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General Information

Name of the company	JSC "Rigas kugu buvetava"
Legal status of the company	Joint stock company
Number, place and date of registration	000304589, 5 December 1991, companies register, Riga 40003045892, 26 August 2004, commercial register, Riga
Address	2 Gales street, Riga, LV-1015
Stock capital of the enterprise	EUR 16 607 912
Associate enterprise	JSC "Tosmares kugubuvetava" Reg.No. 42103022837
Address	42/44 Generala Baloza Street, Liepaya
Partnership	49,72%
Associate enterprise	LLC "Remars Granula" Reg.Nr.54103022521
Address	2 Gales street, Riga, LV-1015
Partnership	49,80%
Type of operations	- building and repair of ships, yachts, catamarans, roll trailers and technological equipment; - port services; - Wood processing, manufacturing of furniture designed for various functional purposes etc.
NACE code	3011, 3315
Names and positions of the Board members	Jānis Skvarnovičs Chairman of the Board (from 25.04.2014.) Vladislavs Blūms Member of the Board Einārs Buks Member of the Board Jekaterina Ivanova Member of the Board (from 25.04.2014.) Rolands Klincis Member of the Boards (from 25.04.2014 till 15.08.2014) Vasilijš Meļņiks Chairman of the Board (till 23.04.2014.) Larisa Artemenko Member of the Board (till 25.04.2014.)
Names and positions of the Council	Vasilijš Meļņiks Chairman of the Council (from 25.04.2014.) Aleksandrs Čerņavskis Deputy Chairman of the Council (from 25.04.2014.) Gaidis Andrejs Zeibots Member of the Council Līnards Baumanis Member of the Councils (from 25.04.2014.) Valentīna Andrējeva Member of the Council (from 25.04.2014.) Jekaterina Ivanova Member of the Council (till 23.04.2014.) Sergejs Golīcins Member of the Council (till 25.04.2014.) Anatolijs Ustinovs Deputy Chairman of the Council (till 25.04.2014.)
Financial year	1 January, 2014 - 31 December, 2014
Auditor's name and address	Deloitte Audits Latvija SIA LZRA licence No. 43 4a Gredu Street,Riga LV-1019,Latvia Reg.N.40003606960

JSC "Rigas kugu buvetava"
Report of the Management
to the Annual Report of 2014

In the year 2014. JSC "Rigas kugu buvetava" the net turnover reached 17 896 269 EUR, of which, the shipbuilding - 7 849 702 EUR, the ship repair - 9 738 965 EUR, (compared with the year 2013 net turnover totalled 53 730 879 EUR, of which, the shipbuilding - 37 645 042 EUR, the ship repair - 15 214 037 EUR).

The company has finished the financial year with gross profit of 65 244 EUR (in the year of 2013 the gross losses were 1 127 211 EUR), in turn, the net losses in the 2014 were 1 087 879 EUR, (accordingly, in the year 2013 the losses were 1 926 775 EUR).

In the 2014 JSC "Rigas kugu buvetava" executed in total 51 ship repairs (compared to the year of 2013 - 60 ships), there were built and launched 4 ship hulls and last of five SWATH type patrol ships for the needs of the Ministry of Defence of the Republic of Latvia - ship "REZEKNE", as also there was executed the modernisation of the naval vessel of Finland in order to enlarge the hull of the ship. In comparison, in the year of 2013 there were built 4 hulls of ships and were built and delivered to the customers 4 complete ships.

The suppliers of goods and services for JSC "Rigas kugu buvetava", as also suppliers of raw materials in the year 2014 did not change essentially and the states of their origin were: Western Europe, Estonia, Lithuania and also Latvia. Traditionally in the ship repair area the main customers were the Scandinavia states, shipowners from Western Europe, and Latvia, in turn, customers of ship hulls mainly were from the Scandinavian states, and SWATH type patrol ship - from Latvia.

In the reported period the works are continued and was concluded an agreement for the needs of industrial orders of ship repair and service. These orders allow to use the work force more rationally and to acquire additional incomes.

In the year 2014 JSC "Rigas kugu buvetava", executed the investments in the fixed assets and reconstruction in total sum of 3 mln.950 thousands EUR (compared to the year of 2013 the company invested 1 mln.708 thousands EUR). JSC "Rigas kugu buvetava" also continues to execute to production of the capital repairs of buildings, floating docks, portal cranes, tugs and another fixed assets.

In April of the year 2014 in JSC "Rigas kugu buvetava" there was completed the realisation of Cohesion Fund's co-financing project, which started in the year of 2013 - "The Reconstruction of Heating System of JSC "Rigas kugu buvetava"". In the project frames there were reconstructed and commissioned the heat traces in the length of 2440 meters, as also the building /reconstruction of 28 automatized heating units were executed. The project costs were in total 1 058 351,85 EUR, and from that the co-financing from the European Union were 423 340,74 EUR. Similarly, in June of the year 2014 there was concluded another public co-financed project - "Energy efficiency measures realisation in production workshops", which is financially supported by the Climate changes financial instrument.

In the frames of the project for more energy-efficient production process there were provided and commissioned 85 welding vehicles, 9 optional equipment units (transformers of frequencies) for electrical motors, 4 reactive power units for energy indemnification, as also an illumination reconstruction is executed in two production workshops. The project total cost without VAT formed 1 415 395,83 EUR, from that sum of 479 807,72 EUR are co-financing from the Climate changes financial instrument. As the result of realization of this project there will be improved the quality of new building of ships and there will be achieved the economy of energy resources simultaneously.

Continuing the activity in the energy efficiency increase question with the purpose to provide an economy of energy resources, JSC "Rigas kugu buvetava", cooperating with another the merchants of the incorporated economic group, executes replacement of Utility Air Compressors, what will allow to provide consumers with the compressed air of high quality, will diminish the losses of the compressed air losses in transfer and will diminish the consumption of electric power in the compressed air production process.

JSC "Rigas kugu buvetava" operates and executes the production procedures in accordance with the international quality control standards - EN ISO 9001: 2008. The quality accordance certificate was received already in the year 2001 and the quality providing system is constantly improved.

Estimating the current market situation and enterprise possibilities, the management will continue to work in order to increase the volumes of the ship repair and new building. In order to provide the above mentioned, the company plans to buy the additional equipment for washing and cleaning of ships, what will allow to increase the handling rate of ships in docks. For this actions there are planned the investments in the sum of 75000.00 EUR. Now the equipment of a various kind is delivered already, including portal sheet plasma cutting machine ESA, sheet gas cutting machine SILHOUETTE, milling machine FSS 350r-03, milling machine FU450RAp 65.00.000, bridge crane 2ck002971 and another equipment.

In correlation on review reported year losses there is important to note that the company plans to cover them from undistributed profit of the last year, however at the same time, giving a special role to reduction of contaminations of the environment, investing in modernization of enterprise production equipment, as also in modernisation of processes, promoting the competitive ability of the company in its market sector and, certainly, in profit rate improvement, as also the business activity will be continued in the next year.

