

JSC "TOSMARES KUĢUBŪVĒTAVA"

Financial statements on 12 months of 2015

(non audited)

**Liepājā
2016**

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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 No.210302283 Liepāja, January 03, 2000 Commercial register No.42103022837 Liepāja, May 12, 2004 |
| Address | Ģenerāļa Baloža iela 42/44 Liepāja, LV-3402 Latvia |
| Type of operations | NACE 3315: Construction and repair of technological equipment, ships, yachts, catamarans, containers, roltrailers; Port services |
| The Board | |
| Aleksandrs Vaļums | Chairman of the Board |
| Vladislavs Blūms | Member of the Board till October 15, 2015 |
| Aleksandrs Murugovs | Member of the Board |
| The Council | |
| Vasilijs Meļņiks | Chairman of the Council |
| Aleksandrs Čerņavskis | Deputy chairman of the Council |
| Jānis Skvarnovičs | Member of the Council |
| Henrik Kasesalu | Member of the Council |
| Viktors Ivanovs | Member of the Council till February 23, 2016 |
| Financial period | January 1, 2015 - December 31, 2015 |
| Auditor's name and address | Natalija Zaiceva Certified auditor (LZRA Certificate. No. 138) "Orients Audit & Finance" Ltd LZRA Licence No. 28 Gunara Astras iela 8B Rīga, LV-1082 Latvia |

Statement of the Management's 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 period, and the results of its operations and cash flow for the period then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 6 to page 18 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 normative acts of the Republic of Latvia.

Chairman of the Board

A.Vaļums

Member of the Board

A.Murugovs

February 29, 2016

Statement of the Board of Directors

In 2015 JSC "Tosmares kuģubūvētava" performed the repair of 44 vessels (in comparison with 2014 – the repair of 38 vessels) and were built 3 steel hulls of catamarans (in comparison with 2014 – 4 steel hulls of catamarans).

In 2015 a total net turnover of JSC "Tosmares kuģubūvētava" was EUR 6 133 571, of which the turnover from ship building was EUR 479 686 and ship repair EUR 5 653 885 (in comparison in 2014 a total net turnover was EUR 4 879 870, including ship building EUR 918 050 and ship repair EUR 3 789 158).

JSC "Tosmares kuģubūvētava" has finished the report period with gross profit in the amount of EUR 989 203 (in 2014 gross losses were EUR 16 475), whereas a net profit in 2015 was in the amount of EUR 187 722 (respectively in 2014 there were a net losses in the amount of EUR 362 204).

The achieved results are based on the active marketing work to attract new customers, rational use of manpower and material resources, increase of labour productivity, as well as an active and closer cooperation with customers in implementing the obligations entered into.

The Board of Directors of the Company considering the existing market situation and the resources of the Company continues to increase the effectiveness of activities of the Company, moving to new sectors of production and the market, which should ensure increase of volume of repairable and new building vessels. Also have been restored fixed assets of the Company to increase labour productivity, new working methods are acquired and improved working conditions of the Company's employees.

The Board of Directors of the Company has improved cooperation models with customers in order to make better a financial discipline and prevent the accumulation of debt, which would allow optimizing the cash flow of the Company.

The productions processes of the JSC "Tosmares kuģubūvētava" are carried out in accordance with international standards EN ISO 9001:2008, and according to the standard EN 1090 are ensured the constant quality monitoring, as well as its activities comply with the other existing shipbuilding and repair standards.

The Board of Directors of the Company conducts preliminary works to implement the standard ISO 9001:2015 in 2016, which will enable us to improve the quality system and rational use of natural and material resources

In 2016 the Board of Directors of the Company will continue to improve and develop the initiated economic activities, paying particular attention to environmental preservation measures, by investing in the Company's production facilities, which will contribute to the competitiveness of the Company and promote the development of economic activities.

JSC "Tosmares kuģubūvētava" proposes the net profit of 2015 in the amount of EUR 187 722 to direct for further development of the Company.

In the period between the last day of the reporting period and the date of signing the financial report there were no any events detected, as a result of which this financial report should be corrected or which should be explained.

