

***AS Rīgas kuģu būvētava
Annual Report 2019***

Rīga, 2020

Content

	Page
Information about the company	3
Management Report	4
Statement on Management Liability	10
Statement on Corporate Governance	11
Profit or Loss Statement	12
Balance Sheet	13
Statement of Changes in Equity	16
Cash Flow Statement	17
Annexes	18
Auditor's Report	44

Information about the company

Name of the company	AS Rīgas kuģu būvētava
Legal status of the company	Joint Stock Company
Number, venue and date of registration	40003045892, 5 December 1991, Companies register, Riga
Registered with the Commercial Register	26 August 2004, Riga
Address	Gāles iela 2, Rīga, LV-1015
Main types of operations of the company	Building of ships and floating structures, NACE2 30.11
Board	
Chairman of the Board	Einārs Buks, holding the position from 18.08.2017 right of representation jointly with one Member of the Board from 10.01.2020 holding the position of Member of the Board
Board Member	Jekaterina Meļņika, holding the position from 13.04.2016 till 08.05.2020 right of representation jointly with one Member of the Board
Member of the Board	Ainārs Tropiņš, holding the position from 18.08.2017 till 19.05.2020 right of representation jointly with one Member of the Board
Council	
As from 26.05.2014	
Chairman of the Council	Vasilijs Meļņiks
Deputy Chairman of the Council	Aleksandrs Čerņavskis
As from 05.06.2009	
Member of the Council	Gaidis Andrejs Zeibots
Annual Report prepared by	Chief Accountant Aleksandrs Kočkins
Reporting year:	1 January - 31 December 2019
Auditor's name and address	SIA “Sandra Dzerele un Partneris” Business company of sworn auditors, Licence No.38. Registered address: Vīlandes iela 7-1, Riga, LV-1010 Office address: Antonijas iela 7-2 Riga, LV-1010 Latvia Responsible sworn auditor Baiba Apine Certificate No.214.

***AS Rīgas kuģu būvētava
Management Report
To Annual Report 2019***

About the company

AS Rīgas kuģu būvētava, hereinafter referred to as the Company, was founded more than 100 years ago and is among the biggest shipyards in the Baltic Sea region performing repairs of ships, ship building and providing other services.

The company is operating and performing manufacturing processes in compliance with the international quality management standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

**Operational financial
results and the financial
condition**

AS Rīgas kuģu būvētava concluded year 2019 with a negative result of loss of EUR 823 990, which had decreased by approximately 88% in comparison to year 2018. The factor affecting the loss of the report year is recognition of the decrease of the value of the shareholding in AS “Tosmares kuģubūvētava” in the amount of EUR 3.6 mill.

In 2019 the net turnover amounted to EUR 277 376, which has decreased by EUR 3 750 348 or 93 % in comparison to year 2018. This decrease is related to the fact that in 2019 AS Rīgas kuģu būvētava terminated provision of the shipbuilding service, as well as the rapid decrease of the volume of the provided ship repair works. In the area of ship repair the major customers were shipping companies of Estonia, Lithuania, Belgium and Latvia.

At the end of 2019 the total assets of AS Rīgas kuģu būvētava decreased by EUR 14.5 mill. or approximately 43 % compared to the beginning of the year and this is mainly related to the alienation of one floating dock and the adjustment for the above referred decrease of the value of shareholding. In 2019 the Company liabilities decreased considerably by 48% reaching the amount of EUR 7 660 647 at the end of the year due to repayment of loans, settlements of payables to suppliers and contractors and tax debts. Also the equity decreased by approximately 40% and amounted to EUR 11 243 925 as on 31 December 2019.

In 2018 the Management Board of the Company resolved to apply to the court with the request to initiate the legal protection proceedings (hereinafter - the LPP). The situation in the financial environment was among the major factors due to which it was necessary to request the court to start the legal protection proceedings. In Western Europe and in Scandinavia, in particular, there was and still is a high degree of mistrust of the Latvian credit institutions, mainly the ones with the domestic capital. Consequently, the decision not to accept the guarantees issued by the Latvian credit institutions as a security followed, and in the result of non-implementation of the customers' investment portfolio, the Company lost orders worth several million euros, moreover, the forced leaving of ABLV Bank AS from the Latvian financial market caused a considerable decrease of the number of existing suppliers of materials and services, resulting in the Company interrupting provision of ship building services, which had a negative impact on the solvency of the Company. Unfortunately, on 14 November 2018, the Company application of the LPP was rejected and the LPP case was closed.

In the result of the evaluation of the possibilities of the Company, as well as taking into account that the debt obligations of the Company continued increasing in 2019, the Company repeatedly applied to the court asking to initiate the LPP, in the result of which, on 16 August 2019 Riga City Vidzeme District Court approved the Plan of LPP measures of the Company by defining the implementation term of the Company LPP equal to two years starting from 16 August 2019. The plan of measures of the LPP as prepared and submitted to the court by the Company allows maintaining of the current profile of operations, in particular, ship repair, at the same time developing also new types of business activity in order to use the infrastructure of the Company as efficiently as possible.

According to the approved plan of measures of the LPP, in 2019 the Company paid of the debt of wages to its former and current employees and has also fully paid the tax debt to the state budget. Also starting from the second month of the LPP, the Company started covering its financial liabilities whose terms of repayment or performance had set in prior to the start of the LPP. According to the approved LPP plan, the term of satisfaction of liabilities to secured creditors is six months and to unsecured creditors twenty four months as from the moment of approval of the plan of measures of the LPP.

Company's Balance Sheet Items	2019 EUR	2018 EUR
Current assets	3 578 830	2 778 543
Total assets	18 904 572	33 420 050
Equity	11 243 925	18 718 951
Current liabilities	5 482 965	14 131 861
Total liabilities	7 660 647	14 701 099

Company's Profit and Loss Statement Items	2019 EUR	2018 EUR
Net turnover	277 376	4 027 724
Gross profit or loss	(1 647 116)	(2 630 302)
Profit or loss of the report period	(823 990)	(6 672 837)

Financial indicators of the Company

Profitability analysis – profitability ratios analyse the efficiency of the Company's management decisions in fulfilling financial tasks, where the optimum profitability ratio should be positive, and the higher the ratio, the better the profitability:

Gross profit ratio (gross profit/net sales)
(593.82%) (65.30%)

Gross profit ratio shows the relationship between net sales and direct costs. Companies use this indicator to calculate the extent to which changes in net turnover affect gross margin.

Net Profit Margin (net income / net sales)
(297.07%) (165.67%)

The Company uses this indicator to determine the Company's ability to

generate profit.

Return on equity (net income / shareholders' equity)

(7.33%) (35.65%)

Return on equity shows how effectively the capital invested by the owners of the Company is used. The company uses this indicator to determine how much a potential investor will earn from each euro invested.

Return on assets (net income / total assets)

(4.36%) (19.97%)

The Company uses this indicator to calculate the percentage of profit a company earns in relation to its overall resources.

Considering that the Company had gross and net loss during the report year and the preceding year, the profitability indices are negative.

Capital structure analysis - capital structure ratios show capital structure of the Company and how much additional liabilities the Company is able to assume.

Assets-to-equity ratio (total assets / equity)

1.68 1.79

The Company uses this indicator to determine the proportion of cash invested by the Company's owners to the Company's assets. The higher the proportion of the equity the more stable the finance structure of the Company is.

Debt-to-equity ratio (total liabilities/ shareholders' equity)

0.68 0.79

The Company uses this indicator to determine the extent to which the Company is dependent on borrowed capital.

Total-debt-to-total-assets ratio (total liabilities / total assets)

0.41 0.44

The Company uses this indicator to determine relationship between the Company's long-term and short-term liabilities and total assets.

The capital structure ratios of the Company show the extent to which the Company is dependent on borrowed capital. A high index means that the Company is extensively using borrowed capital, which causes additional costs to the Company in the form of interest payments. The analysis of the indices of two years reveals that the indices manifest a slightly downward trend which indicates that the Company dependence on borrowed capital is decreasing.

Liquidity analysis — liquidity ratios represents the Company's short-term financial ratios and liquidity and indicate whether Company's current assets will be sufficient to meet the Company's obligations when they become due.

Current Ratio (current assets / current liabilities)

0.65 0.20

The Company uses this indicator to calculate the extent to which current assets of the Company are able to meet current liabilities.

The analysis of the indices of two years reveals that the indices manifest a trend of improvement, which indicates that the Company's ability to cover its short-term liabilities from current assets is increasing.

Financial performance indicators show that the Company is able to pay its liabilities as well as that the Company has sufficient financial resources for the further development of its economic activities.

Substantial risks and unclear circumstances

The major risks of the Company are the market risk and the liquidity risk. The Company management is trying to minimise the potential negative impact of financial risks upon the Company's financial position. The Company follows the cautious liquidity risk management by securing access to relevant credit resources for performing its liabilities within the set terms. According to the owner's strategy, the Company has to provide a positive operational cash flow.

Further development of the Company and events after the end of the report year

The amount of the equity of the Company is positive and amounts to EUR 11 243 925. The result of the Company operation in 2019 was a net loss of EUR 823 990, and the short-term liabilities exceed the current assets by EUR 1 904 135 as on 31 December 2019. The major items of short-term liabilities include debts to suppliers and contractors in the amount of EUR 1 911 224 and other borrowings in the amount of EUR 1 890 700.

The implementation of the plan of measures of the LPP has been successful since the approval of the LPP plan until now, i.e. for more than a year. During this time period the Company has been carrying out its core operations by resuming the provision of the ship repair services to its customers and continuing the lease of its movable properties and real estate, as well as by performing the measures related to the annual survey of the berths and floating docks, repairs of berths and floating docks, the tidying works of its leased territory and improvement of the infrastructure owned by it. The Company management has implemented major measures for attaining its goals, in particular, attraction of new customers, efficient use of the labour and material resources, improvement of work efficiency. In comparison to 2019 the net turnover of the Company during the first 10 months of 2020 has reached the amount of EUR 743 994, which is by 168 % higher than in 2019.

As the Company sold one of the docks owned by it during the report year and successfully continued increasing of the volume of provided services, the Company has satisfied creditors' claims in the amount of EUR 6.6 million as from the declaration of the LPP, and this amounts to 50% of the total amount of the creditors' claims to be satisfied within the LPP.