Chairman of the Board	_____	/J. SKVARNOVICS/
Member of the Board	_____	/V.BLUMS/
Member of the Board	_____	/J.IVANOVA/
Member of the Board	_____	/E.BUKS/

FEBRUARY 27 th, 2015

Notification on liability of the board

The Board of JSC "Rigas kugu buvetava" (The Company) endorses that, according to information available at the time of preparing this report, Financial statements give a true picture of the Company's financial situation on 31st December, 2014 and its performance and cash flow in all significant aspects. The above mentioned financial statements are prepared on the basis of requirements of the legislation of the Republic of Latvia.

In the process of preparing the financial statements the Board:

Has used and consistently applied the appropriate accounting methods;

Has provides substantiated and prudent resolutions;

Was guided by business continuation principle.

The Board of the enterprise is liable for preparation of a financial report, grounding on initial accountancy per each accounting period, which correctly reflects financial situation of the enterprise as at the end of the year of account, and ensures the financial report has been prepared complying with Latvian legislation. The Board is liable for administering of respective accounting reports, for perseverance of means of the enterprise, as well as for elimination of deceit and other dishonest acts.

Chairman of the Board _____ /J. SKVARNOVICS/

Member of the Board _____ /V.BLUMS/

Member of the Board _____ /J.IVANOVA/

Member of the Board _____ /E.BUKS/

FEBRUARY 27 th, 2015

Income statement

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

	Notes	31.12.2014. EUR	31.12.2013. EUR
Net sales	(1)	17 896 269	53 730 879
Cost of sales	(2)	(17 831 025)	(54 858 090)
Gross profit or losses		65 244	(1 127 211)
Distribution expenses	(3)	(11 435)	(57 410)
Administrative expenses	(4)	(1 000 781)	(1 137 954)
Other operating income	(5)	1 891 587	2 061 208
Other operating expenses	(6)	(1 340 356)	(1 183 373)
Other interest receivable and similar income	(7)	17 695	17 205
Interest payments and similar costs	(8)	(428 491)	(419 083)
Profit or losses before taxes		(806 537)	(1 846 618)
Corporate income tax	(9a)	50	0
Deferred income tax	(9b)	(148 161)	53 075
Other taxes	(10)	(133 231)	(133 232)
Net profit or losses		(1 087 879)	(1 926 775)
Losses per share		(0,07)	(0,17)

Notes from 10. to 23. page are an integral part of this report

Chairman of the Board _____ /J. SKVARNOVICS/

Member of the Board _____ /V.BLUMS/

Member of the Board _____ /J.IVANOVA/

Member of the Board _____ /E.BUKS/

FEBRUARY 27 th, 2015

Balance Sheet

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

	Notes	31.12.2014. EUR	31.12.2013. EUR
ASSETS			
Non-current assets			
I. Intangible assets			
Other intangible assets		95 557	143 633
Advances for intangible assets		0	0
Total intangible assets	(11)	95 557	143 633
II. Fixed assets			
Land and buildings		8 241 782	6 631 527
Leasehold improvements		3 358	9 951
Equipment and machinery		4 535 036	3 476 857
Floating docks		16 082 747	16 227 064
Other fixed assets		205 530	248 849
Fixed assets under construction		329 054	1 322 056
Advances for fixed assets		7 114	42 387
Total fixed assets	(12)	29 404 621	27 958 691
III. Investment property	(12a)	524 024	554 470
IV. Non-current financial investments			
Investments in associates	(13)	4 830 590	4 830 590
Other securities and investments	(14)	235	235
Other loans and non-current receivables	(15)	1 218 022	1 205 611
Total non-current financial investments		6 048 847	6 036 436
Total non-current assets		36 073 049	34 693 230
Current assets			
I. Inventories			
Raw materials and consumables	(16)	2 591 561	2 943 967
Work in progress	(17)	389 534	285 199
Orders in progress	(18)	31 637	96 509
Advances for inventories	(19)	582 149	405 223
Total inventories		3 594 881	3 730 898
II. Account receivables			
Trade receivables	(20)	1 799 976	3 776 204
Receivables from associates	(21)	1 267 828	1 334 441
Other receivables	(22)	365 314	535 554
Expenses of future periods	(23)	38 115	35 821
Accrued income	(24)	4 075 557	16 557 495
Total receivables		7 546 790	22 239 515
III. Current financial investments			
Total short-term financial investments:		0	0
IV. Cash and bank	(25)	65 127	582 570
Total current assets:		11 206 798	26 552 983
Total assets		47 279 847	61 246 213

Chairman of the Board _____ /J. SKVARNOVICS/
 Member of the Board _____ /V. BLUMS/
 Member of the Board _____ /J. IVANOVA/
 Member of the Board _____ /E. BUKS/

FEBRUARY 27 th, 2015

BALANCE SHEET

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

	Notes	31.12.2014. EUR	31.12.2013. EUR
EQUITY, PROVISIONS AND LIABILITIES			
I. Equity			
Share capital	(26)	16 607 912	16 607 912
Non-current investments revaluation reserve	(27)	12 056 273	12 056 273
Retained earnings			
previous year's retained earnings		3 279 728	5 206 503
current years profit or losses		(1 087 978)	(1 926 775)
Total retained earnings		2 191 750	3 279 728
Total equity		30 855 935	31 943 913
II. Provisions			
Other provisions	(28)	6 530	44 366
Total provisions		6 530	44 366
III. Liabilities			
I. Non-current liabilities			
Loans from banks	(29)	0	100 000
Next period income	(30)	710 487	279 278
Leasing liabilities	(32)	71 310	53 178
Other loans	(34)	872 100	0
Deferred income tax liabilities	(9c)	3 054 121	2 905 960
Total non-current liabilities		4 708 018	3 338 416
II. Current liabilities			
Loans from banks	(33)	1 900 000	6 123 215
Other loans	(34)	1 200 776	0
Leasing liabilities	(32)	38 736	68 725
Advances from customers	(35)	3 084 693	13 253 972
Trade payables	(36)	3 802 808	5 133 091
Payables to associates	(37)	70 214	11 645
Taxes and social insurance payments	(38)	476 216	324 330
Other liabilities	(39)	355 948	357 802
Dividends unpaid	(40)	32 540	37 954
Accrued liabilities	(41)	675 313	608 784
Next period income	(30)	72 120	0
Total current liabilities:		11 709 364	25 919 518
Total liabilities:		16 417 382	29 257 934
Total equity, provisions and liabilities		47 279 847	61 246 213