Chairman of the Board

A.Vaļums

Member of the Board

A.Murugovs

February 29, 2016

PROFIT OR LOSS STATEMENT
for 12 months period of 2015 and 2014

| | Notes | 12 months 2015 EUR | 12 months 2014 EUR |
|--------------------------------------|-------|-----------------------|-----------------------|
| Net sales | (1) | 6 133 571 | 4 879 870 |
| Cost of sales | (2) | (5 088 174) | (4 896 345) |
| Gross profit or losses | | 1 045 397 | (16 475) |
| Distribution expenses | (3) | (8 599) | (3 052) |
| Administrative expenses | (4) | (371 272) | (261 447) |
| Other operating income | (5) | 236 045 | 160 969 |
| Other operating expenses | (6) | (475 655) | (112 465) |
| Interest payments and similar costs | (7) | (121 720) | (109 747) |
| Profit or losses before taxes | | 304 196 | (342 217) |
| Corporate income tax | (8) | (78 722) | 17 765 |
| Other taxes | (8) | (37 752) | (37 752) |
| Net profit or losses | | 187 722 | (362 204) |
| Profit (loss) per share | | 0,059 | (0,113) |

Appendixes on pages 11 to 18 are an integral part of this financial report.

Chairman of the Board

A.Vaļums

Member of the Board

A.Murugovs

February 29, 2016

BALANCE SHEET

on December 31, 2015 and December 31, 2014

| | Notes | 31.12.2015 EUR | 31.12.2014. EUR |
|-------------------------------------|-------|-------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Other intangible assets | (9) | 275 | 494 |
| Total intangible assets | | 275 | 494 |
| Fixed assets | | | |
| Land and buildings | (9) | 2 436 095 | 2 557 332 |
| Equipment and machinery | (9) | 3 622 823 | 3 582 578 |
| Other fixed assets | (9) | 18 603 | 26 364 |
| Fixed assets under construction | (9) | 111 291 | 16 163 |
| Total fixed assets | | 6 188 812 | 6 182 437 |
| Total non-current assets | | 6 189 087 | 6 182 931 |
| Current assets | | | |
| Inventories | | | |
| Raw materials and consumables | (10) | 598 181 | 687 531 |
| Finished goods and work in progress | (11) | 1 409 853 | 1 409 853 |
| Advances paid for materials | | 29 057 | 9 |
| Total inventories | | 2 037 091 | 2 097 393 |
| Account receivables | | | |
| Trade receivables | (12) | 827 193 | 1 273 128 |
| Other receivables | (13) | 113 242 | 100 868 |
| Related company's debt | (14) | 472 203 | 70 214 |
| Expenses of future periods | (15) | 496 | 21 167 |
| Accrued income | (16) | 244 245 | 365 127 |
| Total receivables | | 1 657 380 | 1 830 504 |
| Cash and bank | (17) | 194 535 | 178 138 |
| Total current assets: | | 3 889 006 | 4 106 034 |
| | | 10 078 093 | 10 288 965 |

Appendixes on pages 11 to 18 are an integral part of this financial report.

BALANCE SHEET

on December 31, 2015 and December 31, 2014

| | Notes | 2015.12.31 EUR | 31.12.2014. EUR |
|--|-------|-------------------|--------------------|
| <u>EQUITY, PROVISIONS AND LIABILITIES</u> | | | |
| Equity | | | |
| Share capital | (18) | 4 484 756 | 4 484 756 |
| Non-current investments revaluation reserve | (19) | 1 338 520 | 1 338 520 |
| Reserves: | | | |
| other reserves | (20) | 73 267 | 73 267 |
| Retained earnings: | | | |
| previous year's retained earnings (losses) | | 126 424 | (61 298) |
| current year's profit (losses) | | (61 298) | 300 906 |
| | | 187 722 | (362 204) |
| Total equity | | 6 022 967 | 5 835 245 |
| Provisions | | | |
| Other provision | (21) | 59 940 | 52 927 |
| Total provisions | | 59 940 | 52 927 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Other borrowings | (22) | 1 500 000 | 1 566 000 |
| Leasing liabilities | (23) | 506 977 | 507 425 |
| Deferred income tax liabilities | (24) | 584 705 | 505 983 |
| | | | 0 |
| Next period income | (25) | 265 449 | 313 454 |
| Total non-current liabilities | | 2 857 131 | 2 892 862 |
| Current liabilities | | | |
| Other borrowings | (26) | 23 000 | 16 684 |
| Leasing liabilities | (27) | 105 133 | 81 755 |
| Advances from customers | (28) | 31 015 | 205 951 |
| Trade payables | (29) | 745 175 | 962 923 |
| Payables to related companies | (30) | | 5 902 |
| Taxes and social insurance payments | (31) | 115 168 | 124 004 |
| Other liabilities | #REF! | 77 236 | 71 992 |
| Deferred income | | 41 322 | 35 154 |
| Dividends unpaid | | 6 | 6 |
| Accrued liabilities | | | 3 560 |
| Total current liabilities: | | 1 138 055 | 1 507 931 |
| Total liabilities: | | 3 995 186 | 4 400 793 |
| Total equity, provisions and liabilities | | 10 078 093 | 10 288 965 |

Appendixes on pages 11 to 18 are an integral part of this financial report.