Following the end of the fiscal year, in March 2020 restrictions related to the spread of the Corona virus have been imposed both in the Republic of Latvia and other countries, deterring the economic development on the national and global scale, and this has had direct, major and negative

impact on the economic operations of the Company in 2020. For the purpose of restricting the spread of Covid-19 cases, many precaution and safety measures were imposed, moreover, similar precautionary and safety measures were also provided in other countries resulting in the Company receiving refusals of performance of previously booked ship repairs from ship owners companies Also the delivery of materials and spares needed for performing the repairs and involvement of foreign experts was difficult, resulting in the Company not obtaining the previously scheduled revenue. The above described situation has not only affected the further business operations of the Company, but also the implementation of the LPP, resulting in preparation of the amendments to the Plan of Measures of the LPP by the Company in April 2020. On 15 May 2020 Riga City Vidzeme District Court approved the amendments to the plan of measures of the LPP of the Company by setting the term of implementation of the LPP of the Company four years as from 16 August 2019. The Company attests that the amendments to the plan of measures of the LPP prepared by it and approved by the court will allow maintaining the current profile of operations and indicate that the financial liabilities to secured creditors will be satisfied within sixteen months, to unsecured creditors within forty eight months as from the moment of approval of the plan of measures of the LPP. The further operation of the Company depends on the ability of the Company to implement the legal protection plan and to settle liabilities to its creditors within the defined terms by complying with all the conditions of the plan.

Considering the rapid spread of Covid-19 infection, a repeated emergency situation was declared in the Republic of Latvia from 9 November to 6 December 2020. Future development of the situation cannot be predicted, therefore, there is uncertainty regarding the economic development. The Company management is continuously evaluating the situation. Already before the emergency situation declared in March 2020, the Company assessed the existing market situation and the opportunities of the Company leading to implementation of the measures aimed at optimisation of costs and monthly expenses have decreased considerably thanks to these measures.

The Company is assured that it will be able to restore the Company operations, secure its stability and even improve its competitiveness. However, although the Company has clear perspective of restoring its operations, it is also known that the time will be needed for optimising its staffing, restoring the flow of the current assets, diversifying production and attracting investment.

Still, this conclusion is based on the information available at the moment of signing the present financial statement, and the impact of further events on the future operation of the Company may differ from the management's assessment.

Research and development measures

During the report year the Company has not performed any research and development measures.

Company shares

During the report year the Company has not repurchased or sold its shares.

**Company subsidiaries
and representative offices
abroad**

The Company does not have representation offices or subsidiaries abroad.

**Recommendation for
profit distribution**

The Management Board of the Company proposes to cover the loss of the reporting year from the undistributed profit of the next years.

Board Member _____

Einārs Buks

23 November 2020

Statement on Management Liability

The Company management is responsible for preparation of the financial statements, on the basis of the initial accounting records for every report period which correctly reflect the financial position of the company at the end of the report year, as well as the performance and cash flows for the above period.

The management confirms that appropriate accounting methods were used and applied consistently, and reasonable and prudent decisions have been taken in preparing this statement for the period ending on 31 December 2019. The management hereby confirms that the relevant regulating accounting principles 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.

The management hereby confirms that it provided the information and explanations needed for performance of the audit.

Board Member _____

Einārs Buks

23 November 2020

Statement on Corporate Governance

The Corporate Governance Report on 2019 of the joint stock company „Rīgas kuģubūvētava”, hereinafter referred to as the Report, is made according to AS „Nasdaq Riga”, hereinafter referred to as the “Stock Exchange, Corporate Governance Principles and Recommendations on their Implementation” issued on June 1, 2010. The Report has been prepared by the Management Board of the joint stock company “Rīgas kuģu būvētava”, hereinafter – the Company, and reviewed by the Council of the joint stock company “Rīgas kuģu būvētava”.

The Principles of Corporate Governance are adjusted as far as possible for business operations of the company and the Company complied with most of them in 2019. According to the Principle „comply or explain” the Report includes the disclosure which principle is not complied or complied partially as well as explanation of circumstances why the principles is not complied.

The functions of the Company’s Audit Committee were performed by the Council in 2019.

The Report has been submitted to the Stock Exchange simultaneously with the publication of the audited Annual Report for 2019 of the Company on the Stock Exchange website.

Board Member _____

Einārs Buks

23 November 2020

Profit or Loss Statement for year 2019 and year 2018

	Annexes	2019 Eur	2018 Eur
Net turnover	31	277 376	4 027 724
<i>from other types of core activities</i>		277 376	4 027 724
Production costs of sold products, purchase costs of sold goods or provided services	32	(1 924 492)	(6 658 026)
Gross profit or loss		(1 647 116)	(2 630 302)
Sales costs	33	(435)	(693)
Administration costs	34	(707 383)	(811 756)
Other revenue of economic operations	35	7 516 017	1 269 883
Other costs of economic operations	36	(5 943 187)	(4 154 838)
Other interest income and similar revenue	37	827	100 652
<i>from other entities</i>		827	100 652
Interest payments and similar costs	38	(39 017)	(445 783)
<i>to other entities</i>		(39 017)	(445 783)
Profit or loss before the corporate income tax		(820 294)	(6 672 837)
Corporate income tax for the report year		(3 696)	-
Report year profit or loss		(823 990)	(6 672 837)

Annexes from page 16 to page 42 are an integral part of these financial statements.

Board Member _____

Einārs Buks

Annual Report prepared by
Chief Accountant _____

Aleksandrs Kočkins

23 November 2020

Balance Sheets on 31 December 2018 and 2019

ASSETS	Annexes	31.12.2019 Eur	31.12.2018 Eur
Long-term investment			
<i>I Intangible investments</i>			
Concessions, licences, patents, trademarks and similar rights		-	1 696
<i>Total intangible investment</i>	39	-	1 696
<i>II Fixed assets</i>			
Real estate		8 023 050	8 211 064
<i>land plots, buildings and engineering constructions</i>		8 023 050	8 211 064
Technological equipment and machinery		6 858 751	16 819 878
Other fixed assets and inventory		314 923	397 226
<i>Total fixed assets</i>	40	15 196 724	25 428 168
<i>III Long-term financial investment</i>			
Participation on capital of related companies	42	-	-
Participation in the capital of associated companies	42	-	3 630 590
Other securities and investment	44	235	235
Other loans and other long-term debtors	47	128 783	1 580 818
<i>Total long-term financial investment</i>		129 018	5 211 643
<i>Total long-term investment</i>		15 325 742	30 641 507
Current assets			
<i>I Inventories</i>			
Raw materials, core materials and auxiliary materials	45	1 023 673	1 421 818
Advance payments for reserves		8 730	112 809
<i>Total provisions</i>		1 032 403	1 534 627
<i>II Receivables</i>			
Customers and buyers debts	46	509 036	386 753
Other debtors	47	1 321 921	823 020
Costs of future periods	58	7 268	23 692
<i>Total receivables</i>		1 838 225	1 233 465
<i>IV Cash</i>	49	708 202	10 451
<i>Total current assets</i>		3 578 830	2 778 543
Total Assets		18 904 572	33 420 050

Annexes from page 16 to page 42 are an integral part of these financial statements.

Board Member _____

Einārs Buks

Annual Report prepared by

Chief Accountant _____

Aleksandrs Kočkins

23 November 2020

Balance Sheets on 31 December 2018 and 2019

<u>LIABILITIES</u>	Annexes	31.12.2019 Eur	31.12.2018 Eur
Equity capital			
Share capital (fixed capital)	50	16 340 950	16 340 950
Long-term investment revaluation reserve	41	69 687	6 720 723
<u>Reserves:</u>			
Other reserves		266 962	266 962
<u>Retained profit</u>			
Undistributed profit or uncovered loss of the preceding years		(4 609 684)	2 035 079
Report year retained profit or loss		(823 990)	(6 644 763)
<i>Total retained profit</i>		<u>(5 433 674)</u>	<u>(4 609 684)</u>
Total equity capital		11 243 925	18 718 951
Creditors			
<i>I Long-term creditors</i>			
Other loans	52	903 982	37 732
Debts to suppliers and contractors	53	718 093	-
Debts to related companies		73 765	-
Revenue of future periods	57	481 842	531 686
Total long-term creditors		2 177 682	569 418
<i>II Short-term creditors</i>			
Loans from credit institutions	51	550 702	3 429 648
Other loans	52	1 890 700	3 379 408
Advances from customers		11 938	3 266
Debts to suppliers and contractors	53	1 911 224	3 498 434
Debts to related companies	54	133 517	-
Debts to associated companies		-	211 248
Taxes and state social insurance contributions	55	665 934	2 056 001
Other creditors	56	104 615	1 149 608
Revenue of future periods	57	37 320	48 055
Unpaid dividends	58	11 746	11 746
Accrued liabilities	59	165 269	344 267
Total short-term accounts payable		5 482 965	14 131 681
Total creditors		7 660 647	14 701 099
Total liabilities		18 904 572	33 420 050

Annexes from page 16 to page 42 are an integral part of these financial statements.

Board Member _____

Einārs Buks

Annual Report prepared by

Chief Accountant _____

Aleksandrs Kočkins

23 November 2020

Statement on changes in equity for years ended on 31 December 2019 and 2018

Types of changes	Stock capital	Long-term investment revaluation reserve	Reserves	Retained profit	Total
	Eur	Eur	Eur	Eur	Eur
Balance as on 31.12.2017	16 340 950	11 697 050	266 962	2 314 824	30 619 786
Loss of the report period	-	-	-	(6 644 763)	(6 644 763)
Decrease of the reporting year	-	(4 976 327)	-	-	(4 976 327)
Balance as on 31.12.2018	16 340 950	6 720 723	266 962	(4 329 939)	18 998 696
Correction of the amount specified in the Balance Sheet of the preceding year*	-	-	-	(279 745)	(279 745)
Adjusted balance as on 31.12.2018	16 340 950	6 720 723	266 962	(4 609 684)	18 718 951
Loss of the report period	-	-	-	(823 990)	(823 990)
Decrease of the reporting year	-	(6 651 036)	-	-	(6 651 036)
Balance as on 31.12.2019	16 340 950	69 687	266 962	(5 433 674)	11 243 925

Annexes from page 16 to page 42 are an integral part of these financial statements.

* The major errors of preceding years were retroactively corrected in the report of 2019 by adjusting the relevant items of the financial statement in such a way as if there was no error in the preceding report periods (see Annex 23).