Notes from 10. to 23. page are an integral part of this report

Chairman of the Board _____ /J. SKVARNOVICS/

Member of the Board _____ /V.BLUMS/

Member of the Board _____ /J.IVANOVA/

Member of the Board _____ /E.BUKS/

FEBRUARY 27 th, 2015

CASH FLOW STATEMENT

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

	31.12.2014.	31.12.2013.
	EUR	EUR
I. Cash flow from operating activities		
Sales and service income	22 569 547	61 737 774
Cash to suppliers, personnel and others primary activity costs	(19 324 186)	(94 596 968)
Gross cash flow generated from operating activities	3 245 361	(32 859 194)
Interest paid	(268 645)	(412 432)
Corporate income tax paid	(11 202)	(1 596)
Cash flow before extraordinary items	2 965 514	(33 273 222)
Net cash flow generated from operating activities	2 965 514	(33 273 222)
II. Cash flow from investment activity		
Selling out of shares		3 400
Acquisition of fixed and intangible assets	(2 373 884)	(957 726)
Proceeds from sales of fixed assets and intangible assets	552 356	29 136
Loans issued	(1 816)	(1 833)
Loan repayment income		
Interest received	17 695	17 205
Dividends received		
Net cash flow generated from investing activities	(1 805 649)	(909 818)
III. Cash flow from financing activities		
Loans received	4 245 000	950 668
Received subsidies, donations, gifts or donations	561 147	279 279
Expenses on repayment of loan	(6 483 240)	
Dividends paid	(122)	(161 244)
Net cash flow generated from financing activities	(1 677 215)	1 068 703
IV. Net foreign exchange gains/losses	(93)	31 252
Net increase / (decrease) in cash and cash equivalents	(517 443)	(33 083 085)
Cash and cash equivalents at the beginning of the financial year	582 570	33 665 655
Cash and Cash equivalents at the end of the financial year	65 127	582 570

Notes from 10. to 23. page are an integral part of this report

Chairman of the Board	_____	/J. SKVARNOVICS/
Member of the Board	_____	/V.BLUMS/
Member of the Board	_____	/J.IVANOVA/
Member of the Board	_____	/E.BUKS/

FEBRUARY 27 th, 2015

STATEMENT OF CHANGES IN EQUITY

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

	Stock or Share	Non-current investments revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR
Balance as at 31.12.2012.	16 607 912	12 056 273	5 372 582	34 036 767
Increase / decrease of share capital				0
Dividends			(166 079)	(166 079)
Profit or losses for the year			(1 926 775)	(1 926 775)
Balance as at 31.12.2013.	16 607 912	12 056 273	3 279 728	31 943 913
Increase / decrease of share capital				0
Dividends			0	0
Profit or losses for the year			(1 087 978)	(1 087 978)
Balance as at 31.12.2014.	16 607 912	12 056 273	2 191 750	30 855 935

Notes from 10. to 23. page are an integral part of this report

Chairman of the Board _____ /J. SKVARNOVICS/

Member of the Board _____ /V.BLUMS/

Member of the Board _____ /J.IVANOVA/

Member of the Board _____ /E.BUKS/

FEBRUARY 27 th, 2015

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

(1) General principles

Annual report has been prepared according to laws of Latvian Republic „Regarding Accountancy” and „Regarding Annual report”, rules of cabinet of Ministers of Latvian Republic No. 481 „, On cash flow report and report on changes of contents of own equity and the order of preparing”; and according to Rules of Cabinet of Ministers Latvian Republic No. 488 enforcement of law “Regarding Annual Report”, which must be used starting from July 1st of year 2011. The sums included in Financial Statements are gained, based on prior costs method.

Compared to previous report year the methods used by the Enterprise and the methods of evaluating have not been changed.

Profit & Loss calculation has been prepared as per turnover costs scheme.

Cash flow statement has been prepared as per direct method.

The enclosed financial statements are made in Latvian national currency – euro (EUR).

According to Company order No 123 as of November 28th 2014, there was conducted the balance items’ inventory.

(2) Agency continuation

Present financial report has been prepared with reference to uninterrupted operation of company that an active realization and repayment liability is preceding in an ordinary way.

(3) Income recognition and net sales

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

Income is recognized according to the following principles:

Revenue from ship repair are recognised in the reporting period when the relevant services were provided;

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Revenue from shipbuilding - under the percentage of completion method (also see the remark 11 to policy of accountancy);

Revenue from vessel repairs - in accordance with the degree of execution of the transaction (see also the note 11 of accounting policy),

Income on fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

Dividends – when there is legal basis for them.

The revenue from ship repair is recognized based on level of completion. Costs related to repair services contracts are recognized by the moment of their appearance. If it is not possible to estimate believably the result of service contract, the income is recognized just as much as costs arising from the contract are possible to get back. If it is possible to estimate the result and there is a large possibility that contract will result as profit, the income of such contract are recognized during the contract time. If there is possibility that total of contract costs will exceed total of contract incomes, than the expected loss is to be recognized as expenses at once.

The Enterprise is using the percentage method, to determine recognizable volume of income at exact period. According to this method the Enterprise determines the level of completion of the jobs, to calculate the costs related to fulfilment of the agreement which have arisen till the Balance date, comparing it to the total expected costs, expressing this comparison in percents. The costs which outcome during the report period, which are related to further actions with the contract, are excluded from the costs related to the contract, by calculating the level of completion. It is shown as the raw material and materials and other assets, depending on its character.

The Enterprise shows as assets huge gross debt amounts of the customers, according to jobs for all of the contracts in progress, and for which there has costs appeared, by counting it to recognized profit (and taking off the recognized expenditures) and taking off the amount of Invoices released to the clients. Debtor’s debts bonds for the invoices released, but unpaid invoices, as well as retention, which appears as “Debts of customers and clients”.

The Enterprise shows as bonds of Clients gross debt amount, according to jobs for all contracts being in progress, for which the sum of released invoices exceeds the expenditures incurred and added to the recognized profit (and taking off the recognized expenditures). The advances received from the client appear as “Advance received from the customers”.

(4) Segment Content

Operating Segment is identifiable public (consuming goods and services) section, which is characterized by the risks and benefits that differs from the risks and benefits of other part of public. Geographical Segment is identifiable public that sells good and provides services in the particular economic environment and which is characterized by the risks and benefits that differs from the other part of public acting in the other economic environment.

(5) Revaluation of foreign currency in lats

(a) Currency used in transactions and accounting.

Items of the Company financial reports are accounted for in the currency of the economic environment, in which the Company operates (accounting currency). Items of financial reports are expressed in EUR, which is the Company accounting currency and reporting currency.

(b) Transactions and balances.

All transactions in foreign currencies are converted to the accounting currency based upon the currency exchange rate of the relevant transaction date. Profit or loss obtained in the result of converting these transactions and monetary assets and liabilities in foreign currencies into lats based upon the year-end currency exchange rate are reflected in the Profit/ Loss Statement.

