaļums  
V. Blūms  
A. Murugovs



## INDEPENDENT AUDITOR'S REPORT

To the shareholders of JSC „TOSMARES KUĢUBŪVĒTAVA”

### Report on the Financial Statements

We have audited the accompanying financial statements of JSC „TOSMARES KUĢUBŪVĒTAVA” set out on pages 5 to 19 of the annual report, which comprise the balance sheet as of 31 December 2014, and the income statement, statement of cash flow and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

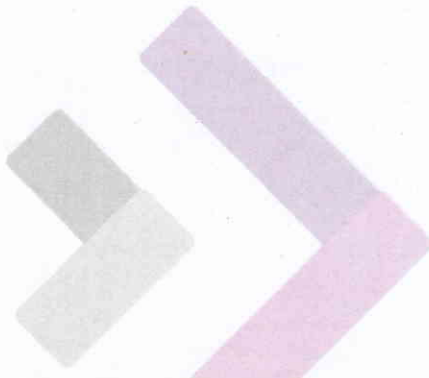
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

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

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

#### *Explanation of opinion with objection*

In the Company's balance sheet at December 31, 2014 are reflected the debt receivables in amount of 516 510 EUR, payment of which is significantly delayed. In the financial statement the loss from the value reduction of these debts is not recognized. In our opinion the value of these debt receivables have been decreased, but as the Management of the Company had not made estimation of the future cash flow of these debts, we were not able to reliably estimate the amount of loss, that should be recognized as a result of value decrease.





**Orients**  
AUDIT & FINANCE

SIA Orients Audit & Finance | Gunāra Astras iela 8b, Rīga, LV-1082  
Tālr.: +371 67312646, fakss: +371 67312645  
[www.orient's.lv](http://www.orient's.lv)

*Opinion with objection*

In our opinion, except for possible influence of circumstances mentioned in „Explanation of opinion with objection” paragraph, the financial statements give a true and fair view of the financial position of JSC „TOSMARES KUĢUBŪVĒTAVA” as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Latvian law “On the Annual Report”

**Report on Other Legal and Regulatory Requirements**

We have read the management report as shown on the page 3 of the annual report and we have not identified any material discrepancies between the historical financial information presented in the management report and the financial statements for the year ended 31 December 2014.

Member of the Board of LTD Orients Audit & Finance  
Commercial Company License No.28

Riga, Latvia  
07 April 2015



Natalija Zaiceva  
Certified Auditor  
Certificate No.138