Board Member _____

Einārs Buks

Annual Report prepared by
 Chief Accountant _____

Aleksandrs Kočkins

23 November 2020

Cash flow statements of 2019 and 2018	31.12.2019	31.12.2018
	Eur	Eur
Cash flow from operating activities		
Revenue from the sale of goods and provision of services	232 098	4 245 083
Payments to suppliers, employees, other expenses of principal activity	(1 639 130)	(4 596 452)
Gross cash flow from core operations	(1 407 032)	(351 369)
Expenses for interest payments	-	(116 785)
Expenses for payment of the corporate income tax liabilities	-	-
Net cash flow from core operations	(1 407 032)	(468 154)
Investment operations cash flow		
Purchase of fixed assets and intangible investment	(2 113)	(400)
Revenue from sale of fixed assets and intangible investment	4 311 917	30 189
Issued loans	(411 478)	-
Investment operations net cash flow	3 898 326	29 789
Financing operations cash flow		
Received loans	-	473 709
Expenses for repayment of loans	(1 793 543)	(94 413)
Financing operations net cash flow	(1 793 543)	379 296
Net cash flow of the reporting year	697 751	(59 069)
Cash and its equivalents in the beginning of the reporting year	10 451	69 520
Cash and its equivalents at the end of the reporting year	708 202	10 451

Annexes from page 16 to page 42 are an integral part of these financial statements.

Board Member _____

Einārs Buks

Annual Report prepared by

Chief Accountant _____

Aleksandrs Kočkins

23 November 2020

Annexes to financial statements

1) Information provided by the Company

Average number of employees	2019	2018
Number of employees during the report year	66	115
including		
Members of the Management Board	3	3
Members of the Council	3	5
Other employees	60	107

Remuneration for performance of functions	2019	2018
	Eur	Eur
Board Members	160 963	160 949
incl. Work remuneration	129 715	129 703
State social insurance costs	31 248	31 246
To Members of the Council	209 755	255 533
incl. Work remuneration	169 608	207 007
State social insurance costs	40 147	48 526

Personnel costs	2019	2018
	Eur	Eur
Work remuneration	835 133	1 953 258
State social insurance costs	201 789	455 909
	1 036 922	2 409 167

The Board proposes to cover the loss of the reporting year from the profit of the next years.

Summary of major accounting principles

2) General principles

The financial statements of the company have been prepared in compliance with the Laws of the Republic of Latvia "On Accounting", "On Annual Reports and Consolidated Reports", Cabinet Regulation No. 775 (22 December 2015) "Regulation on Application of the Law Annual Reports and Consolidated Reports". The Balance Sheet, the Profit or Loss Statement, the Cash Flow Statement and the Report on Change of Equity is prepared on the basis of the scheme defined by the relevant Annexes of the Law "On Annual Reports and Consolidated Reports".

The Profit or Loss Statement has been prepared in compliance with the method of the function of expenses.

The Cash Flow Report has been prepared according to the direct method.

The Financial Statement uses the national currency of the Republic of Latvia euro (EUR).

The financial statement provides a true and clear presentation of the Company's assets, liabilities, financial conditions and profit or loss and cash flow.

Annexes to financial statements

The financial statement was prepared in compliance with the following general principles:

- it is assumed that the Company will continue its activities (a going concern basis);
- the same accounting policy and valuation methods are used as in the previous report year have been applied;
- the items of the financial statement are recognised and evaluated by using the principle of caution, in particular, taking into account the following conditions:
 - a) the financial statement only includes the profit obtained until the date of the Balance Sheet;
 - b) all liabilities, as well as foreseeable risk amounts and losses occurred during the report year or preceding years are considered, including when they were revealed during the period between the date of the Balance Sheet and the day when the annual report was signed by the management, the authorised person or the management body,
 - c) all the amounts of reduction of the value and depreciation have been assessed and taken into account irrespective of whether the report year has been closed with the profit or loss;
- amounts are presented in the items of the Balance Sheet and the Profit or Loss Statement according to the principle of accrual, in particular, revenue and expenses are presented considering the time of incurring them and not the time of receipt or spending of money. Revenue and expenses related to the report year are presented irrespective of the date of receipt of a payment or invoice;
- costs are aligned with revenue within relevant report periods;
- assets and liabilities items of the Balance Sheet are evaluated separately;
- any set-off between assets and liabilities of the Balance Sheet or revenue and expenditure items of the Profit or Loss Statement is prohibited,
- if a long-term investment item is excluded or liquidated, also the revenue and costs related to excluding the relevant item are mutually set-off. The net value, i.e. the profit or loss of alienation of long-term investment items assessed as the difference between the Balance Sheet value of the excluded item and revenue and expenses of its alienation or liquidation is presented in the Profit or Loss Statement, upon the condition that gross amounts are presented in the Annex to the financial statement;
- amounts are presented in the assessment items of the Balance Sheet and the Profit or Loss Statement taking into account the content and substance of economic transactions instead of their legal form only;
- the items of the Balance Sheet and the Profit or Loss Statement are assessed based on their acquisition costs or production costs. The acquisition costs are the price of purchase of a good or a service (by deducting received discounts), to which the additional expenses are added. Production costs comprise the costs of acquisition of raw materials, core materials and auxiliary materials and other expenses which are directly related to production of the relevant item. The production costs may include also portions of the costs which are indirectly related to the production of the item, if these costs can be related to the same time period.

The relevant items of the Balance Sheet, the Profit or Loss Statement, the Cash Flow Statement and the Statement of Changes in Equity contain important financial information which has a considerable impact on the assessment or decision making of the users of the annual report. Minor amounts which do not considerably affect the assessment or decision making of the users of the annual report are presented in the above components of the financial statement under the summary items of similar financial information, the details of these amount are presented below in the Annex to the financial statement.

3) Use of estimations

In preparing the financial statements the Board of the Company has made several estimations and assumptions which affect the balance of some of the items of the Balance Sheet and the Profit or Loss Statement included in the financial statements and the amount of eventual liabilities. Future events may

Annexes to financial statements

affect the above estimations and assumptions. Any impact of the change of such estimations and assumptions on the performance of the Company are presented in financial statements upon establishing it.

Use of estimations and major assumptions

The legislation of the Republic of Latvia provides that, in preparing financial statements, the Company management makes estimations and assumption which affect the assets and liabilities presented in the statement and out of the Balance Sheet on the day of preparation of the financial statement and the presented revenue and expenses of the report period. Actual results may differ from such estimations.

The major assumptions and estimations regarding the future, as well as the most important causes of uncertainty on the Balance Sheet date causing a substantial risk that major adjustments of the net accounting values of the Balance Sheet assets or liabilities could be done during the next report period, are presented below.

Provisions for doubtful and bad debts

The Company management assesses the accounting value of receivables and evaluates their recovery potential by making provisions for doubtful and bad debts if necessary.

Net sales value of inventories

The Company management evaluates the net sales value of inventories based on the information regarding the expected prices and sales costs, as well as evaluates the physical condition of inventories during the annual inventory review. In cases when the sales value of inventories is below the costs of inventories, provisions are made for inventories.

Terms of useful use of fixed assets

The terms of useful use of fixed assets are reviewed on each Balance Sheet date and, if necessary, they are modified in order to reflect the current view of the Company management regarding the remaining effective term of use of assets considering the technology change, the remaining economic term of use and the physical condition of assets.

Accounting value of fixed assets

The Company management evaluates the accounting value of fixed assets and assesses if there are any features indicating that the recoverable amount of assets is below their accounting value. The Company management assesses and recognises the loss from the decrease of the value of fixed assets on the basis of estimations regarding their future use, alienation or sale.

Re-evaluation of floating docks

The Company management assesses if major change of the true value has taken place regarding the floating docks which are accounted for according to their re-evaluated value.

Accounting value of issued loans

The Company management assesses the issued loans and evaluates their recovery potential by making provisions for doubtful loans.

Accounting value of investment in associated companies

The Company management evaluates the accounting value of investment in the capital of associated companies and assesses if there are any features indicating that the recoverable amount of these assets is below their accounting value. The Company management assesses and recognises loss from the reduction of value of the investment in the capital of related companies on the basis of the estimations of their future yield.

Definition of the degree of completion of shipbuilding contracts

On each Balance Sheet date, the Company management assesses the degree of completion of shipbuilding contracts and the revenue and costs related to these contracts.

4) Recognition of revenue

The core operation of the Company is ship repair.

The net turnover consists of the total amount of sold products and provided services during a year minus granted discounts and the Value Added Tax.

Annexes to financial statements

Revenue is recognised in compliance with the following principles:

- Revenue from sale of goods in Latvia is recognised when the buyer has accepted the goods. Revenue from sale of goods outside Latvia is recognised according to the terms of supply of goods.
- Revenue from provision of services is recognised according to the degree of completion of the relevant transaction.
- Revenue from penalties and late payment penalties are recognised at the moment of receipt.
- Interest income is recognised on the basis of the proportional time split taking into account the actual profitability of the asset.
- Dividends are recognised at the moment when legal rights to them are obtained.
- The royalties are recognised according to the accrual principle in compliance with the relevant agreement.

The other revenue of economic operations includes various other revenue (for instance, the profit from alienation of long-term investment items or from currency exchange rate fluctuations, revenue from received insurance compensations, received financial aid or financial support), which is not directly related to the core operations of the Company, but which has been received in the result of the economic operation or arise from it.

5) Principles of recognition of revenue

Costs are presented in the Profit or Loss Statement according to the accrual principle considering the time of incurring them and not the time of spending money thereof. Expenses related to the report year are presented irrespective of the date of receipt of a payment or invoice. Costs are aligned with revenue within relevant report periods.

6) Re-evaluation of foreign currencies in euro

All the transactions in foreign currencies are converted to euro according to the currency exchange rate applied in the accounting in force in the beginning of the transaction date.

All the monetary assets in foreign currency at the end of the report period are converted to euro (EUR) according to the currency exchange rate applied in the accounting in force on the Balance Sheet date, i.e. 31 December at the end of the day, and the relevant differences of the currency exchange rates are presented in the Profit or Loss Statement.