Year-end exchange rates of most often used currencies were as follows:

	31.12.2014.	31.12.2013.
	EUR	EUR
1 USD	0,8224	0,7328
1 NOK	0,1106	0,1191
1 GBP	1,2783	1,1990
1 RUB	0,0145	0,0220

(6) Fixed assets and intangible assets, low-grade material

Floating docks are presented at a fair value on the basis of the periodic independent assessors assessment, minus the accumulated depreciation. In moment of Revaluation the accumulated depreciation is eliminated against the asset's carrying value, net amount is included in the value of revaluation.

Other fixed assets are initially defined at the purchase cost, excluding the wear accumulated. The accusation value includes the expenditures, which are directly related to the acquisition of the fixed asset. Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

As a result of the revaluation an increase in value is shown in equity item "Revaluation reserve for long-term investments", but the reduction in value is disposed from the referred previous years reserve's accounted of the increase in the value of fixed assets (deducting the deferred tax), including the excess in the profit or loss statement.

	<u>Years</u>
Buildings	2 - 15
Other buildings and constructions	3,5 - 20
Technological equipment	5 - 50
Other fixed assets and stock	10 - 40

Wear of basic means begins to count from the first date of the next month after its delivery to exploitation and is finished by the first date of the next after its exclusion from the basic means.

Company capitalizes permanent assets with value more than EUR 150 and time of valid usage is more than 1 year. Increased value of revaluing permanent assets is reflected as moving towards Non-current investments revaluation reserve. It is attributed to the dissolution of permanent assets in the calculation of profits, incomes losses.

In case of the obvious evident that as a result of fixed asset's repair and reconstruction in the future the economical achieved effect would be higher than the primary defined outputs then such investments are capitalized as an additional cost of fixed assets staff. With capitalization of the spare parts installation expense the remaining cost of exchange spare parts is written off to the profit or losses account.

Net profit or losses from fixed assets disposal is calculated as the difference between fixed assets balanced value and income received from the sales and defined in the income or loss calculation of the period where they had occurred from. When the revaluated fixed assets are sold, in the item "Revaluation reserve for long-term investments" accounted values that are reclassified to profit or loss as income. To calculate enterprise's income tax the depreciation of the fixed assets was estimated pursuant to rates and requirements under article 13 of LR law "On enterprises' income tax".

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

(7) Investment property

Investment property is buildings, constructions and their parts that the Company owns (as owner or renter acc. to financial leasing) to get rent or to wait prices rising (appreciation), but not to use for production of goods, providing a services, for administrative purposes or to sell in course of economic activity.

(8) Investments in associates

Affiliated undertaking deposits are accounted according to its prior value, which means the costs of acquisition. Accordingly to this method the value of the investment is created by value of affiliated purchase and the costs related to the purchase.

(9) Other long-term investments

Other long-term investments have been reflected in purchase costs.

(10) Inventories

Raw materials, materials and goods subject to sale were booked at the purchase price, including costs related to purchase, and were accounted as per FIFO methods. Sum of Illiquid assets', stored in the enterprise's warehouses, in comparison to total commodity stock was not essential.

The reserves are valued at the lowest net sales value, purchase or production first cost.

Unfinished production has been reflected as costs related to employees, purchase of raw materials and services, excluding administration costs.

(11) Long-term agreement

Due to the character to the contract on establishing an asset and performed activities the dates of starting and completing the contract performance falls within different reporting periods. Revenues and costs related to the contract are recognised as revenues and expenditure, accordingly, taking into account the percentage volume of completion of contract works as on the Balance Sheet date. (see 3rd explanation "The recognition of income and net turnover").

(12) Account receivable

Account receivable in the balance sheet have been shown at the net value, obtained deducting provisions for doubtful debts from the total amount of Account receivable. Account receivable's actual sum complies with contracts and other accounting basic documents. Provisions for doubtful debts are calculated by individual evaluation of every Debtor. Provisions for doubtful debts reflect evaluation of estimated loss on the date of balance. Hopeless debts are to be written off when its recovery is admitted as impossible.

Account receivables check has been executed on December 31st 2014.

(13) Accured income

JSC "Rigas kugu buvetava" new building and ship repair incomes are acknowledged respective to its executive degree (see 3rd explanation "The recognition of income and net turnover").

(14) Cash and cash equivalents

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

(15) Equity capital and dividends

Base shares are classified as share capital. Dividends payable to the Company shareholders are recorded as liabilities during the Company financial reporting period when the Company shareholders approve the relevant dividends.

(16) Revaluation reserve

The growth of revaluation value is decreased, when revaluated fixed asset is eliminated or disposed.

(17) Provisions

Provisions are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Provisions are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

(18) Potential liability

Contingent liability is a possible obligation arising from the past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, which the Board wholly will not be able to control, or a present obligation resulting from past events, but which is not recognised in the financial statements, because it is not probable that the obligation will require the economic benefits blowing, or the amount required to settle the obligation itinerary can not be measured reliably.

(19) Grants

For creating of fixed assets received grants are listed as deferred income, which gradually includes in revenues of received or for grants acquired fixed assets during the period of life. Other grants shall be related to the results of annual report to the period these grants receipt.

(20) Accrued liabilities for unused annual leave

Provisions are possible bonds, caused by happening of report year or in previous years and by the moment of preparing the report, probably it will be necessary, that operational goods will flow away and the amount can be quite believably determined. Provisions are estimated according to current value of costs, which will be necessary to solve the bonds after valuation.

(21) Corporate income tax

Corporate income tax was calculated according to Latvia Republic tax laws. Tax laws in 2014 and further fixed tax rate is 15%.
Deferred taxation was referable to all short-term temporal distinctions, which appear as a result of making accountancy of earnings and expenses according to tax laws. Deferred taxation is liability, which was calculated using tax rates. The main short-term distinctions appear from distinctions of fixed assets and nonmaterial wealth depreciation norms in taxes and financial bookkeeping calculation.
Deferred taxation assets item was included in financial reports only when regain of assets is real.

(22) Profit or losses per share

Profit or losses per share is determined by dividing the net profit or loss attributable to the Company shareholders with the weighted average number of shares.

(23) Related parties

As related parties are considered the associated companies and the related companies, the members of the Board and of the Council, their close family members and the companies, in which above mentioned Persons or Companies have control or significant influence.

(24) Bookkeeping arrangement

The bookkeeping accountancy has been arranged with the help of computers using the software (Microsoft Business Solutions – NAVISION 4.0).

(25) Use of estimation

In financial reports enterprise management must make estimations, assumptions which influence presented assets and liabilities at the date of annual report processing. Real results can differ from estimations.

(26) Managing financial risks

The principal financial instruments of the Company are money. The main objective of these financial instruments is to provide financing for the operations of the Company. The Company interacts with various other financial instruments, for example, trade receivables and payables and other creditors, following directly from its operations.
Financial risks, connected with the financial instruments of the Company, mainly, are interest rate risk, liquidity risk and credit risk.
In the conditions of regular activities the Company is subject to credit and foreign exchange risks.

Credit risk

The Company is subject to the credit risk with respect to the debts of its buyers, debts of affiliated and customers, issued Non-current loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company has no significant concentration of credit risk on any separate business partner or group of partners corresponding to the similar description.

