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***AS “Rīgas kuģu būvētava”  
Annual report for 2020  
(audited)***

*Rīga, 2022*

*Table of Contents*

	Page
Information about the Company	3
Management Report	4
Statement of Management's Responsibility	9
Corporate Governance Report	10
Profit and Loss Statement	11
Balance Sheet	12
Statement of Changes in Equity	14
Cash Flow Statement	15
Notes	16
Auditor's Report	39

## Information about the Company

Name of the company	Rīgas kuģu būvētava
Legal status of the company	Joint Stock Company
Registration number, place and date	40003045892, Riga, 5 December 1991
Registered in the Commercial Register	26 August 2004, Riga
Address	Gāles iela 2, Riga, LV-1015
Main types of activity of the company	Building of ships and floating structures, NACE2 30.11
<b>Board</b>	
Member of the Board	Einārs Buks, in office from 18.08.2017, representation rights collectively with a Member of the Board
Member of the Board	Dennis Parfens, in office from 07.01.2021, representation rights collectively with one member of the board
Member of the Board	Jekaterina Meļņika, in office from 13.04.2016 to 08.05.2020, representation rights collectively with a Member of the Board
Member of the Board	Ainārs Tropiņš, in office from 18.08.2017 to 18.05.2020, representation rights collectively with a Member of the Board
<b>Council</b>	
Chairman of the Council	Vasilijs Meļņiks, in office from 26.05.2014
Deputy Chairman of the Council	Aleksandrs Čerņavskis, in office from 26.05.2014
Member of the Council	Gaidis Andrejs Zeibots, in office from 05.06.2009 to 07.01.2021
Member of the Council	Larisa Artemenko, in office from 07.01.2021
Member of the Council	Gahramans Guseinovs, in office from 07.01.2021
Member of the Council	Sandis Strods, in office from 07.01.2021
Annual report prepared by	Chief accountant Elīna Treija
Reporting year	1 January – 31 December 2020
Auditor's name and address	SIA (limited liability company) "Sandra Dzerele un Partneris" commercial company of sworn auditors, Licence No. 38. Registered office: Vilandes Street 7-1, Riga, LV-1010
	Responsible sworn auditor Baiba Apine Certificate No.214.

***AS "Rīgas kuģu būvētava"***  
***Management Report***  
***to the Annual Activity Report for 2020***

**About the company**

AS "Rīgas kuģu būvētava", hereinafter referred to as the Company, was established more than 100 years ago and is one of the shipyards in the Baltic Sea region that performs ship repairs, shipbuilding and provides other services. The company operates and performs production procedures in accordance with the international quality control standards – ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

**Financial performance  
results and financial  
standing**

AS "Rīgas kuģu būvētava" closed 2020 with a negative operating result or losses of EUR 9,886,447, which have increased by approximately 1,200% compared to 2019. Factors affecting the loss for the reporting year are (a) revaluation of fixed assets, where the value of fixed assets was reduced by approximately 50% or EUR 6,896,304; (b) revaluation of inventories, which resulted in the write-off of approximately 80% of the value of inventories or EUR 676,805; and (c) the assessment of the recoverability of receivables by writing off bad debts and establishing provisions for doubtful receivables.

Net turnover from operations in 2020 was EUR 633,502, which more than doubled compared to 2019. The increase is due to the fact that in 2020 AS "Rīgas kuģu būvētava" agreed with several shipping companies on the performance of repairs, which were also successfully implemented. In the field of ship repairs, the main customers were Estonian, Lithuanian, Belgian and Latvian shipping companies.

Total assets of AS "Rīgas kuģu būvētava" at the end of 2020 reduced by EUR 10 million or approximately 47% compared to the beginning of the year due to the revaluation of fixed assets, which was carried out in accordance with an asset valuation provided by independent experts. In 2020, the Company's total liabilities decreased insignificantly, reaching EUR 7,357,060 at the end of the year, as well as equity decreased by approximately 86% and as at 31 December 2020 amounted to EUR 1,531,019.