Foreign currency exchange rates at the end of the report period were as follows during the last two years:

	31.12.2019	31.12.2018
	1 Eur	1 Eur
USD	1.12340	1.14500
RUB	69.95630	79.71530
GBP	0.85080	0.89453

7) Intangible investment

Intangible investment consists mainly of the right of use gained for payment, licences, patents, concessions and similar rights. Intangible investment is evaluated based on their initial costs value by deducting accrued depreciation. Depreciation is assessed according to the linear method by applying the annual depreciation rate of 20%. In a case of exception, if the term of effective use of an item of intangible value of development costs cannot be reliably estimated, their initial value is written off gradually by splitting it per years over a time period not exceeding 10 years (each such case is explained in the annex to the financial statement by stating the duration of the term during which the initial value of the relevant item is scheduled to be written off).

Annexes to financial statements

8) Fixed assets

Fixed assets are evaluated based on their initial costs value by deducting accrued depreciation. Depreciation is assessed according to the linear method by applying the following depreciation rates set by the management on the basis of the estimation of the effective term of use of fixed assets in relation to the following categorisation of the fixed assets included in the financial accounting:

Category in the financial accounting	Depreciation rate %	Item in the financial statement
Buildings	1.5 - 12.5	Land plots, buildings and engineering constructions
Engineering constructions	1.5 - 12.5	Land plots, buildings and engineering constructions
Technological equipment the operation of which changes the substance properties	1.43 - 25	Technological equipment and machinery
Equipment and technical machinery	10 ; 12.5	Other fixed assets
Furniture and office equipment	10 ; 12.5	Other fixed assets
Computers and accessories	20	Other fixed assets
Cars	15 ; 20	Other fixed assets
Tools and inventory	8;10;12.5;15;20;50	Other fixed assets

Estimated remaining values and periods of effective use of assets are reviewed and adjusted as necessary on each reporting date.

The Company capitalises fixed assets the value of which exceeds EUR 150 and the term of effective use of which exceeds 1 year. Depreciation of improvements and other inventory whose value does not exceed EUR 150, is calculated as 100% following their commissioning.

The costs of the current repair and maintenance of fixed assets are included in the Profit or Loss Statement of the period when they were incurred.

The recognition of the accounting value of the items of fixed assets is discontinued when it is alienated or if no economic benefit is expected from further use of the asset.

9) Re-evaluation of long-term investment

By deviating from the provisions of the Law "On Annual Reports and Consolidated Reports", the items of fixed assets whose value considerably exceeds their acquisition costs or production costs, or their evaluation on the Balance Sheet of the preceding year, can be re-evaluated according a higher value if it can be assumed that the value increase will be long-term. The difference resulting from the re-evaluation between the evaluation according to the acquisition costs or production costs and the evaluation according to the re-evaluation, if this difference is positive (hereinafter - the increase of the value), is included in the relevant assets item of the Balance Sheet where the re-evaluated item of fixed assets is presented and the liabilities item of the Balance Sheet "Provision of re-evaluation of long-term investments" under Section "Equity". The provision of re-evaluation of long-term investment does not include the amount by which the increase of the amount resulting from the re-evaluation fully or partially compensates the adjustment for the value decrease of the same fixed assets item which were included as costs in the Profit or Loss Statement of the preceding report years. This amount is included in the Profit or Loss Statement as revenue in the report year where the increase of the value of the fixed assets item was established.

The annual depreciation of the re-evaluated fixed assets item in the relevant report year is assessed based on the value of this item in the relevant report year and is included as costs in the Profit or Loss Statement according to the same amount.

Annexes to financial statements

The provision of the re-evaluation of the long-term investment is reduced if the re-evaluated fixed assets item is alienated, liquidated or there is no longer basis for increasing its value, or by performing the assessment of the annual depreciation of the re-evaluated fixed assets item. The reduction of the re-evaluation provision is included as revenue in the Profit or Loss Statement in the report year when this reduction was made.

The re-evaluation provision of the long-term investment is not paid out, is not distributed as dividends and not used for covering loss, increase of the share capital, formation of other provisions or any other purpose.

10) Financial lease (with a buy-out)

In cases when fixed assets acquired by financial lease in relation to which all the risks and remuneration characteristic for the ownership are transferred to the Company, they are considered as the Company assets according to the value at which it could be purchased against immediate payment. Lease interest payments and similar payments are included in the Profit or Loss Statement of the period when they were incurred.

11) Reserves

Raw materials and materials are evaluated in the annual report according to the FIFO method (first in, first out).

The Company applies the same method of determination of the value of the use of reserves and balances for all the reserves of a similar type and use.

The value of reserves is adjusted to achieve that on the Balance Sheet date they are assessed according to the lowest of the acquisition costs or production costs, or the lowest market price on this date, or in special cases - according to their net sale value. The adjustments for the decrease of the value of reserves may be discontinued when there is no longer basis for the value reduction.

12) Receivables

Receivables are evaluated by following the principle of caution by only presenting the actual receivables on the Balance Sheet.

Special provisions for doubtful debts are created in cases when, according to the management's view, the recovery of these debts is doubtful, by evaluating individually each debtor. The decrease of the value of reserves is the difference between the Balance Sheet value of the asset and the present value of the estimated future cash flow by discounting it according to the effective interest rate. The reserve amount is included in the Profit or Loss Statement under the item "Other costs of economic operations". Bad debts are written off as the loss of the report year.

13) Investments in subsidiaries and associates of the Group and other investments

Investments in daughter companies (i.e. the companies where the Company holds more than 50% of the equity capital or which it controls in any other way) are measured initially at cost. Control is achieved where the Company has the power to govern the financial and operating policies.

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.

Long-term investment, including investment in the Group daughter and association companies, are accounted for according to the acquisition value which is adjusted in cases of long-term increase or decrease of their value. If any events or change of circumstances indicate that the Balance Sheet value of

Annexes to financial statements

the investment could be unrecoverable, the value of the relevant fixed assets is reviewed in order to identify the value deterioration. Loss from the value reduction are recognised in the Profit or Loss Statement.

14) Accrued liabilities

The Balance Sheet item "Accrued liabilities" includes clearly known amounts of liabilities to suppliers of goods and providers of services for the goods or services received during the reporting year, for which the provided source document for payment (invoice) has not been received on the date of the Balance Sheet due to the terms of delivery, purchase or the contract or other reason.

The Company creates reserves for liabilities to employees for unused vacation.

The accrued costs of unused vacations are estimated by multiplying the average daily wage of employees during the last six months of the report year with the number of unused vacation days at the end of the report year.

15) Corporate Income Tax

The Corporate Income Tax, in compliance with the requirements of the Law "On Corporate Income Tax", consists of the Corporate Income Tax assessed for the report year which is recognised in the Profit or Loss Statement. Starting from tax year 2018, the Corporate Income Tax is assessed for the distributed profit (dividends) and the conditional distributed profit by applying the rate of 20% which is adjusted by dividing the value subject to the Corporate Income Tax by the rate 0.8. The Corporate Income Tax is recognised at the moment when the Company shareholders adopt the decision on distribution of the profit or the costs which are not directly related to the economic operations of the company are booked and increase the taxable base subject to the Corporate Income Tax at the moment of recognition of the costs.

16) Cash and cash equivalents

Cash and cash equivalents consists of cash at hand, the balances of the current bank accounts and short-term deposits with the initial term up to 90 days.

17) Financial assistance and aid, donations and gifts

The received financial aid is included in the revenue in the report year when the financial aid or assistance was received.

The financial aid and support received for creating fixed assets is accounted for as the revenue of future periods which is gradually included in the during the term of effective use of the fixed assets received or purchased for the received financial aid. The other subsidies are applied to the results of the report year in the period of receipt of the subsidies.

If the Company is assured that all the conditions related to the receipt of financial assistance will be fulfilled and the repayment of the eligible expenses will be received, the Company includes the financial aid to be received in the revenue prior to the receipt of the repayment of eligible expenses. This amount is presented in the financial statement under the item "Accrued revenue".

18) Financial liabilities, provided guarantees and other eventual liabilities not included on the Balance Sheet

18.1. Liabilities for signed lease and rent contracts which are important for the company operation

The Company has concluded land and pier lease contracts with Riga Free Port Authority. The contracts are in force till 31 August 2028. The Company has the priority right to extend the contract terms following the expiring of the contract terms.

18.2. Information regarding pledging or other encumbering of the Company assets

On 28 December 2010 Ship Bond No.EH 28.12.2010/KO was issued regarding the pledge of floating docks in favour of AS "UniCreditBank" and it is in force until full performance of the secured liabilities.

Annexes to financial statements

The ship bond is issued as the security of the liabilities of SIA “Eiroholdings” arising from the Loan Facility Agreement No.EH 01.07.2008/CL of 1 July 2008 with the outstanding value EUR 22 863 as on 31 December 2019. The amount of the secured claim is EUR 4 183 243. One floating dock with the Balance Sheet value of EUR 2 211 864 as on 31 December 2019 is pledged. In January 2020 SIA “Eiroholdings” fully settled its liabilities to AS “UniCreditBank” and therefore on 23.01.2020 AS “UniCreditBank” deleted the mortgage to the floating dock registered with the Ship Register of Latvia.

On 12 December 2014 AS Rīgas kuģu būvētava and AS “ABLV Bank” signed Mortgage Agreement No.14-FP-0328/01 regarding the mortgage to the real estate of AS Rīgas kuģu būvētava and it is valid until full satisfaction of the secured liabilities. The real estate is mortgaged as the security of the liabilities of SIA “Remars-Rīga” arising from the Loan Agreement No.14-FP-032 of 12 December 2014 with the outstanding value EUR 345 600 as on 31 December 2019. The amount of the secured claim is EUR 2 860 000. The Balance Sheet value of the mortgaged property as on 31.12.2019 amounts to EUR 5 609 807. According to the evaluation performed by the Company management, at the moment of preparation of the financial statement there is no probability that the outflow of economic benefits from the Company will be required for settlement of the liabilities.

On 14 December 2017 Ship Bond No.2 for the pledge of the tug boat “Orkāns” and Ship Bond No. 3 for the pledge of the floating crane „CELTNIS 24” was issued in favour of AS “Latvenergo” as the security of the liabilities of AS Rīgas kuģu būvētava and they are in force until full satisfaction of the secured liabilities. The amount of the secured claims are EUR 190 000 and EUR 270 000. The Balance Sheet value of the pledged floating devices is as follows as on 31 December 2019: the value of the tug boat “Orkāns” of EUR 178 248 and the value of the floating crane “CELTNIS 24” of EUR 369 592.