Interest rate risks

The Company is subjected from credit interest rate changing risk.

Foreign currency risks

The Company is having international operations and it is a subject to foreign currencies risk, which is generally caused by US dollar (USD).

Liquidity risk

The Company follows cautious liquidity risk management and accordingly maintains sufficient amount of cash and ensures availability of financing by using loan facilities granted by banks.

The Company management monitors operative forecasts of liquidity reserves based upon expected cash flow. Most of the Company liabilities are Non-current. The management considers that the Company will have sufficient liquid funds obtained from core operations and utilisation of loan facilities with the Latvian banks.

(27) Retraining

In order to meet post classification for year 2014 the comparative readings for year 2013 in necessary cases individual post classification has changed.

Notes to the Financial Statement
Notes to Income Statement

Information on segments

Management defined the following kinds of industrial works:

- a) By operating activities;
b) By location. (belonging to the State is determined by the the ship's flag)

(1) Net sales	2014	2013
(a)	EUR	EUR
Shipbuilding	7 849 702	37 645 042
Ship repair	9 738 965	15 214 037
Mechanical engineering	299 512	800 654
Other works	8 090	71 146
Total	17 896 269	53 730 879
(b)		
Latvia	776 895	20 726 197
Russia	173 895	14 665 854
Norway	686 591	1 905 484
Cyprus	2 289 316	1 859 452
Malta	7 360	1 962 200
Sweden	786 402	2 065 583
Finland	2 393 031	5 270 161
Iceland	243 855	134 427
Denmark	4 016 580	206 120
The Netherlands	694 418	0
Singapore	879 195	0
Marshall Island	373 197	383 137
Estonia	220 410	790 535
Italy	293 500	300 000
Belgium	1 524 190	2 115 998
Monaco	5 124	0
Greece	1 067 974	0
Germany	1 464 336	1 345 731
Total	17 896 269	53 730 879
(2) Cost of sales	2014	2013
	EUR	EUR
Purchase costs of goods sold	(11 427 238)	(45 421 563)
Salary expenses	(3 904 979)	(5 485 754)
Social insurance	(888 906)	(1 280 693)
Depreciation of fixed assets	(1 251 838)	(1 824 053)
Provisions for annual leave expenses	0	(11 562)
Other costs	(358 064)	(834 465)
Total	(17 831 025)	(54 858 090)
(3) Distribution expenses	2014	2013
	EUR	EUR
Advertising expenses	(11 435)	(57 410)
Total	(11 435)	(57 410)
(4) Administrative expenses	2014	2013
	EUR	EUR
Communication costs	(19 589)	(23 991)
Office rent and utilities	(14 108)	(4 604)
Annual financial report costs	(17 000)	(14 229)
Salary expenses (administration)	(146 724)	(84 699)
Remuneration to the Board	(187 281)	(282 249)
Remuneration to the Council	(199 268)	(224 102)
Social insurance	(115 452)	(137 346)
Depreciation of fixed assets	(38 389)	(22 450)
Transportation costs, travelling allowances	(96 114)	(126 714)
Legal services	(42 459)	(29 415)
Insurance	(5 376)	(2 602)
Representation costs	(22 793)	(59 003)
Representative vehicle maintenance expenses	(96 228)	(126 550)
Total	(1 000 781)	(1 137 954)

Fees paid to auditor for the audit of 2014 financial statements 17 000 EUR.

Notes to Income Statement (continuation)

(5) Other operating income	2014	2013
	EUR	EUR
Income generated by transport services provided	12 458	19 452
Income generated by leased FA payments and utility expenses	951 633	1 136 428
Tugboat services income	96 916	219 795
Sales of raw materials and materials	345 559	244 637
Income generated by chemical analyses	430	1 437
Net income from sales of fixed assets	150 993	11 614
Previous year income	132 480	85 808
Decrease of provisions for unused annual leave	77 767	0
Remuneration to insurance expenditures	0	13 971
Net income from exchange rate fluctuations	10 513	60 853
Currency selling revenue	0	2 672
Agents' fees	0	240 000
Incomes from projects financing	60 698	0
Other income	52 140	24 541
Total	1 891 587	2 061 208

(6) Other operating expenses	2014	2013
	EUR	EUR
Material expenses	(332 051)	(206 462)
Net loss from sale of foreign currency	(123)	
Medical services	(12 234)	(12 507)
Costs on tugboat services	(76 615)	(109 025)
Donations	(3 575)	(12 302)
Material allowances, gifts	(9 941)	(9 967)
Burial expenses	(3 063)	(5 117)
Representation costs 60%	(37 079)	(99 065)
Leased FA maintenance costs	(778 131)	(622 735)
Provisions for bad and doubtful debts	(17 997)	(25 933)
Provisions for warranty repairs	(15 000)	(42 686)
Previous year expenses	(15 921)	(21 868)
Other expenses	(38 626)	(15 706)
Total	(1 340 356)	(1 183 373)

(7) Interest and similar income	2014	2013
	EUR	EUR
Interest income on deposit	0	2 402
Bank interests	0	807
Interest income on loans issued	17 695	13 071
Penalties received	0	925
Total	17 695	17 205

(8) Interest and similar expenses	2014	2013
	EUR	EUR
Penalties paid	(87 278)	(39 570)
Interest charge	(228 645)	(229 677)
Bank charges for warranty	(87 246)	(149 836)
State fee	(25 322)	0
Total	(428 491)	(419 083)

(9) Corporate income tax	2014	2013
(9a) Components of corporate income tax	EUR	EUR
Corporate income tax according to the tax return	50	0
Changes in deferred income tax	(148 161)	53 075
Total	(148 111)	53 075

(9b) Movement and components of deferred tax:	2014	2013
	EUR	EUR
Deferred tax liabilities:		
Difference between residual value of FA in financial accounting and tax purposes	(20 557 568)	(19 685 428)
Net deferred tax liability (assets):		
Provisions for leave expenses	(190 231)	(267 999)
Provisions for warranty repair	(6 530)	(44 365)
Total temporary differences	(20 360 807)	(19 373 064)
Deferred taxation liabilities/(assets), rate 15%	(3 054 121)	(2 905 960)
Deferred tax liabilities	(3 054 121)	(2 905 960)

(9c) Deferred income tax liabilities	2014	2013
	EUR	EUR
Tax at the beginning of the financial year	2 905 960	2 959 035
Deferred taxation increase/decrease	148 161	(53 075)
Total	3 054 121	2 905 960

(10) Other taxes	2014	2013
	EUR	EUR
Real estate tax	(133 231)	(133 232)
Total	(133 231)	(133 232)

Notes to the balance sheet by December 31st 2013

(11) Intangible assets (EUR)