Chairman of the Board

A.Vaļums

Member of the Board

A.Murugovs

February 29, 2016

CASH FLOW STATEMENT

for 12 months of 2015 and 2014 (according to direct method)

| | 12 months of 2015 EUR | 12 months of 2014 EUR |
|---|--------------------------|--------------------------|
| Cash flow from operating activities | | |
| Sales and service income | 6 283 134 | 5 563 795 |
| Cash to suppliers, personnel and others primary activity costs | (5 809 142) | (4 873 887) |
| Other | | 0 |
| Gross cash flow generated from operating activities | 473 992 | 689 908 |
| Interest paid | (109 159) | 0 |
| Corporate income tax paid | (10 000) | (74 537) |
| Cash flow before extraordinary items | 354 833 | (54 500) |
| Net cash flow generated from operating activities | 354 833 | (54 500) |
| Cash flow from investment activity | | |
| Acquisition of fixed and intangible assets | (138 762) | (91 578) |
| Proceeds from sales of fixed assets and intangible assets | 0 | 4 299 |
| Net cash flow generated from investing activities | (138 762) | (87 279) |
| Cash flow from financing activities | | |
| Loans received | | 1 566 000 |
| Expenses on repayment of loan | (66 000) | (1 855 966) |
| Leased assets redemption expenses | (133 674) | (71 670) |
| Net cash flow generated from financing activities | (199 674) | (361 636) |
| Net foreign exchange gains/losses | | |
| Net increase / (decrease) in cash and cash equivalents | 16 397 | 11 956 |
| Cash and cash equivalents at the beginning of the financial year | 178 138 | 66 182 |
| Cash and Cash equivalents at the end of the financial year | 194 535 | 78 138 |

Appendixes on pages 11 to 18 are an integral part of this financial report.

Chairman of the Board

A.Vaļums

Member of the Board

A.Murugovs

February 29, 2016

STATEMENT OF CHANGES IN EQUITY
for 12 months period of 2015 and 2014

| | Share capital | Revaluation reserve of Non-current investments | Retained earnings | Other reserves | Total |
|--|------------------|---|-------------------|----------------|------------------|
| | EUR | EUR | EUR | EUR | EUR |
| Balance as at 31.12.2013 | 4 558 023 | 1 338 520 | 300 906 | | 6 197 449 |
| 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) |
| Balance as at 31.12.2014 | 4 484 756 | 1 338 520 | (61 298) | 73 267 | 5 835 245 |
| Profit or losses for the financial year | | | 187 722 | | 187 722 |
| Balance as at 31.12.2015 | 4 484 756 | 1 338 520 | 126 424 | 73 267 | 6 022 967 |

Appendixes on pages 11 to 18 are an integral part of this financial report.

Chairman of the Board

A.Vaļums

Member of the Board

A.Murugovs

February 29, 2016

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 No.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 period, 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 LVL 0.702804 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.

(4) Intangible investments

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

(5) 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:

| | <u>Years</u> | <u>%</u> |
|--|--------------|----------|
| 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) Corporate income tax

Corporate income tax was calculated according to Latvia Republic tax laws. According to effective provisions of the normative acts the tax rate is 15%.

(15) 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.

(16) 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.

(17) 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.

(18) Related parties

Related parties are considered to be related companies, the members of the Council and the Board of Directors, the employees of the Internal Audit and/or members of the audit committee, the chief accountant, as well as other employees of the Company, who are authorized to carry out the economic activity planning, management and control, and whose decisions may have an impact on the operation and development of the Company, spouses, children and other relatives under the auspices of the mentioned persons, whose for at least a year is a common household with the person, as well as by commercial companies, which are managed or controlled by the persons referred to above.