The Company has not issued any other guarantees or securities, it does not have any retirement liabilities and similar liabilities to its former members of management bodies.

18.3. Litigations

Two litigations are initiated against the Company at the moment of preparation of the annual report. One of the litigations was initiated in 2018 for the recovery of a debt and late payment interest in the amount of EUR 111 246 and the other litigation was initiated in 2019 for the recovery of the state aid paid to the Company in the amount of EUR 344 085.

The Company does not admit the above claims and the litigations are continues, however, taking into account that according to the provisions of the regulations of the Republic of Latvia, all the debtor's liabilities have to be presented in the plan of measures of the LPP, including the ones which are subject to a dispute, the principal amounts of eventual creditors are included in the Company's plan of measures of the LPP because the submission of a claim to the court does not provide the legal basis for ignoring the creditor's interests.

The outcome of these litigations cannot be predicted now, therefore no provisions which may be required in the result of the litigations have been made in the financial statement.

19) Substantial events after the Balance Sheet date which do not relate to the report year and therefore are not included on the Balance Sheet or the Profit or Loss Statement

Events following the end of the report year which provide additional information about the financial condition of the company as on the date of preparing the Balance Sheet (correcting events) are reflected in the Financial Statements. If events following the end of the report year are not correcting events, they are reflected in Annexes to the Financial Statements only if they are major.

Annexes to financial statements

20) Related companies

Related companies are the companies which are the Group daughter companies or the Group parent companies in relation to the Company or other daughter companies of this Group, or daughter companies of a daughter company of this Group.

21) Associated companies

Associated companies are the companies under substantial impact of another company which is secured by holding minimum 20 and not above 50 per cent of shareholders' votes in this company.

22) Comparable information

According to the legal requirements the titles of certain items of the Profit or Loss Statement and the Balance Sheet have been changed, and items have been re-classified by re-classifying the comparable indices of the preceding period in compliance with the principles applied in the report year, thus the financial indices of the report period are mutually comparable:

	Values of items following re-classification	Vehicles	Interest payments	Settlements for debts to other companies	Representation expenditure	Revenue from the write-off of the re-evaluation reserves	Expenses for maintenance of leased fixed assets	Paid fines	Assessed fines for taxes	State duty	Values of items before re-classification
	Eur	Eur	Eur	Eur	Eur	Eur			Eur		Eur
Technological equipment and machinery	16 819 878	(7 923)		(152)							16 827 953
Other fixed assets and inventory	397 226	7 923		129							389 174
Other creditors	1 149 608		(357 505)	(731 827)							2 238 940
Borrowings from credit institutions, a short-term part	3 429 648		134 603								3 295 045
Other borrowings, a short-term part	3 379 408		222 902								3 156 506
Debts to suppliers and contractors	3 304 302			731 804							2 572 498
Administration costs	811 756				17 004					6 937	787 815
Other costs of economic operations	4 154 838				(17 004)		(60 000)	630	269 818		3 850 394
Production costs of sold products, purchase costs of sold goods or provided services	6 654 017					194 175	60 000				6 399 842
Other revenue of economic operations	1 293 948					194 175					1 099 773
Interest payments and similar costs	445 783							(111 630)	(269 818)	(6 937)	834 168
Effect of re-classification on the Balance Sheet of 31.12.2018 (assets and liabilities)	-	-	-	(23)	-	-	-	-	-	-	-
Reclassification impact in the profit of 2018	-	-	-	-	-	-	-	-	-	-	-

23) Found mistakes of preceding years and corrections

In 2019 several errors in accounting were found which should be classified as major errors. The errors affect the report periods before 2019. The major errors were retroactively corrected in the report of 2019 by adjusting the relevant items of the financial statement in such a way as if there was no error in the preceding report periods. The aggregate effect of all the corrections in 2018 in the item "Retained profit of the report year" amounts to EUR 28 074 and in periods before 2018 in the item "Retained profit of preceding years" amounts to EUR 251 671, thus summing up to the net error impact as on 31.12.2018 in the amount of EUR 279 745.

During the preceding years the Company has adopted the accounting policy by admitting errors in relation to the following:

1. Accounting of the revenue of future periods related to the financing of the Latvian Investment and Development Agency and SIA “Vides investīciju fonds” for the project “Reconstruction of the heat supply system of AS Rīgas kuģu būvētava” in the amount of EUR 344 085 and the project “Implementation of energy efficiency measures in production workshops” in the amount

Annexes to financial statements

of EUR 479 807, as the Company implemented the above projects in 2013 and 2014 by receiving co-financing in the amount of EUR 823 892 which was booked to the Balance Sheet accounts "Revenues of future periods". The established fixed assets were commissioned in 2014 and from this point the received financing was incorrectly recognised as revenue not in compliance with the term of the effective use of the established long-term asset. The major error of EUR 85 613 was retroactively corrected in the report of 2019 by adjusting the relevant items of the financial statement in such a way as if there was no error in the preceding report periods. The correction of the error affected the Balance Sheet items "Revenue of the future periods" (the long-term and the short-term part) and the profit of 2018 for the amount of EUR 24 065 and the retained profit of the periods prior to 2018 for the amount of EUR 61 548.

2. Accounting of payables to suppliers and contractors related to received services during preceding years. In 2019, when the LPP plan was coordinated with creditors, suppliers and service providers for the amount of EUR 194 134 were identified not presented in the accounting as on 31 December 2018. The major error of EUR 194 131 was retroactively corrected in the report of 2019 by adjusting the relevant items of the financial statement in such a way as if there was no error in the preceding report periods. The correction of the error affected the Balance Sheet item "Payables to suppliers and contractors", the profit of 2018 for the amount of EUR 4009 and the retained profit of the periods prior to 2018 for the amount of EUR 190 123.

On the Balance Sheet Assets/ liabilities	31.12.2018 Adjustment	Effect of retroactive adjustment to			31.12.2018 prior to adjustments
		Year 2018	periods prior to 2018	net impact	
	Eur	Eur	Eur	Eur	Eur
Revenue of future periods A long-term part	531 686	24 065	85 613	109 678	422 008
Revenue of future periods A short-term part	48 055	(24 065)	-	(24 065)	72 120
Debts to suppliers and contractors	3 498 434	4 009	190 123	194 132	3 304 302
Net impact		4 009	275 736	279 745	
Profit or Loss Statement					
Revenue/ costs					
Other revenue of economic operations	1 269 883	(24 065)	-	(24 065)	1 293 948
Production costs of sold products, purchase costs of sold goods or provided services	6 658 026	4 009	-	4 009	6 654 017
Net impact		(28 074)	-	(28 074)	
Retained profit					
Undistributed profit of preceding years	2 063 153	-	(251 671)	(251 671)	2 314 824
Undistributed profit of the reporting year	(6 672 837)	(28 074)	-	(28 074)	(6 644 763)
Impact of the correction of the net error on the retained profit on 31 December 2018		(28 074)	(251 671)	(279 745)	

Annexes to financial statements

24) Related parties

Related parties are the Company shareholders, the Board members, their close family members and the companies where the above parties have a control or substantial impact.

All the transactions with related parties during the report year conform with the usual market conditions.

Related company or related party	Type of relationship	Sold goods or provided services	Purchased goods or received services	Other transactions
		Eur	Eur	Eur
AS "Remars-Rīga"	Substantial impact	163 516	37 646	128 783
SIA "EIROHOLDINGS"	Substantial impact	-	21 780	61 243
SIA "EIRO WELDING"	Substantial impact	250 751	21 620	-
SIA "Concrete Port"	Substantial impact	1 090	-	-
SIA "Concrete Port Rīga"	Substantial impact	737	-	-
Total		416 094	81 046	190 026

25) Subscribed shares during the report year

There have been no subscriptions to the Company shares during the report period.

26) Agreements not included in the Balance Sheet and affecting the assessment of the Company's financial position

The Company does not have any agreements affecting the assessment of the Company's financial position not included in the Balance Sheet.

27)

Information about daughter companies

Item	Registered address	Shareholding	Equity capital	Profit or loss	Shareholding	Equity capital	Profit or loss
		31.12.2019 %	31.12.2019 Eur	2019 Eur	31.12.2018 %	31.12.2018 Eur	2018 Eur
AS "Tosmares kuģubūvētava"	Ģenerāļa Baloža iela 42/44, Liepāja	80.75%	1 329 267	(105 437)	-	-	-
			1 329 267	(105 437)		-	-

28)

Information about associated companies

Item	Registered address	Shareholding	Equity capital	Profit or loss	Shareholding	Equity capital	Profit or loss
		31.12.2019 %	31.12.2019 Eur	2019 Eur	31.12.2018 %	31.12.2018 Eur	2018 Eur
SIA "Remars Granula"	Gāles iela 2, Rīga	49.79%	258 919	70 588	49.79%	188 331	(21 400)
AS "Tosmares kuģubūvētava"	Ģenerāļa Baloža iela 42/44, Liepāja	-	-	-	49.72%	5 414 480	(4 085 213)
			258 919	70 588		5 602 811	(4 106 613)

Annexes to financial statements

29) Research and development measures and own shares

The Company does not have research and development measures and it has not repurchased its shares in the report year.

30) Consolidated annual report, information about the Group's parent company and applied release from preparation of the consolidated annual report

The parent company is released from the obligation to prepare the consolidated annual report in compliance with Paragraph 1 of Section 68 of the Law "On Annual Reports and Consolidated Reports" providing for release from the consolidation if there are strict short-term restrictions which considerably encumber the ability of the Group's parent company to exercise its rights to the property and management of the daughter company of this Group. In 2018 the insolvency of AS “Tosmares kuģubūvētava” was declared and an administrator was appointed who is managing AS “Tosmares kuģubūvētava” until the conclusion of the insolvency proceedings, in the result of which the Company does not have the control over the property, management and processes and decisions of AS “Tosmares kuģubūvētava”.