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation						
01.01.2013.	0	0	344 716		0	344 716
Additions					2 845	2 845
Disposals					(2 845)	(2 845)
Revaluation						0
31.12.2013.	0	0	344 716	0	0	344 716
Depreciation						
01.01.2013.	0	0	152 176			152 176
Calculated			48 907			48 907
Disposals						0
31.12.2013.	0	0	201 083	0	0	201 083
Net carrying amount						
01.01.2013	0	0	192 540	0	0	192 540
31.12.2013	0	0	143 633	0	0	143 633

	Concessions, patents, licenses, trademarks and similar rights	Research and development costs	Other intangible assets (software.)	Goodwill	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation						
01.01.2014.	0	0	344 716			344 716
Additions					0	0
Disposals					0	0
Revaluation						0
31.12.2014.	0	0	344 716	0	0	344 716
Depreciation						
01.01.2014.	0	0	201 083			201 083
Calculated			48 076			48 076
Disposals						0
31.12.2014.	0	0	249 159	0	0	249 159
Net carrying amount						
01.01.2014.	0	0	143 633	0	0	143 633
31.12.2014.	0	0	95 557	0	0	95 557

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

(12) Fixed assets and investment property (EUR)

	Land and buildings	Advances for fixed assets	Leaschold improvements	Equipment and machinery	Floating docks	Other fixed assets	Fixed assets under construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation								
01.01.2013.	10 081 710	5 650	16 587	11 514 493	17 977 940	921 450	1 429 636	41 947 466
Additions	712 179	43 302	0	606 540	0	2 672 621	53 722	4 088 364
Disposals		(6 565)	(6 636)	(76 065)	0	(2 272 015)	(168)	(2 361 449)
Revaluation					335 018			335 018
31.12.2013.	10 793 889	42 387	9 951	12 044 968	18 312 958	1 322 056	1 483 190	44 009 399
Depreciation								
01.01.2013.	(3 867 597)	0	0	(7 773 936)	(1 807 291)	0	(1 155 352)	(14 604 176)
Calculated	(294 765)	0	0	(857 775)	(278 603)	0	(79 157)	(1 510 300)
Disposals				63 600	0		168	63 768
31.12.2013.	(4 162 362)	0	0	(8 568 111)	(2 085 894)	0	(1 234 341)	(16 050 708)
Net carrying amount								
01.01.2013.	6 214 113	5 650	16 587	3 740 557	16 170 649	921 450	274 284	27 343 290
Net carrying amount								
31.12.2013.	6 631 527	42 387	9 951	3 476 857	16 227 064	1 322 056	248 849	27 958 691

Real Estate (building) cadastral value at 31.12.2013 - 5 864 830 EUR

	Land and buildings	Advances for fixed assets	Leaschold improvements	Equipment and machinery	Floating docks	Other fixed assets	Fixed assets under construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost/revaluation								
01.01.2014.	10 793 889	42 387	9 951	12 044 968	18 312 958	1 322 056	1 483 190	44 009 399
Additions	1 910 802	211 127	0	1 876 777	0	2 957 182	36 276	6 992 164
Disposals		(246 400)	(6 593)	(642 866)	0	(3 950 184)	(23 694)	(4 869 737)
Revaluation				0	120 685			120 685
31.12.2014.	12 704 691	7 114	3 358	13 278 879	18 433 643	329 054	1 495 772	46 252 511
Depreciation								
01.01.2014.	(4 162 362)	0	0	(8 568 111)	(2 085 893)		(1 234 341)	(16 050 707)
Calculated	(300 547)		0	(500 364)	(265 003)		(76 237)	(1 142 151)
Disposals	0			324 632	0		20 336	344 968
31.12.2014.	(4 462 909)	0	0	(8 743 843)	(2 350 896)	0	(1 290 242)	(16 847 890)
Net carrying amount								
01.01.2014.	6 631 527	42 387	9 951	3 476 857	16 227 065	1 322 056	248 849	27 958 692
Net carrying amount								
31.12.2014.	8 241 782	7 114	3 358	4 535 036	16 082 747	329 054	205 530	29 404 621

Real Estate (building) cadastral value at 31.12.2014. - 5 723 487,- EUR

Financial result of disposed, eliminated and sold fixed assets:	2014	2013
	EUR	EUR
Initial cost	666 560	76 233
Accumulated depreciation	344 968	(63 767)
Residual value	321 592	12 466
Profit from selling the fixed assets	472 585	24 079
Profit or losses from disposal of fixed assets	150 993	11 613

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

(12a) Investment property

Investment property		Investment property	
EUR		EUR	
Cost/revaluation			
01.01.2013.	838 231	01.01.2014.	839 583
Additions	1 352	Additions	5 644
Disposals		Disposals	
Revaluation		Revaluation	
31.12.2013.	839 583	31.12.2014.	845 227
Depreciation			
01.01.2013.	(245 855)	01.01.2014.	(285 113)
Calculated	(39 258)	Calculated	(36 090)
Disposals		Disposals	
31.12.2013.	(285 113)	31.12.2014.	(321 203)
Net carrying amount			
01.01.2013.	592 376	01.01.2014.	554 470
Net carrying amount			
31.12.2013.	554 470	31.12.2014.	524 024

(13) Investments in associates (EUR)

Name	31.12. 2014.		Equity 31.12.14.		Profit / (loss) 2014.g.		31.12. 2013.		Equity 31.12.13.		Profit / (loss) 2013.g.	
	EUR	%	EUR	EUR	EUR	%	EUR	EUR	EUR	EUR		
AS "Tosmāres kuģubūvētava"	3 630 590	49,72	5 903 040	(380 388)	3 630 590	49,72	6 283 428	(97 465)				
SIA "Remars Granula"	1 200 000	49,80	254 060	37 985	1 200 000	49,80	216 076	61 440				
Investments value	4 830 590		6 157 100	(342 403)	4 830 590		6 499 504	(36 025)				

(14) Other securities and investments(EUR)

Name	Value of shares		31.12.2014.		31.12.2013.	
	2014	2013	Amount	EUR	Amount	EUR
AS "Baltic International Bank"	7	7	33	235	33	235
Total	7	7	33	235	33	235

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

(15) Other loans and non-current receivables (EUR)

Name / Type of Loan	31.12.2013.	Loans issued in 2014	Debt extinguished in 2014	Transferred from short-term debt in 2013	Difference between currency exchange rates changing	31.12.2013.	Term of payment	Percent correlation
Loans for Students	94793	1816			10595	107204	2015-2029	-
Loans for AS "Tosmares Kūģubūvētava" shares	1110818			0		1110818	2020	-
Total	1205611	1816	0	0	10595	1218022		

Amount to be paid back after 5 years: 1212702,- EUR.