On 16 August 2019, the Riga City Vidzeme Suburb Court satisfied the application for the Company's Legal Protection Proceedings (hereinafter referred to as LPP) and approved the Company's LPP plan of measures (as amended on 12 June 2019), setting the Company's LPP implementation period at two years from 16 August 2019. The LPP plan of measures prepared by the Company and approved in court makes it possible to maintain the current business profile – ship repairs, while also developing other types of business in order to make the most of the Company's infrastructure.

In accordance with the approved LPP plan of measures, in 2019 the Company paid the salary debt of its former and current employees, as well as fully repaid the tax debt to the state budget. Also, starting from the second month of LPP, the Company gradually began to repay its financial liabilities, which were due to be repaid or settled before the start of LPP. According to the approved LPP plan of measures, the fulfilment of the financial obligation to the secured creditors was determined within six months, and to the unsecured creditors – within twenty-four months from the approval of the LPP plan of measures.

Considering the fact that in Latvia and elsewhere in the world the prohibitions and restrictions set in connection with the restriction of the spread of Covid-19 were introduced in 2020, the Company was unable to resume its economic activity to the extent provided for in the LPP plan of measures, therefore the Company developed amendments to the LPP plan of measures. On 15 May 2020, the Riga City Vidzeme Suburb Court decided to approve the amendments to the plan of measures of the Company's legal protection proceedings (as amended on

06 April 2020) and to set the term for the implementation of the Company's legal protection proceedings at 4 (four) years, starting from 16 August 2019. On the other hand, taking into account that at the end of 2020, both in Latvia and elsewhere in the world, the bans and restrictions imposed in connection with the restriction of the spread of Covid-19, which significantly affected the Company's ability to fulfil the LPP plan of measures and its amendments, the Company repeatedly developed amendments to the LPP plan of measures. On 25 January 2021, the Riga City Vidzeme Suburb Court decided to approve new amendments to the plan of measures of the legal protection proceedings of the Company (as amended on 23 December 2020) and to set the term for implementation of the legal protection proceedings for the Company at 5 (five) years, counting from 16 August 2019.

<b>Company's balance sheet items</b>	<b>2020 EUR</b>	<b>2019 EUR</b>	<b>2019 EUR</b>
Current assets	1,197,846	3,578,830	3,699,563
Total assets	8,946,860	18,904,572	18,933,741
Equity	1,531,019	11,243,925	11,666,590
Short-term liabilities	1,684,121	5,482,965	6,879,531
Total liabilities	7,357,060	7,660,647	7,267,151

#### **Profit and loss statement items of the company**

			<b>2019 EUR</b>
Net sales	633,502	277,376	277,376
Gross profit or loss	(1,641,955)	(1,647,116)	(1,400,462)
Profit or loss for the reporting period	(9,886,447)	(823,990)	(681,070)

#### **Financial indicators of the Company**

**2019**

**Profitability analysis** – profitability ratios analyse the effectiveness of the Company's management decisions for the performance of financial tasks, where the optimal profitability ratio must be positive, and the higher the ratio, the better the profitability:

	<b>2020</b>	<b>2019</b>
Gross profit margin (gross profit/net turnover)	(259)%	(594)%

The gross profit margin ratio shows the ratio of sales to direct costs. Companies use this indicator to calculate the extent to which changes in net sales affect gross profit.

	<b>2020</b>	<b>2019</b>
Commercial profitability indicator (profit/net turnover for the reporting period)	(1561)%	(297)%

The Company uses this indicator to determine its ability to generate profits.

	<b>2020</b>	<b>2019</b>
Return on equity (profit/equity for the reporting period)	(646)%	(7)%

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

	<b>2020</b>	<b>2019</b>
Return on assets (profit for the reporting period/total assets)	(111)%	(4)%

The Company uses this indicator to calculate the return on total assets used for the Company's operations.

Taking into account that the Company had gross and net losses in the reporting year and the previous year, the profitability indicators are negative.

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**Capital structure analysis** – capital structure ratios look at the Company's capital structure and show how much additional liabilities the Company is able to incur.

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Financial equilibrium ratio (total assets/equity)

5.84                      1.68

The Company uses this indicator to determine the proportion of cash invested by the Company's owners in the Company's assets. The higher the share of equity, the more stable the Company's financial structure.