Notes to Income Statement

| | EUR | |
|--|-------------------|-------------------|
| | 12 months of 2015 | 12 months of 2014 |
| (1) Net sales | | |
| Income from ship building | 479 686 | 918 050 |
| Income from ship repair services | 5 653 885 | 3 789 158 |
| Other income | | 172 662 |
| Total | 6 133 571 | 4 879 870 |
| By location | | |
| Income from sales of service in Latvia | 499 265 | 179 986 |
| Income from sales of service in | | |
| Fareo Islands | 479 686 | 863 200 |
| Russia | 2 613 781 | 791 501 |
| Lithuania | 595 393 | 921 245 |
| | 48 327 | 126 862 |
| Beliza | 69 824 | |
| Cyprus | 49 448 | 35 456 |
| Netherlands | 1 335 657 | 661 235 |
| Malta | 99 760 | 227 763 |
| Germany | 131 782 | 37 321 |
| Gibraltar | 91 034 | 8 215 |
| Poland | 28 750 | 11 817 |
| Cambodia | | 130 955 |
| Marshall Islans | | 24 360 |
| Norway | | 402 230 |
| Panama | 90 864 | 457 159 |
| Cambodia | | 565 |
| Total | 6 133 571 | 4 879 870 |
| (2) Cost of sales | | |
| Material purchase costs | 763 524 | 835 386 |
| Employees salary | 1 136 730 | 1 037 102 |
| Social insurance costs | 270 437 | 237 924 |
| Electricity costs | 444 312 | 361 579 |
| Depreciation of fixed assets | 429 705 | 435 798 |
| Contagent's services | 1 748 387 | 1 648 768 |
| Services from outside | 21 659 | |
| Current overhaul of buildings | 18 224 | |
| Security | 102 300 | |
| Services of other Companies | 80 105 | 279 341 |
| Lease payment | 72 791 | 54 749 |
| Other costs | | 5 698 |
| Total | 5 088 174 | 4 896 345 |
| (3) Distribution expenses | | |
| Media advertising expenditures | 647 | 533 |
| Business trips | 7 952 | 2 519 |
| Total | 8 599 | 3 052 |
| (4) Administrative expenses | | |
| Communication costs | 1 575 | 1 341 |
| Reward for the board and council | 233 368 | 162 080 |
| Social insurance costs | 53 445 | 37 568 |
| Office maintenance costs | 5 837 | 4 420 |
| Stock exchange costs | 6 667 | 7 501 |
| Lawyer's services | 22 344 | 17 168 |
| Expenses for the audit | 3 800 | 3 560 |
| Transport costs, business trips | 17 034 | 10 065 |
| Bank services | 4 185 | 8 173 |
| Representation expenses | 7 226 | 4 031 |
| Other costs | 15 791 | 5 540 |
| Total | 371 272 | 261 447 |

| (5) Other operating income | EUR | |
|--|-------------------|----------------|
| | 12 months of 2015 | 12 months 2014 |
| Income from realization of materials | 11 277 | 42 615 |
| Income from rent | 73 028 | 59 343 |
| Income from tugboat's services | 73 900 | 34 811 |
| Income from exchange rate fluctuations | | 42 |
| Other income | 77 840 | 24 158 |
| Total | 236 045 | 160 969 |

| (6) Other operating expenses | EUR | |
|--|-------------------|----------------|
| | 12 months of 2015 | 12 months 2014 |
| Provisions for bad and doubtful debts | 388 392 | 2 370 |
| Accrued liabilities (holiday reserves) | 7 013 | 4 628 |
| Fixed assets exclusion expenses | | 1 452 |
| Material purchase expenses | 8 736 | 36 175 |
| Personnel expenses (material assistance) | | 2 062 |
| Tugboat's services expenses | 62 458 | 63 929 |
| Donations | 860 | |
| Leased fixed assets maintenance costs | | 376 |
| Property maintenance | | 1 473 |
| Other expenses | 8 196 | |
| Total | 475 655 | 112 465 |

| (7) Interest and similar expenses | EUR | |
|-----------------------------------|-------------------|----------------|
| | 12 months of 2015 | 12 months 2014 |
| Interest charge | 115 474 | 55 609 |
| Penalties paid | 6 246 | 54 138 |
| Total | 121 720 | 109 747 |

| (8) Other taxes | EUR | |
|-------------------------------|-------------------|----------------|
| | 12 months of 2015 | 12 months 2014 |
| Real estate tax for land | 14 490 | 14 490 |
| Real estate tax for buildings | 23 262 | 23 262 |
| Total | 37 752 | 37 752 |