(16) Raw materials and consumables

	<u>2014</u>	<u>2013</u>
	EUR	EUR
1. Metal ware	73 327	78 156
2. Timbering	29 816	2 575
2. Metal, non-ferrous metals, pipes	1 699 192	1 763 385
4. Wire cables	7 011	2 069
5. Fuel	24 556	9 101
6. Coveralls	10 835	12 467
7. Equipment	29 248	15 408
8. Cables	15 631	29 212
9. Varnish and paint	23 977	143 985
10. Household goods	3 094	1 491
11. Technical rubber ware	8 848	14 091
12. Other	666 026	872 027
Total	<u>2 591 561</u>	<u>2 943 967</u>

(17) Work in progress

	<u>2014</u>	<u>2013</u>
	EUR	EUR
1. Shipbuilding orders	389 534	285 199
Total	<u>389 534</u>	<u>285 199</u>

These columns reflect the orders with up to 10% (zero cycle) executive degree from contractual value.

(18) Orders in progress

	<u>2014</u>	<u>2013</u>
	EUR	EUR
1. Ship repair orders	28 856	24 214
2. Mechanical engineering orders	54	67 271
3. Various	2 727	5 024
Total	<u>31 637</u>	<u>96 509</u>

(19) Advances for inventories

	<u>2014</u>	<u>2013</u>
	EUR	EUR
1. For goods	582 149	405 223
Total	<u>582 149</u>	<u>405 223</u>

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

(20) Trade receivables

	2014	2013
	EUR	EUR
Book value of trade receivables	2 211 131	4 169 362
Provisions for bad and doubtful debts	(411 155)	(393 158)
Net worth of trade receivables	1 799 976	3 776 204

Changes in provisions (EUR)

	Trade	receivables	Other receivables	Total
Provisions 31.12.2013.	393 158	10 652	403 810	
Decrease in provisions	0	0	0	
Increase in provisions	17 997	0	17 997	
Provisions 31.12.2014.	411 155	10 652	421 807	

(21) Receivables from associates

	2014	2013
	EUR	EUR
SIA "Tosmares kuģu būvētava" debt for service and materials	5 903	8 567
SIA "Tosmares kuģu būvētava" advance for services	0	70 000
SIA "Remars Granula" debt for credit*	491 925	485 874
SIA "Remars Granula" debt for credit according to assignment agreement **	770 000	770 000
Total	1 267 828	1 334 441

* According to the agreement the "Borrower" pays percentage at the end of the loan return.

** The debt is secured by a commercial pledge.

(22) Other receivables

	2014	2013
	EUR	EUR
Book value	375 966	546 206
Provisions established	(10 652)	(10 652)
Net carrying amount	365 314	535 554
Input VAT accepted	604	603
Value added tax overpaid	167 264	184 674
Corporate income tax	56 157	134 627
Payments personal debts	32 004	12 822
Payment of salary	16 204	276
Advance payments for services	89 810	68 909
Other receivables	3 271	133 643
Total	365 314	535 554

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

(23) Expenses of future periods	2014 EUR	2013 EUR
Prepayments of company's property insurance payments	9 506	14 774
Subscription to the press	86	194
Health insurance	9 111	12 783
Renovation costs of leased fixed assets	6 592	6 592
Advertising expenses	9 585	0
Other expenses	3 235	1 478
Total	38 115	35 821

(24) Accrued income	2014 EUR	2013 EUR
Shipbuilding	3 555 850	16 367 775
Ship repair	519 707	189 720
Total	4 075 557	16 557 495

This item reflects the costs related to the contract and recognized profit.

(25) Cash and bank	2014 EUR	2013 EUR
Cash on hand	7 080	1 447
Cash at bank on current accounts	58 047	581 123
Total	65 127	582 570

(26) Share capital

JSC "Rigas kugu buvetava" was founded in 1995 with the equity capital of Ls 10 000 000, which was comprised of 10 000 000 shares, face value of one share made up Ls 1.

The joint stock company is public and its shares are quoted on exchange market AS NASDAQ OMX SECOND LIST. All the shares give equal rights for dividends receive, liquidation quotes and vote rights at the shareholders meeting. 1 share gives 1 vote right. The enterprise does not have shares that it held or anybody else on its behalf.

Amendments to the Statutes:

1. Growth of the equity capital up to EUR 15 651 590 on 30 December 1998.
2. Growth of the equity capital up to EUR 16 607 912 on 30 December 1999.

JSC "Rigas kugu buvetava" shareholders on the 31.12.2014:

	31.12.2014 EUR	%	31.12.2013 EUR	%
JSC "Remars-Riga"	8279967	49,86	8279967	49,86
Other limited companies	3245289	19,54	2559066	15,41
Individuals	5082656	30,60	5768879	34,73
Total	16 607 912	100	16 607 912	100

(27) Non-current investments revaluation reserve

	EUR
Uz 31.12.2013.	12 056 273
Increase according to the revaluation	0
Decrease according to the revaluation	0
Decrease according to the value of elimination	0
Uz 31.12.2014.	12 056 273

The revaluation of the current floating docks was made with the certified external expert involved. An increase in the value was a result of the revaluation. During the reporting year in the assessment of the company's real estate there was no potential significant market value changes in the current real estate residual value, thus during the reporting year the revaluation of the floating dock was not performed.

(28) Provisions	2014 EUR	2013 EUR
Provisions for warranty repair	6 530	44 366
Total	6 530	44 366

In accordance with the signed agreements, the Company provides free of charge after-sales warranty repair services to customers in accordance with the general provisions of the agreement within the six months of high-quality repair work performed and the quality of materials within the 12 months. Management made provisions on the basis of previous year experience of this type of repair.

(29) Loans from the credit institutions (long-term)	2014 EUR	2013 EUR
A/S ABLV Bank	0	100 000
	0	100 000

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

(30) Next period income	2014 EUR	2013 EUR
1) Financing in accordance with an agreement signed in 2013 with the government agency "LIAA" about the EU co-financed project JSC "Rigas kugu buvetava" "heating system reconstruction"	324 806	207 187
2) Financing in accordance with the signed agreement in 2013 with the Ministry of Environmental Protection and Regional Development for the project implementation "Measure of the Energy efficiency in the production buildings"	457 801	72 091
Total	782 607	279 278
<i>Total short-term part</i>	<i>72 120</i>	<i>0</i>
<i>Total long-term part</i>	<i>710 487</i>	<i>279 278</i>

(33) Loans from banks (Current)	2014 EUR	2013 EUR
JSC "ABLV Bank"	1 900 000	1 759 401
JSC "Nordea Bank Finland Plc"	0	4 363 814
Total	1 900 000	6 123 215

1. On the October, 2013 the enterprise had concluded with JSC "ABLV Bank" the Creditline contract No. 13-FP-0207 for operating assets needs. The credit payment period is the 18th of October, 2015. The Percentage rate is 4,5% + 6 months EURIBOR. As providing mortgage on real estate properties was concluded. Balance of the mortgaged real estate cost is EUR 5 476 112.