Debt/equity ratio (total liabilities/equity)

4.81                      0.68

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

Share of liabilities in the balance sheet (total liabilities/total assets)

0.82                      0.41

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

The Company's capital structure ratios indicate the extent to which the Company is dependent on borrowed capital. A high ratio means that the Company makes a lot of use of borrowed capital, which creates additional costs for the Company in the form of interest payments. Analysing the indicators for two years, it can be seen that the revaluation of assets during the reporting period has weakened the stability of the Company's financial structure, as the ratio of equity to total liabilities and assets has decreased significantly, however, the indicators are not critical.

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**Liquidity analysis** – liquidity ratios look at the Company's short-term financial performance and liquidity and provide an indication of whether the Company is able to repay its short-term liabilities in a timely and complete manner.

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Current liquidity ratio (current assets/short-term liabilities)

0.71                      0.65

The Company uses this indicator to calculate the extent to which the Company's current assets are able to cover short-term liabilities.

When analysing the indicators for two years, the Company's liquidity has slightly improved during the reporting period, however, the amount of turnover is still insufficient to freely cover short-term liabilities. In the coming periods, the Company's operations are expected to expand, which will improve the Company's ability to cover its short-term liabilities with current assets.

## **Significant risks and uncertain conditions**

Market risk and liquidity risk are the most significant financial risks of the Company. The management of the Company tries to minimise the potential negative impact of financial risks on the Company's financial condition. The company is prudent in liquidity risk management ensuring that it has proper credit resources available for settling its liabilities within the set deadlines. The owners' strategy provides that the Company must ensure a positive cash flow from operations.

**Further development of the Company and events after the end of the reporting year**

The amount of the Company's equity as of 31 December 2020 is positive in the amount of EUR 1,531,019. The Company's operating result for 2020 was a net loss of EUR 9,886,447 and as at 31 December 2020, short-term liabilities exceed current assets by EUR 486,275. The most significant short-term liability items are liabilities for taxes and state social insurance contributions, as well as advances received, amounting to total liabilities of EUR 1,016,481.

In 2021 and until the approval of the annual report, the restrictions related to the spread of coronavirus are still in force in the Republic of Latvia and many other countries, which significantly slows down the economic development in the country and in the world, therefore, the economic development is still uncertain and this had a significant and unfavourable impact on the Company's economic activity.

Many precautionary and safety measures were taken to limit the spread of Covid-19, and similar precautionary and safety measures were imposed in other countries, as a result of which the Company received from ship owners refusals to carry out previously announced ship repairs. It was also difficult to supply the materials and spare parts needed for the repairs, as well as to attract foreign specialists, as a result of which the Company did not earn the previously planned income.

The above situation has had a very direct impact not only on the Company's future operations, but also on the implementation of LPP. On 16 August 2019, Riga City Vidzeme Suburb Court approved the plan of measures for the Company's legal protection proceedings and announced the Company's legal protection proceedings, setting the term for the implementation of this process at two years. Since the approval of the plan of measures of legal protection proceedings until the preparation of the annual report, there have been several amendments to the plan of measures of legal protection proceedings, the last of which was approved on 17 September 2021, reducing the total amount of creditors' liabilities by ten percent and setting a period of five years for the implementation of these proceedings counting from 16 August 2019.

The Company confirms that the amendments to the LPP plan of measures prepared by it and approved by the court will make it possible for it to maintain its current business profile and indicates that the financial obligations towards both secured creditors and unsecured creditors will be fulfilled within sixty months from the approval of the LPP plan of measures, i.e. by 2024.

In 2021 and until the preparation of the annual report, the Company has been able to fulfil its obligations in accordance with the LPP plan of measures. The future operation of the Company depends on the Company's ability to implement the legal protection plan, as well as to settle the liabilities to its creditors within the set term, observing all conditions of the plan. The Company forecasts that in the near future, as the restrictions imposed due to Covid-19 in Latvia and in the world reduce, it will be able to improve its economic performance and financial results within approximately 12 months. The Company continues to take measures in the field of process efficiency and cost optimisation, at the same time looking for solutions to expand the Company's operations, as a result of which the Company's forecasts and operating financial results are planned with a profit.