| (9) Intangible assets and fixed assets | Other intangible assets (software) | Lands and buildings | Equipment and machines | Other fixed assets | Fixed assets under construction | Total |
|--|---------------------------------------|------------------------|------------------------------|--------------------|------------------------------------|-----------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Cost/revaluation | | | | | | |
| 31.12.2014 | 10 465 | 3 940 137 | 5 514 494 | 133 124 | 16 163 | 9 614 383 |
| Additions | | 16 413 | 320 615 | 4 349 | 97 898 | 439 275 |
| Disposals | | | 54 572 | 2 982 | | 57 554 |
| Revaluation | | | | | 2 770 | 2 770 |
| 31.12.2015 | 10 465 | 3 956 550 | 5 780 537 | 134 491 | 111 291 | 9 993 334 |
| Depreciation | | | | | | |
| 31.12.2014 | 9 971 | 1 382 805 | 1 931 916 | 106 760 | | 3 431 452 |
| Calculated | 219 | 137 650 | 279 731 | 12 105 | | 429 705 |
| Disposals | | | 53 933 | 2 977 | | 56 910 |
| 31.12.2015 | 10 190 | 1 520 455 | 2 157 714 | 115 888 | | 3 804 247 |
| 31.12.2014 | 494 | 2 557 332 | 3 582 578 | 26 364 | 16 163 | 6 182 931 |
| 31.12.2015 | 275 | 2 436 095 | 3 622 823 | 18 603 | 111 291 | 6 189 087 |

Cadastral value

Cadastral value of freehold land as at December 31, 2015 is EUR 966 006, cadastral value for the building is EUR 1 550 784.

| (10) Raw materials and consumables | EUR | EUR |
|---|--------------------------|-------------------------|
| | <u>12 months of 2015</u> | <u>12 months 2014</u> |
| Metal | 293 428 | 353 704 |
| Abrasive | 2 384 | 621 |
| Pipes | 113 427 | 140 973 |
| Non-ferrous metals | 53 385 | 56 254 |
| Products of technical rubber | 36 319 | 37 599 |
| Other expenses | 99 238 | 98 380 |
| Total | <u>598 181</u> | <u>687 531</u> |
| | | |
| (11) Finished goods | | |
| Yacht's hull | 890 000 | 890 000 |
| Equipment for yacht | 519 853 | 519 853 |
| Total | <u>1 409 853</u> | <u>1 409 853</u> |
| | | |
| (12) Trade receivables | | |
| Book value of trade receivables | 827 193 | 1 273 128 |
| Net worth of trade receivables | <u>827 193</u> | <u>1 273 128</u> |
| | | |
| (13) Other receivables | | |
| In budget advance paid and overpaid VAT tax | 43 008 | 22 984 |
| Corporate income tax advance payments | 8 691 | 44 491 |
| Advance payments for services | 8 145 | 33 393 |
| Other receivables | 53 398 | |
| Total | <u>113 242</u> | <u>100 868</u> |
| | | |
| (14) Related company debt | | |
| AS "Rīgas kuģu būvētava" debt for the loan | 472 203 | 70 214 |
| Total | <u>472 203</u> | <u>70 214</u> |
| For the use of the loan is paid 6% per annum. | | |
| | | |
| (15) Expenses of future periods | | |
| Press Subscription | 42 | 567 |
| Insurance expenses | 454 | 3 580 |
| Other expenses | | 17 020 |
| Total | <u>496</u> | <u>21 167</u> |
| | | |
| (16) Accrued income | EUR | EUR |
| | <u>12 months of 2015</u> | <u>12 months 2014</u> |
| Shipbuilding | 90 552 | 265 948 |
| Ship repair | 153 693 | 99 179 |
| Total | <u>244 245</u> | <u>365 127</u> |
| | | |
| (17) Cash and Bank | | |
| Cash on hand | 0 | 0 |
| Cash at bank on current accounts | 194 535 | 178 138 |
| Total | <u>194 535</u> | <u>178 138</u> |

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

AS "Tosmares kuģubūvētava" was established in 2000 with share capital EUR 2 281 428 that consist of 1 603 397 common shares, nominal value of share is EUR 1,40.

The joint-stock company is public and its shares are quoted with 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 by third persons for its assignment.