2. On the 4th of September, 2014 the enterprise had concluded the Overdraft and guarantee line agreement No. 2003/4 /OD/GA and Overdraft agreement No. 2012-187-OD with JSC "Nordea Bank Finland Plc. On December 31st 2014 the total Guarantee line limit was EUR 2 172 000.00, and as coverage were pawned floating dock K-4, 2 floating cranes, 14 portal cranes and debtor debts had been pawned as a guarantee to the received loan. The balance value of stuff pawned is EUR 6 196 831.

3. On the 8th of December, 2014 there was signed the Bank Guarantee limit assignment Agreement with JSC "Baltic International Bank" No. 05/10/14. On 31st of December 2014 Guarantee limit was EUR 3 500 000.00, accessible Guarantee limit was EUR 562 500.00. And as coverage was signed the 1st stage mortgage for floating dock No 170. The net assets value of the mortgaged property is EUR 10 215 853.00.

(32) Leasing liabilities	2014 EUR	2013 EUR
I. Current part of leasing liabilities		
<i>Total current part of leasing liabilities</i>	<i>38 736</i>	<i>68 725</i>
II. Non-current part of leasing liabilities		
<i>Total non-current part of leasing liabilities</i>	<i>71 310</i>	<i>53 178</i>
Total leasing liabilities	110 046	121 903

(34) Other loans	2014 EUR	2013 EUR
I. Long-term part		
With percentage rate 6%	872 100	0
II. Short-term part		
With percentage rate 4,5%	1 200 776	0
Total	2 072 876	0

(35) Advances from customers	2014 EUR	2013 EUR
For shipbuilding	2 555 754	13 222 323
For ship repair	528 557	20 250
Others	382	11 399
Total	3 084 693	13 253 972

(36) Trade payables	2014 EUR	2013 EUR
Debts for services	2 736 859	3 886 839
Debts for materials	1 065 949	1 246 252
Total	3 802 808	5 133 091

(37) Payables to associates	2014 EUR	2013 EUR
LLC "Remars Granula"	0	11 645
JSC "Tosmares kugubuvetava"	70 214	0
Total	70 214	11 645

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

(38) Taxes and social insurance payments in 2014 (EUR)

	01.01.2014. EUR	Calculated EUR	Calculated penalty and delay fees EUR	(Paid/ repaid EUR	Transferred to other taxes EUR	31.12.2014. EUR
Social insurance payments	151 364	1 450 930	1 276	(98 214)	1 388 434	116 922
Value added tax	(184 674)	(1 776 336)	36	133 273	(1 660 437)	(167 264)
Personal income tax	171 841	843 224	23 127	(367 748)	361 233	309 211
Corporate income tax	(134 627)	50	62	(11 202)	(89 560)	(56 157)
Real estate tax	432	133 231	4 893	(89 322)		49 234
Natural resources tax	475	4 861		(4 040)	612	684
Risk duty	218	2 242		(2 295)		165
Customs duty on import	0	1 354		(1 636)	(282)	0
Total	5 029	659 556	29 394	(441 184)	0	252 795
Tax debt	324 330					476 216
Tax overpayment	(319 301)					(223 421)

(39) Other liabilities

	2014 EUR	2013 EUR
Salaries	244 113	265 477
Retention from salaries	164	1 069
Payments to personnel	30 423	47 898
Payments for credit cards	6 831	18 777
Payments for debts to other enterprises	74 417	24 581
Total	355 948	357 802

(40) Dividends unpaid

	2014 EUR	2013 EUR
31.12.2013.	37 954	33 190
Dividends calculated in 2014	0	166 079
Dividends paid in 2014	(180)	(161 315)
Disposals in 2014	(5 234)	0
31.12.2014.	32 540	37 954

(41) Accrued liabilities

	2014 EUR	2013 EUR
For services	485 082	340 786
Accrued liabilities for unused annual leave expenses	190 231	267 998
Total	675 313	608 784

(42) Transactions with related parties

Information on pledges issued as collateral for liabilities to related parties:

Related company or related parties	Type of relation	Goods sold or Services provided	Goods acquired or Services received	Other transactions
		EUR	EUR	EUR
JSC "Remars-Riga"	Significant ascendancy	490792	1326183	
JSC "Tosmares kugubuvetava"	Assoc.Comp.	127447	14504	70214
LLC "Remars Granula"	Assoc.Comp.	0	0	17695
Total		618239	1340687	87909

(43) Off-balance liabilities

1. The enterprise has concluded agreements for land and pier lease with Riga Free Port authority. The agreement is valid through On August 31st year 2028. The Enterprise has the priority to extend the agreement term.

2. On the 28th of December , 2010 there was issued ship covered bond No.EH 28.12.2010/KO about foalingt dock deposit in the favour of JSC "UniCreditBank" and it be valid until the secured obligations are fully met. Ship bond is issued as a guarantee of LLC "Eiroholdings" obligations, which was the resulting from credit line agreement Nr. EH 01.07.2008/CL from 1 July 2008, obligations in 31 December 2014 was 1 529 994 EUR. Size of guarantee claim are 4 183 243 EUR . Mortgaged was floating dock 791, with the balance sheet value on 31 December 2014 - 4 972 871 EUR. When was prepared financial statement there was no probability that the obligation will be required to settle the outflow of economic benefits from the Company.

3. In 15 June, 2011between JSC „Rigas kugu buvetava” and JSC „DNB Nord Banka” was signed mortgage agreement Nr. 17/11K23-2 for the first mortgage on JSC „Rigas kugu buvetava”real estate - caldron house as security for JSC "Remars- Riga" obligations which are resulting from 15 June 2011 credit agreement Nr.17/11K23. Obligations on 31 December 2014 was 999 021 EUR. Guarantee claim was 3 874 130 EUR. The mortgage property balance sheet value on 31 December 2014 was 441 650 EUR. When was prepared financial statement there was no probability that the obligation will be required to settle the outflow of economic benefits from the Company.

Average number of people employed	2014	2013
	EUR	EUR
Average number of people employed during the financial year	477	601
Total remuneration to personne	5 442 610	6 499 856
- salary	4 438 252	5 270 140
- social insurance payments	1 004 358	1 229 716
- including:		
Personnel salary (production department)		
- salary	3 904 979	4 679 090
- social insurance payments	888 906	1 092 370
- Total	4 793 885	5 771 460
Administration		
- salary	146 724	84 699
- social insurance payments	33 433	20 206
- Total	180 157	104 905
Remuneration to the Board		
- remuneration	187 281	282 249
- social insurance payments	43 898	66 356
- Total	231 179	348 605
Remuneration to the Council		
- remuneration	199 268	224 102
- social insurance payments	38 121	50 784
- Total	237 389	274 886

The Annual report for the year 2014 on pages from 1 to 23 confirm:

Chairman of the Board	_____	/J. SKVARNOVICS/
Member of the Board	_____	/V.BLUMS/
Member of the Board	_____	/J.IVANOVA/
Member of the Board	_____	/E.BUKS/

FEBRUARY 27 th, 2015