Although the Company has clear prospects for resuming operations, it is already known that it will take time to optimise staffing, restore the flow of current assets, diversify production and raise investment.

This conclusion is based on the information available at the moment of signing this financial statement and the impact of further events on future operations of the Company may differ from the management's evaluation.

On the initiative of the private shareholder, on 26 October 2021, the Financial and Capital Market Commission (Decision No. 139) authorised to make a

mandatory share repurchase offer. Within the framework of the mandatory share repurchase offer, one private person repurchased 42,036 shares of the Company or 0.3601% of the total number of voting shares of the Company, as a result of which one private shareholder acquired 50.2157% both as indirect (as the shareholder of AS "Remars-Rīga") and direct ownership of the total number of voting shares of the Company. The Board of the Company considers that the share repurchase offer complied with the provisions of the Financial Instrument Market Law. Considering that the issuer of the share repurchase offer intends to continue the current activity of the Company and no change in the type of its activity is planned, the Board of the Company evaluates the share repurchase offer positively and accordingly it will continue the economic activity in the current field.

It is also planned to continue the employment relationship with the existing employees of the Company in accordance with the employment contracts concluded with them, as well as no change of the Company's location is planned.

**Research and development activities**

The Company has not performed any activities in the field of research and development in the reporting year.

**Aggregate of the Company's shares**

In the reporting year the Company has neither redeemed, nor sold its shares.

**The Company's branches and representation abroad**

The Company does not have representation offices or branches abroad.

**Recommendation for profit distribution**

The Board of the Company recommends to cover the losses of the reporting year from the retained earnings of next years.

Member of the Board

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Einārs Buks

Member of the Board

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Deniss Parfens

14 March 2022

### ***Statement of Management's Responsibility***

The Company's management is responsible for the preparation of financial statements based on the initial accounting for each reporting period which truly reflects the company's financial standing at the end of the reporting year as well as on performance results and cash flows for this period.

The management confirms that appropriate accounting methods were used to prepare these financial statements for the period ended 31 December 2020, their application was consistent, reasonable and cautious decisions have been made. The management confirms that the respective regulatory accounting principles of the Republic of Latvia have been adhered to and the financial statements have been drawn up in accordance with the going-concern assumption.

The management is responsible for appropriate keeping of accounting records, preservation of the company's assets, as well as prevention of fraud and other dishonest practices.

The management confirms that it has provided the information and explanations required to perform the audit.

Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

14 March 2022

## Statement on corporate governance

The corporate governance report of AS "Rīgas kuģu būvētava" for 2020, hereinafter referred to as the Report, prepared on the basis of the "Principles of Corporate Governance and Recommendations for Their Implementation" of NASDAQ RIGA AS, hereinafter referred to as the Stock Exchange, as amended on 01 June 2010. The report has been prepared by the Board of the Company and reviewed by the Council of the Company.

The principles of corporate governance are maximally suitable for the Company's operations and in 2020 the Company complied with most of them. In accordance with the "comply or explain" principle, the report also provides information on those principles which the company does not comply with or partially complies with and on the circumstances justifying their non-compliance.

This report was submitted to the Stock Exchange simultaneously with the publication of the Company's audited annual report for 2020 on the Stock Exchange's website, as well as published on the Company's website [www.riga-shipyard.com](http://www.riga-shipyard.com).

Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

14 March 2022

**Profit and loss statement for 2020 and 2019.**

	Notes	2020 EUR	2019 EUR
Net turnover	30	633 502	277 376
<i>from other core business</i>		633 502	277 376
Costs of goods sold, costs of purchasing of sold goods or provided services	31	(2 275 457)	(1 924 492)
<b>Gross profit or loss</b>		<b>(1 641 955)</b>	<b>(1 647 116)</b>
Selling expenses	32	-	(435)
Administrative expenses	33	(557 261)	(707 383)
Other operating income	34	1 453 200	7 516 017
Other operating expenses	35	(9 147 629)	(5 943 187)
Other interest income and similar income	36	9 952	827
<i>from other persons</i>		9 952	827
Interest payments and similar expenses	37	-	(39 017)
<i>to other persons</i>		-	(39 017)
<b>Profit or loss before corporate income tax</b>		<b>(9 883 693)</b>	<b>(820 294)</b>
Corporate income tax for the reporting year		(2 754)	(3 696)
<b>Profit or loss for the reporting year</b>		<b>(9 886 447)</b>	<b>(823 990)</b>