Modifications in Statutes:

- 1 In 2001 an increase of share capital of the company up to EUR 3 704 300.
- 2 In 2002 an increase of share capital of the company up to EUR 4 558 023.
- 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 EUR 4 484 756 after denomination. Equity capital of JSC "Tosmares kuģubūvētava" consist of 3 203 397 stocks. Value of one stock is 1.40 EUR.

| (19) Non-current investments revaluation reserve | EUR | EUR |
|---|--------------------------|-----------------------|
| | 12 months of 2015 | 12 months 2014 |
| Investment revaluation of floating dock was on December, 2011 | 1 338 520 | 1 338 520 |
| Total | 1 338 520 | 1 338 520 |

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

(20) Other reserves

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

| | | |
|--------------|---------------|---------------|
| | 73 267 | 73267 |
| Total | 73 267 | 73 267 |

(21) Other provisions

Provisions for annual leave

| | | |
|--------------|---------------|---------------|
| | 59 940 | 52 927 |
| Total | 59 940 | 52 927 |

(22) Other borrowings

Total 1 500 000

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 EUR 833 471.

(23) Non-current leasing liabilities

| | | |
|-----------------|----------------|----------------|
| Overhead cranes | 364 759 | 431 379 |
| Automobile | 142 218 | 76 046 |
| Total | 506 977 | 507 425 |

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

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

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

(24) Deferred tax liabilities

| | EUR | EUR |
|--|-------------------------|----------------------|
| | 12 month of 2015 | 12 month 2014 |
| Deferred tax liabilities at the beginning of year | 505 983 | 523 749 |
| Deferred tax liability from revaluation reserve of floating dock | | |
| Deferred tax liability increase in the financial year | 78 722 | -17 765 |
| Liabilities in the end of a period | 584 705 | 505 983 |

(25) Next period income (non-current part)

| | | |
|--|----------------|---------------|
| Revenue as a result of the reverse leasing | 265 449 | 313454 |
| Total | 265 449 | 313454 |

(26) Other borrowings

| | | |
|------------------|---------------|---------------|
| Interests unpaid | 23 000 | 16 684 |
| Total | 23 000 | 16 684 |

(27) Current leasing liabilities

| | | |
|-----------------|----------------|---------------|
| Automobile | 38 512 | 17 434 |
| Overhead cranes | 66 621 | 64 321 |
| Total | 105 133 | 81 755 |

(28) Advances from customers

| | | |
|---------------|---------------|----------------|
| Ship building | 31 015 | 201 096 |
| Ship repair | | 0 |
| Other | | 4 855 |
| Total | 31 015 | 205 951 |

(29) Trade payables

| | | |
|---|----------------|----------------|
| Debts for materials | 97 622 | 146 560 |
| Debts for services | 102 431 | 155 386 |
| Debts for ship building and ship repair | 533 311 | 627 730 |
| Debts for fixed assets | 11 811 | 33 247 |
| Total | 745 175 | 962 923 |

(30) Payables to related companies

| | | |
|---|----------|--------------|
| Debt to the AS "Rīgas kuģu būvētava" for the materials and services | | 5 902 |
| Total | 0 | 5 902 |

(31) Movement of tax liabilities for 12 months of 2015

| | 01.01.2015. | Calculated for 2015 | Calculated penalty and delay fees | (Paid) / repaid | Transferred to other taxes | 31.12.2015 |
|----------------------------|---------------|---------------------|-----------------------------------|------------------|----------------------------|---------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Value added tax | (22 984) | (288 414) | | 27 689 | 240 701 | (43 008) |
| Personal income tax | 36 863 | 251 400 | 3 230 | (197 000) | (35 202) | 59 291 |
| Social insurance payments | 65 631 | 458 120 | 63 | (209 000) | (260 303) | 54 511 |
| Corporate income tax | (44 491) | | | (10 000) | 45 800 | (8 691) |
| Real estate tax (land) | 8 315 | 14 490 | 427 | (23 230) | | 2 |
| Real estate tax (building) | 12 350 | 23 262 | 1 633 | (37 242) | | 3 |
| Natural resources tax | 785 | 4 438 | | (3 985) | 68 | 1 306 |
| Risk duty | 60 | 751 | | (756) | | 55 |
| Total | 56 529 | 464 047 | 5 353 | (453 524) | (8 935) | 63 470 |

| | | |
|------------------------|-----------------|-----------------|
| Tax debt | 124 004 | 115 168 |
| Tax overpayment | (67 475) | (51 699) |

(32) Other liabilities

| | EUR | EUR |
|-------------------------|-------------------|----------------|
| | 12 months of 2015 | 12 months 2014 |
| Salaries | 76 705 | 71 108 |
| Retention from salaries | 437 | 506 |
| Other liabilities | 94 | 378 |
| Total | 77 236 | 71 992 |

Chairman of the Board

A.Vaļums

Member of the Board

A.Murugovs

February 29, 2016