31)

Net turnover

	2019	2018
	Eur	Eur
Revenue from ship repair	277 376	4 027 724
	277 376	4 027 724

Split per types of operation	NACE code	2019	2018
		Eur	Eur
Ship repair	3011	277 376	3 845 810
Shipbuilding	3011	-	133 660
Machinery building	3315	-	47 344
Other works	3315	-	910
		277 376	4 027 724

Split per geographic regions	State code	2019	2018
		Eur	Eur
Germany	DE	-	445 232
Denmark	DK	-	166 775
Greece	GR	-	404 199
Norway	NO	-	196 990
Estonia	EE	80 274	113 445
Antigua	AB	-	43 985
The Netherlands	NL	-	142 817
Belgium	BE	12 636	804 174
Great Britain	GB	-	40 435
New York	US	-	697 130
Finland	FI	-	47 825
Panama	PA	-	30 982

Annexes to financial statements

Latvia	LV	181 186	308 623
Liberia	LB	-	342 441
Hong Kong	HK	-	220 289
Dubai	AE	-	13 724
British Virgin Island	VG	-	8 658
Lithuania	LT	3 280	-
		277 376	4 027 724

32)

Production costs of sold products, purchase costs of sold goods or provided services

	2019	2018
	Eur	Eur
Material costs	38 950	359 650
Subcontractors' services	7 000	2 033 816
Personnel costs	545 931	1 829 648
Depreciation of fixed assets and intangible investment	756 790	955 089
Power costs	243 978	430 724
Heat costs	29 440	432 528
Lease costs of the land, premises and machinery	89 430	141 725
Transportation costs	192	105 887
Real Estate Tax	155 353	155 353
Other production costs	57 428	213 606
	1 924 492	6 658 026

33)

Sales costs

	2019	2018
	Eur	Eur
Advertising costs	435	693
	435	693

34)

Administration costs

	2019	2018
	Eur	Eur
Personnel costs	445 329	551 690
Maintenance expenses of representative cars	13 955	688
Transportation expenses, business trips	18 243	47 178
Legal services	95 834	81 819
Depreciation of fixed assets and intangible investment	7 701	31 641
Representation expenditure	18 675	31 168
Communication costs	12 388	36 677
Costs of maintenance of the office	5 020	2 316
Ancillary expenses of cash turnover	53 317	4 836
Annual report audit costs	13 500	15 000

Annexes to financial statements

Supervision of the legal protection plan	6 000	-
Other administration costs	17 421	8 743
	707 383	811 756

35)

Other revenue of economic operations

	2019	2018
	Eur	Eur
Revenue from services	434 229	505 142
Net revenue from sale of long-term investment	-	23 379
Sale of materials	244 458	344 191
Revenue related to funding of the projects of European funds	60 579	48 055
Revenue from chemical tests	-	210
Revenue from the write-off or re-evaluation provisions (see Annex 41)	6 651 036	194 175
Write-off of accrued liabilities	113 324	-
Revenue from emission allowances	-	55 057
Other non-essential revenue	12 391	99 674
	7 516 017	1 269 883

36)

Other costs of economic operations

	2019	2018
	Eur	Eur
Expenses for maintenance of leased fixed assets	119 466	280 773
Expenses of purchase of materials	286 882	353 836
Net loss from sale of long-term investment *	110 700	-
Expenses of writing-off doubtful and bad receivables	172 836	1 368 693
Expenses of writing-off financial investment (see Annex 42)	5 005 536	1 200 000
Loss from the deterioration of the asset value	-	336 312
Loss from the sale of foreign currency and decrease of the exchange rate	67	804
Writing-off of materials	110 566	-
Paid fines and late payment penalties	74 020	111 630
Assessed fines for taxes	63	269 818
Expenses according to the court judgement	32 911	29 235
Expenses of preceding periods	507	144 073
Donations	13	11
Other costs	29 620	59 653
	5 943 187	4 154 838

*** Information about the profit or loss from alienation and liquidation of long-term investment items**

No.	Long-term investment item	Balance Sheet value at the moment of	Revenue from alienation	Gross revenue or expenditure	Profit or loss from alienation of the item
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Annexes to financial statements

		exclusion			
		Eur	Eur	Eur	Eur
1.	Technological machinery and devices - Floating dock No. 1	9 210 145	9 300 000	9 300 000	89 855
2.	Technological equipment and machinery	262 966	62 411	62 411	(200 555)
		9 473 111	9 362 411	9 362 411	(110 700)

37)

Other interest income and similar revenue

	2019 Eur	2018 Eur
Interest income for loans	827	100 652
	827	100,652

38)

Interest payments and similar costs

	2019 Eur	2018 Eur
Assessed interest of loans	38 963	445 291
Recognised financial lease interest	54	492
	39 017	445 783

39)

Intangible investment **Concessions, licences, patents, trademarks and similar rights** **Total**

	Eur	Eur
Initial value		
31.12.2018	361 351	361 351
31.12.2019	361 351	361 351
Depreciation		
31.12.2018	359 655	359 655
Calculation	1 696	1 696
31.12.2019	361 351	361 351
Remaining Balance		
Sheet value		
31.12.2018	1 696	1 696
Remaining Balance		
Sheet value		
31.12.2019	-	-

Annexes to financial statements

40)

Fixed assets	Buildings and engineering constructions	Technological equipment and machinery	Other fixed assets and inventory	Total
	Eur	Eur	Eur	Eur
Initial value				
31.12.2018	14 055 896	29 425 093	2 557 121	46 038 110
Acquisitions	-	-	4 462	4 462
Written off	-	(12 465 915)	(59 756)	(12 525 671)
31.12.2019	14 055 896	16 959 178	2 501 827	33 516 901
Depreciation				
31.12.2018	5 844 832	12 605 215	2 159 895	20 609 942
Calculation	188 014	488 016	86 765	762 795
Written off	-	(2 992 804)	(59 756)	(3 052 560)
31.12.2019	6 032 846	10 100 427	2 186 904	18 320 177
Remaining Balance Sheet value				
31.12.2018	8 211 064	16 819 878	397 226	25 428 168
Remaining Balance Sheet value				
31.12.2019	8 023 050	6 858 751	314 923	15 196 724

All the real estate is pledged as the security for received loans (see Annexes 51 and 52). Cadastral value of the real estate (buildings) as on 31.12.2019 – EUR 5 723 487 (31.12.2018 – EUR 5 723 487).

41) Re-evaluation reserve

By involving independent experts, the Company has carried out the re-evaluation of the floating docks owned by it. In 2007 SIA “Baltic Kontor” carried out the evaluation of the three floating docks of the Company and, in the result of the performed evaluation, it was concluded that the market value of the floating docks amounted to EUR 17 107 000 as one 20.12.2007. The Company management considers that the increase of the value of the fixed assets is long-term and it could be assessed according to the higher value. The difference resulting from the re-evaluation in the amount of EUR 12 056 273 was recognised under the equity item "Re-evaluation reserve of long-term investment" which was reduced by the related reserve amount for the purpose of the deferred Corporate Income Tax. In 2012, 2014 and 2016 SIA “Baltic Kontor” carried out the regular evaluation of the floating docks owned by the Company, resulting in concluding that the value of the floating docks subject to evaluation had not changed considerably and no adjustments of the re-evaluation reserves were made. In the evaluation of the floating docks, certified assessors applied the method of costs or replacement taking into account the technical condition of the floating docks, their age and the technological usefulness of the assets, as well as compared the obtained result with the market information regarding the market values of such fixed assets. In 2018 the management carried out the re-evaluation by presenting the docks according to the market value which is included in the letters of intent regarding the sale of the docks signed by two independent, well informed parties interested in the transaction, this value amounting to EUR 12 500 000 on the Balance Sheet date. The re-evaluation is performed with sufficient regularity, however, minimum

Annexes to financial statements

once in 5 years, to ensure that the Balance Sheet value is not considerably different from the value set by applying the true value on the Balance Sheet date.

Balance Sheet values of fixed assets with and without re-valuation

Items of re-evaluated technological equipment and machinery	31.12.2019		31.12.2018	
	Balance Sheet value without re-valuation	Balance Sheet value following re-valuation	Balance Sheet value without re-valuation	Balance Sheet value following re-valuation
	Eur	Eur	Eur	Eur
Floating docks	2 537 195	3 142 476	4 260 035	12 500 000
	2 537 195	3 142 476	4 260 035	12 500 000

In 2019 the value was reduced in the item “Reserves of re-valuation of the long-term investment” in the amount of EUR 152 497 by the difference between the depreciation which was assessed based on the re-evaluated value of the fixed asset and the depreciation which was assessed based on the acquisition value of the fixed asset, and by the amount for which the reduction of the value of these fixed assets was recognised, as well as in the amount of EUR 6 498 540 for the alienated fixed asset re-evaluated before, by writing off the balance of the re-valuation reserve and recognising it in the Profit or Loss Statement as revenue from the reduction of the re-valuation reserve.

Long-term investment revaluation reserve	Eur
Balance	
31.12.2018	6 720 723
Reduction of the re-valuation provision	(152 497)
Writing-off of the re-valuation provision value	(6 498 540)
Balance	
31.12.2019	69 686

42)

Long-term financial investment	Participation on capital of related companies 2019 Eur	Participation in the capital of associated companies 2019 Eur
Initial accounting value		
In the beginning of the report year	-	3 630 590
At the end of the report year	5 005 536	-
Increase of shareholding *	1 374 946	
Transfer to the shareholding of the capital of related companies	3 630 590	(3 630 590)

Adjustments for reduction in the accrued value:

In the beginning of the report year	-	-
-------------------------------------	---	---

Annexes to financial statements

At the end of the report year	(5 005 536)	-
Adjustments for reduction of the assessed value in the report year	(5 005 536)	-
Balance Sheet value	-	-

* The Company had a debtor's debt for the shares of AS “Tosmares kuģubūvētava” (see Annex 47) which was secured with the shares of AS “Tosmares kuģubūvētava”. In compliance with the contracts on sale of shares, if the payment for the purchase of shares is not performed within the term defined by the contract, secured shares are transferred in the ownership of the Company. As the Company debtor Seletrade Impex LLP did not repay the debt and on 17 December 2019 it was excluded from the Commercial Register of Great Britain, 31.03% of the shares AS “Tosmares kuģubūvētava” purchased by the debtor in the amount of EUR 1 374 946 were transferred into the ownership of the Company. By taking over the secured shares, as on 31 December 2019 the Company holds 80.75% shares of AS “Tosmares kuģubūvētava” in the amount of EUR 5 005 536. Re-registration of the shares with the Register of Enterprises has not taken place until 131 December 2019 and the administrator of the insolvent AS “Tosmares kuģubūvētava” was notified thereof by asking to make relevant amendments in the Register of its Shareholders.