*Notes on pages 16 to 38 are an integral part of these financial statements.*

Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

Annual report prepared by  
 Chief accountant \_\_\_\_\_ Elīna Treija

14 March 2022

**Balance Sheets as at 31 December 2020 and 2019**

<b><u>ASSETS</u></b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
		<b>EUR</b>	<b>EUR</b>
<b>Long-term investments</b>			
<b><i>II Fixed assets</i></b>			
Immovable properties		3 800 000	8 023 050
land, buildings and engineering structures		3 800 000	8 023 050
Other fixed assets and inventory		3 607 000	7 173 674
<b><i>Total fixed assets</i></b>	38	<b>7 407 000</b>	<b>15 196 724</b>
<b><i>III Long-term financial investments</i></b>			
Other securities and investments	43	235	235
Other loans and other long-term receivables	46	341 779	128 783
<b><i>Total financial investments</i></b>	40 - 43; 46	<b>342 014</b>	<b>129 018</b>
<b><i>Total long-term investments</i></b>		<b>7 749 014</b>	<b>15 325 742</b>
<b>Current assets</b>			
<b><i>I Inventories</i></b>			
Raw materials and consumables	44	199 078	1 023 673
Advance payments for inventories		4 189	8 730
<b><i>Total inventories</i></b>		<b>203 267</b>	<b>1 032 403</b>
<b><i>II Receivables</i></b>			
Trade receivables	45	419 597	509 036
Other receivables	46	515 746	1 321 921
Deferred expenses	47	174	7 268
Accrued income		23 610	-
<b><i>Total receivables</i></b>		<b>959 127</b>	<b>1 838 225</b>
<b><i>IV Cash</i></b>	48	<b>35 452</b>	<b>708 202</b>
<b><i>Total current assets</i></b>		<b>1 197 846</b>	<b>3 578 830</b>
<b>Total assets</b>		<b>8 946 860</b>	<b>18 904 572</b>

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Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

Annual report prepared by  
 Chief accountant \_\_\_\_\_ Elīna Treija

14 March 2022

**Balance Sheets as at 31 December 2020 and 2019**

**EQUITY AND LIABILITIES**

	Notes	31.12.2020 EUR	31.12.2019 EUR
<b>Equity</b>			
Stock or share capital (fixed capital)	49	16 340 950	16 340 950
Long-term investments revaluation reserve	39	243 228	69 687
<b><u>Reserves:</u></b>			
other reserves		266 962	266 962
<b><u>Retained earnings</u></b>			
Previous years' retained earnings or outstanding losses		(5 433 674)	(4 609 684)
Retained earnings or losses of the reporting year		(9 886 447)	(823 990)
<i>Total retained earnings</i>		<u>(15 320 121)</u>	<u>(5 433 674)</u>
<b>Total equity</b>		<b><u>1 531 019</u></b>	<b><u>11 243 925</u></b>
<b>Provisions</b>			
Other provisions	18	58 781	-
<b>Total provisions</b>		<b><u>58 781</u></b>	<b><u>-</u></b>
<b>Liabilities</b>			
<b><i>I Long-term liabilities</i></b>			
Other borrowings	51	2 815 579	903 982
Trade payables	52	2 272 258	718 093
Payables to affiliates		-	73 765
Deferred income	56	585 102	481 842
<b>Total long-term liabilities</b>		<b><u>5 672 939</u></b>	<b><u>2 177 682</u></b>
<b><i>II Short-term liabilities</i></b>			
Borrowings from credit institutions	50	105 037	550 702
Other borrowings	51	57 494	1 890 700
Advance payments from purchasers		410 491	11 938
Trade payables	52	211 129	1 911 224
Payables to affiliates	53	-	133 517
Taxes and social insurance payments	54	605 990	665 934
Other liabilities	55	156 997	104 615
Deferred income	56	16 351	37 320
Unpaid dividends	57	11 746	11 746
Accrued liabilities	58	108 886	165 269
<b>Total short-term liabilities</b>		<b><u>1 684 121</u></b>	<b><u>5 482 965</u></b>
<b>Total liabilities</b>		<b><u>7 357 060</u></b>	<b><u>7 660 647</u></b>
<b>Grand total equity and liabilities</b>		<b><u>8 946 860</u></b>	<b><u>18 904 572</u></b>