** After having assessed the financial data and recoverable assets of AS “Tosmares kuģubūvētava” the Company performed the reduction of the investment value in the amount of EUR 5 mill. up to the value of the recoverable asset at the end of the report year (see Annex 36).

43)

Debts of associated companies

	31.12.2019	31.12.2018
	Eur	Eur
Debt of SIA "Remars Granula" based on the assignment contract	770 000	770 000
The principal loan amount of SIA "Remars Granula"	310 642	310 642
The loan interest of SIA "Remars Granula"	244 317	244 317
Provisions for debts of doubtful accounts	(1 324 959)	(1 324 959)
Balance Sheet value	-	-

The debts of associated companies are presented according to the net value by deducting provisions for doubtful debts from the full amount. During the report year debts written off during preceding periods have not been received and provisions for new doubtful debts have not been made.

44) Other securities and investment

In 1999 the Company has purchased 33 shares of AS “Baltijas starptautiskā banka” with the par value 5 LVL or 7.1 EUR. As on 31.12.2019 the Company owns 33 shares where the par value of a share is 7.1 EUR, which amount to 0.0006 % of the share capital of AS “Baltic International Bank” amounting to EUR 235, registered with the Register of Enterprises.

45)

Raw materials

	31.12.2019	31.12.2018
	Eur	Eur
Metal, pipes, non-ferrous metal	522 600	967 845
Metal fixing parts	43 773	55 494
Technical rubber products	4 972	17 625

Annexes to financial statements

Fuel	5 579	8 359
Other materials	446 749	437 127
Reserves for slow circulation and obsolete materials	-	(64 632)
	1 023 673	1 421 818

46)

Customers and buyers debts

	31.12.2019	31.12.2018
	Eur	Eur
Customers and buyers accounting value	549 106	386 753
Provisions for doubtful receivables	(40 070)	-
Balance Sheet value	509 036	386 753

47)

Other debtors

	31.12.2019	31.12.2018
	Eur	Eur
Overpaid taxes	70 886	49 246
Debt for the shares of AS "Tosmare kuģubūvētava"*	-	264 128
Paid advances for services	357 952	413 695
Short-term loans**	819 041	65 520
Settlement persons	32 054	-
Settlements for other debtors	41 988	30 431
	1 321 921	823 020

* As on 31.12.2018 Within the composition of other debtors the Company presented the debt for the shares of AS “Tosmares kuģubūvētava” in compliance with the signed contracts with Seletrade IMPEX LLP in 2013. The debt was secured by the shares of AS “Tosmares kuģubūvētava” for which the settlement was due until 31 December 2020, however, as on 17 December 2017 Seletrade IMPEX LLP was excluded from the Commercial Register of Great Britain, the secured shares were transferred to the ownership of the Company with the value of EUR 1 374 946 (see Annex 42) which included the principal debt of EUR 1 110 818 and the outstanding interest of EUR 264 128.

** In 2014 the Company signed the mortgage agreement according to which the real estate of the Company was mortgaged in favour of AS ABLV Bank for the maximum amount of the claim equal to EUR 2 860 000. As the borrower from AS ABLV Bank is AS “Remars Rīga” on behalf of which the Company has repaid liabilities in the amount of EUR 222 278 in 2019, the relevant amount is recognised as a loan to the related party AS “Remars Rīga”.

**** Loans and accrued interest**

	31.12.2019			31.12.2018		
	Long-term part	Short-term part	Total	Long-term part	Short-term part	Total
	Eur	Eur	Eur	Eur	Eur	Eur
Loans and accrued interest to SIA Eiro	-	535 520	535 520	470 000	65 520	535 520

Annexes to financial statements

Paint ***

Loans and accrued interest to SIA Eiroholdings ****	-	61 243	61 243	-	-	-
Loans and accrued interest to AS Remars Rīga *****	128 783	222 278	351 061	-	-	-
	128 783	819 041	947 824	470 000	65 520	535 520

*** In 2015 the Company issued a loan to SIA “Eiro Paint” in the amount of EUR 500 000 with the interest rate 6 % per annum and the repayment term 31 December 2020. During the report period no interest was assessed for the loan because the economic operation of SIA “Eiro Paint” was suspended on 11 February 2019 and the Company does not believe it would ever receive this interest. The long-term loan was issued without a security, however, the Company may re-purchase the machinery bought for the loan amount.

**** In 2019 the Company issued a loan to the related entity SIA “Eiroholdings” in the amount of EUR 61 000 with the interest rate 4 % per annum and the repayment term 31 December 2020. The loan was issued without a security.

***** In 2019 the Company issued a loan to the related entity SIA “Remars Rīga” in the amount of EUR 128 200 with the interest rate 3 % per annum and the repayment term 31 December 2020. The accrued interest should be repaid simultaneously with the principal loan amount. The loan was issued without a security.

48)

Costs of future periods

	31.12.2019	31.12.2018
	Eur	Eur
Insurance of the Company property	4 653	9 566
Remuneration for work and social settlements	-	9 694
Insurance of road vehicles	2 615	2 148
Other costs of future periods	-	2 284
	7 268	23 692

49)

Cash

	31.12.2019	31.12.2018
	Eur	Eur
Cash in banks	708 202	-
Cash at hand	-	51
Funds frozen by courts	-	10 400
	708 202	10 451

50) Aggregate of the shares of stock capital

AS "Rīgas kuģu būvētava" was founded in 1991. The value of the stock capital of the company is EUR 16 340 950, which consists of 11 672 107 bearer's shares with the par value of a share equal to

Annexes to financial statements

1.40 EUR. As on 31.12.2019 the stock capital of the Company consists of 11 672 107 shares of which amount 10 000 000 shares are in public circulation and 1 672 107 shares are the shares of a closed issue. The shares of the company are in public circulation and are listed in the Second List of AS NASDAQ Riga. All the shares provide equal entitlement to dividends, the receipt of a liquidation quota and voting rights at the general meeting of shareholders. One share provides the right to 1 vote at the meeting of shareholders.

Amendments of Articles:

1. On 30 December 1998 the stock capital of the Company was increased to EUR 15 651 590.
2. On 30 December 1999 the stock capital of the Company was increased to EUR 16 607 912.
3. Denomination of the stock capital was performed in May 2015. The volume of the stock capital following the denomination is EUR 16 340 950. The number of shares is 11 672 107, the share par value is 1.40 EUR.

Shareholders of AS Rīgas kuģu būvētava	31.12.2019.		31.12.2018.	
	Eur	%	Eur	%
AS "Remars-Rīga"	8 146 872	49.86	8 146 872	49.86
Private individuals	5 701 745	34.89	5 646 291	34.55
Other statutory companies	2 492 333	15.25	2 547 787	15.59
Total	16 340 950	100	16 340 950	100

51)

Loans from credit institutions

	31.12.2019			31.12.2018		
	Long-term part Eur	Short- term part Eur	Total Eur	Long-term part Eur	Short- term part Eur	Total Eur
AS ABLV Bank *	-	550 702	550 702	-	1 719 895	1 719 895
AS Baltikums Bank (AS BlueOrange Bank) **	-	-	-	-	1 709 753	1 709 753
	-	550 702	550 702	-	3 429 648	3 429 648

* On 28 December 2017 the Company signed an additional agreement with AS “ABLV Bank” to Loan Agreement No.13-FP-0207 signed on 18 October 2013 on a loan facility for the needs of the current assets. The loan repayment term was 30 December 2018. In compliance with the Legal Protection plan the loan should be repaid in 2020. The interest rate is 7% per annum. The maximum amount of the secured claim is EUR 2 470 000. The mortgage for the real estate has been concluded as the security. The Balance Sheet value of the mortgaged real estate as on 31.12.2019 amounts to EUR 5 414 071.

** In March 2017 the Company signed two Loan facility and one Overdraft contracts with AS “Baltikums Bank” (as from 11.09.2017 AS “BlueOrange Bank”) with the total credit limit equal to EUR 4 500 000. The loan repayment terms were: 27 March 2018 and 29 March 2019. The interest rate was 3% and 6.5 % per annum. The maximum amount of the secured claim for all the three contracts is EUR 6 750 000.

In September 2019 the Company settled loan liabilities to AS “BlueOrange Bank” in full amount and AS “BlueOrange Bank” deleted the mortgage to floating dock No. 170 registered with the Ship Register of

Annexes to financial statements

Latvia and the registered commercial pledge to all the property of the Company as the aggregate property at the moment of pledging and including future components of the aggregate property.

52)

Other loans

	31.12.2019			31.12.2018		
	Long-term part	Short-term part	Total	Long-term part	Short-term part	Total
	Eur	Eur	Eur	Eur	Eur	Eur
Interest of a loan from the management*	-	22 050	22 050	-	22 050	22 050
Loans from related entities**	-	-	-	-	565 500	565 500
Loans from legal companies***	903 982	1 868 650	2 772 632	37 732	2 789 785	2 827 517
Lease liabilities****	-	-	-	-	2 073	2 073
	903 982	1 890 700	2 794 682	37 732	3 379 408	3 417 140

* In 2014 the Company signed an agreement and received a loan from V. Meļņiks in the total amount of EUR 1 165 000 with an interest rate 5 % per annum. The loan should be repaid until 27 July 2015. The loan has been repaid and the assessed interest of EUR 22 050 is outstanding.

** In 2017 the Company signed four agreements and received loans from the related entity SIA “Remars Rīga” in the amount of EUR 605 500 with interest rates of agreements of 4.5 % per annum. The repayment terms of the loans were 2019. The loans are not secured by any pledges or guarantees. The assessed interest in 2018 was repaid according to the procedure of mutual settlement and no interest was assessed in 2019. In 2019 the loan was extinguished by making payments to the AS “ABLV Bank” under liquidation for the mortgage contract of 2014, whereby the real estate of the Company was mortgaged in favour of AS “ABLV Bank” with the maximum amount of claim of EUR 2 860 000. (See Annex 37).

*** In 2014 the Company signed an agreement and received a loan from SA SOGIP SERVICES GENEVA in the amount of EUR 2 000 000 with an interest rate 6 % per annum. The loan had to be repaid until 22 June 2019. The loan is not secured by any pledges or guarantees. The accrued interest as on 31.12.2018 amount to EUR 178 773 and should be paid simultaneously with the principal amount. The loan interest is not assessed in 2019. According to the legal protection plan approved on 16 August 2019, the loan and the accrued interest should be repaid until 31 August 2021, accordingly, the term of the amount EUR 801 178 exceeds one year and it is presented as long-term. On 15 May 2020 amendments to the legal protection plan were approved providing for repayment of the loan until 16 August 2023 and the long-term part of the loan would amount to EUR 2 287 592.

** In 2017 and 2018 the Company signed four agreements and received loans from SIA “Eironams” in the amount of EUR 773 933 with interest rates of agreements of 4 % per annum. The repayment terms of the loans were year 2018 and year 2021 for one of the agreements. The loan is not secured by any pledges or guarantees. The accrued interest as on 31.12.2018 amount to EUR 22 079 and should be paid simultaneously with the principal amount. The loan interest is not assessed in 2019. According to the legal protection plan approved on 16 August 2019, the loan and the accrued interest should be repaid until 31 August 2021, accordingly, the term of the amount EUR 102 804 exceeds one year and it is presented

Annexes to financial statements

as long-term. On 15 May 2020 amendments to the legal protection plan were approved providing for repayment of the loan until 16 August 2023 and the long-term part would amount to EUR 286 196.

**** The lease liabilities of the finance lease of 18 December 2014 with SIA “UniCredit Leasing” relate to the car VOLVO XC60, the last payment term being 31.05.2019 and the interest rate equal to: 6,0%+3 month EURIBOR. The Balance Sheet value of the car used under the financial lease as on 01.01.2019 amounts to EUR 2581, and the remaining value as on 31.12.2019 is equal to zero.

According to the loan agreements and the Legal Protection Plans, including the amendments of 15 May 2020 therein, there are no parts of payments to be settled within five years following the Balance Sheet date.

53)

Debts to suppliers and contractors

Debts to suppliers and contractors as on 31.12.2019 amount to EUR 2 815 205, including EUR 1 911 224 as the short-term portion and EUR 718 093 as the long-term portion according to the LPP plan of 16 August 2019 with the repayment term of 16 August 2021.

In compliance with the LPP amendments of 15 May 2020, the liabilities repayable in 2020 amount to EUR 734 008 and the liabilities repayable from August 2021 to August 2023 amount to EUR 2 081 197.

54)

Debts to related companies

	31.12.2019			31.12.2018		
	Long-term part Eur	Short-term part Eur	Total Eur	Long-term part Eur	Short-term part Eur	Total Eur
Loan and accrued interest*	73 765	133 517	207 282	-	-	-
	73 765	133 517	207 282	-	-	-

* In 2014 the Company signed an agreement and received a loan from AS “Tosmares kuģubūvētava” in the amount of EUR 500 000 with an interest rate 6 % per annum. The loan had to be repaid until 31 December 2018. The loan is not secured by any pledges or guarantees. The accrued interest as on 31.12.2018 amount to EUR 8 262 and should be paid simultaneously with the principal amount. The loan interest is not assessed in 2019. According to the legal protection plan approved on 16 August 2019, the loan and the accrued interest should be repaid until 31 August 2021, accordingly, the term of the amount EUR 73 765 exceeds one year and it is presented as long-term. On 15 May 2020 amendments to the LPP plan were approved providing for repayment of the loan until 16 August 2023 and the long-term part would amount to EUR 194 687.

According to the loan agreements and the Legal Protection Plans, including the amendments of 15 May 2020 therein, there are no parts of payments to be settled within five years following the Balance Sheet date.

As the Company had AS “Tosmares kuģubūvētava” as an associated company on 31.12.2018, in year 2018 the debt of EUR 211 248 to AS “Tosmares kuģubūvētava” was presented in the short-term section of the Balance Sheet item "Debts to associated companies".

Annexes to financial statements

55)

Taxes and state social insurance contributions	31.12.2019	31.12.2018
	Eur	Eur
Value Added Tax	(70 886)	(49 246)
Social insurance contributions	194 431	878 281
Personal Income Tax	451 334	960 590
Corporate Income Tax	3 696	-
State Business Risk Duty	17	501
Real Estate Tax	16 456	216 533
Tax of natural resources	-	96
Total:	595 048	2 006 755
Including:		
Overpaid taxes (see Annex 47)	(70 886)	(49 246)
Debt to the budget	665 934	2 056 001

56)

Other creditors	31.12.2019	31.12.2018
	Eur	Eur
Wages	103 420	1 129 385
Settlements with reporting persons	-	16 678
Deductions from wages	-	3 545
Security Deposit	1 195	-
	104 615	1 149 608

57)

Revenue of future periods

	31.12.2019			31.12.2018		
	Long-term part	Short-term part	Total	Long-term part	Short-term part	Total
	Eur	Eur	Eur	Eur	Eur	Eur
Project - reconstruction of the heat supply system*	201 036	18 955	219 991	219 992	18 955	238 947
Project - implementation of energy efficiency measures in production workshops**	280 806	18 365	299 171	311 694	29 100	340 794
	481 842	37 320	519 162	531 686	48 055	579 741

* In 2013 and 2014 the Company received funding in the amount of EUR 344 085 for establishment of fixed assets from the Latvian Investment and Development Agency: Agreement No. LIAA/017-PSC-12-0031 “Reconstruction of the heat supply system of AS Rīgas kuģu būvētava”. The fixed assets were commissioned in 2014. The received funding is transferred to the revenues of the Profit or Loss Statement gradually during the remaining term of effective use of the fixed assets. In the report year EUR 18 955 were applied to revenues (in 2020 EUR 18 955).

Annexes to financial statements

** In 2013 and 2014 the Company received funding in the amount of EUR 479 807 for establishment of fixed assets from SIA “Vides investīciju fonds” [Environment Investment Fund]: Agreement No. KPFI-15.2/236 “Performance of energy efficiency measures in production workshops”. The fixed assets were commissioned in 2014. The received funding is transferred to the revenues of the Profit or Loss Statement gradually during the remaining term of effective use of the fixed assets. In the report year EUR 41 623 were applied to revenues, including the co-financing for the fixed assets sold in 2019 (in 2020 EUR 18 365).

58)

Unpaid dividends

The debt of the Company towards shareholders for unpaid dividends in the amount of EUR 11 746 got established in 2013. The failure to pay dividends is related to the fact that some shareholders have not performed denomination of their shares until now and these shares are in the initial register of depositories, and there are also unpaid dividends to liquidated holders of the shares of a closed issue.

59)

Accrued liabilities

	31.12.2019	31.12.2018
	Eur	Eur
For services	59 889	192 923
Accrued costs of unused vacations	105 380	151 344
	165 269	344 267

60)

Going concern assumption and events following the end of the report year

The amount of the equity of the Company is positive and amounts to EUR 11 243 925. The result of the Company operation in 2019 was a net loss of EUR 823 990, and the short-term liabilities exceed the current assets by EUR 1 904 135 as on 31 December 2019. The major items of short-term liabilities include debts to suppliers and contractors in the amount of EUR 1 911 224 and other borrowings in the amount of EUR 1 890 700.

The implementation of the plan of measures of the LPP has been successful since the approval of the LPP plan until now, i.e. for more than a year. During this time period the Company has been carrying out its core operations by resuming the provision of the ship repair services to its customers and continuing the lease of its movable properties and real estate, as well as by performing the measures related to the annual survey of the berths and floating docks, repairs of berths and floating docks, the tidying works of its leased territory and improvement of the infrastructure owned by it. The Company management has implemented major measures for attaining its goals, in particular, attraction of new customers, efficient use of the labour and material resources, improvement of work efficiency. In comparison to 2019 the net turnover of the Company during the first 10 months of 2020 has reached the amount of EUR 743 994, which is by 168 % higher than in 2019.

As the Company sold one of the docks owned by it during the report year and successfully continued increasing of the volume of provided services, the Company has satisfied creditors' claims in the amount of EUR 6.6 million as from the declaration of the LPP, and this amounts to 50% of the total amount of the creditors' claims to be satisfied within the LPP.

Following the end of the fiscal year, in March 2020 restrictions related to the spread of the Corona virus have been imposed both in the Republic of Latvia and other countries, deterring the economic development on the national and global scale, and this has had direct, major and negative impact on the economic operations of the Company in 2020. For the purpose of restricting the spread of Covid-19

Annexes to financial statements

cases, many precaution and safety measures were imposed, moreover, similar precautionary and safety measures were also provided in other countries resulting in the Company receiving refusals of performance of previously booked ship repairs from ship owners companies Also the delivery of materials and spares needed for performing the repairs and involvement of foreign experts was difficult, resulting in the Company not obtaining the previously scheduled revenue.

The above described situation has not only affected the further business operations of the Company, but also the implementation of the LPP, resulting in preparation of the amendments to the Plan of Measures of the LPP by the Company in April 2020. On 15 May 2020 Riga City Vidzeme District Court approved the amendments to the plan of measures of the LPP of the Company by setting the term of implementation of the LPP of the Company four years as from 16 August 2019. The Company attests that the amendments to the plan of measures of the LPP prepared by it and approved by the court will allow maintaining the current profile of operations and indicate that the financial liabilities to secured creditors will be satisfied within sixteen months, to unsecured creditors within forty eight months as from the moment of approval of the plan of measures of the LPP. The further operation of the Company depends on the ability of the Company to implement the legal protection plan and to settle liabilities to its creditors within the defined terms by complying with all the conditions of the plan.

Considering the rapid spread of Covid-19 infection, a repeated emergency situation was declared in the Republic of Latvia from 9 November to 6 December 2020. Future development of the situation cannot be predicted, therefore, there is uncertainty regarding the economic development. The Company management is continuously evaluating the situation. Already before the emergency situation declared in March 2020, the Company assessed the existing market situation and the opportunities of the Company leading to implementation of the measures aimed at optimisation of costs and monthly expenses have decreased considerably thanks to these measures.

The Company is assured that it will be able to restore the Company operations, secure its stability and even improve its competitiveness. However, although the Company has clear perspective of restoring its operations, it is also known that the time will be needed for optimising its staffing, restoring the flow of the current assets, diversifying production and attracting investment.

Still, this conclusion is based on the information available at the moment of signing the present financial statement, and the impact of further events on the future operation of the Company may differ from the management's assessment.

Board Member _____

Einārs Buks

Annual Report prepared by
Chief Accountant _____

Aleksandrs Kočkins

23 November 2020