Notes on pages 16 to 38 are an integral part of these financial statements.

Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

Annual report prepared by  
 Chief accountant \_\_\_\_\_ Elīna Treija  
 14 March 2022

*Statements of Changes in Equity for the Years Ended 31 December 2020 and 2019*

Types of changes	Equity	Long-term investments revaluation reserve	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
<b>Balance as at 31.12.2018</b>	<b>16 340 950</b>	<b>6 720 723</b>	<b>266 962</b>	<b>(4 609 684)</b>	<b>18 718 951</b>
Losses for the reporting period	-	-	-	(823 990)	<b>(823 990)</b>
Decrease for the reporting year	-	(6 651 036)	-	-	<b>(6 651 036)</b>
<b>Balance as at 31.12.2019</b>	<b>16 340 950</b>	<b>69 687</b>	<b>266 962</b>	<b>(5 433 674)</b>	<b>11 243 925</b>
Losses for the reporting period	-	-	-	(9 886 447)	<b>(9 886 447)</b>
Increase for the reporting year	-	173 541	-	-	<b>173 541</b>
<b>Balance as at 31.12.2020</b>	<b>16 340 950</b>	<b>243 228</b>	<b>266 962</b>	<b>(15 320 121)</b>	<b>1 531 019</b>

*Notes on pages 16 to 38 are an integral part of these financial statements.*

Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

Annual report prepared by  
 Chief accountant \_\_\_\_\_ Elīna Treija

14 March 2022

**Cash Flow Statements for 2020 and 2019**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
<b>Cash flow from operating activities</b>		
Income from selling of goods and rendering of services	1 842 354	232 098
Payments to suppliers, staff, other operating expenses	(2 170 548)	(1 639 130)
Other operating income or expenses of the company	132 553	-
<b>Gross cash flow from operating activities</b>	<b>(195 641)</b>	<b>(1 407 032)</b>
Corporate income tax expenses	(2 754)	-
<b>Net cash flow from operating activities</b>	<b>(198 395)</b>	<b>(1 407 032)</b>
<b>Cash flow from investing activities</b>		
acquisition of fixed assets	(39 060)	(2 113)
Income from sale of fixed assets and intangible investments	437 846	4 311 917
Loans issued	(366 992)	(411 478)
Income from repayment of loans	22 510	-
<b>Net cash flow from investment activities</b>	<b>54 304</b>	<b>3 898 326</b>
<b>Cash flow from financing activities</b>		
Borrowing repayment expenses	(528 659)	(1 793 543)
<b>Net cash flow from financing activities</b>	<b>(528 659)</b>	<b>(1 793 543)</b>
<b>Net cash flow of the reporting year</b>	<b>(672 750)</b>	<b>697 751</b>
<b>Balance of cash and its equivalents at the beginning of the</b>	<b>708 202</b>	<b>10 451</b>
<b>Balance of cash and its equivalents at the end of the reporting</b>	<b>35 452</b>	<b>708 202</b>

*Notes on pages 16 to 38 are an integral part of these financial statements.*

Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

Annual report prepared by  
 Chief accountant \_\_\_\_\_ Elīna Treija

14 March 2022

## Notes to the financial statement

### 1) Information Provided by the Company

<b>Average number of employees</b>	<b>2020</b>	<b>2019</b>
Number of employees in the reporting year including	<b>51</b>	<b>66</b>
Members of the Management Board	2	3
Members of the Supervisory Board	5	3
Other employees	44	60
<b>Personnel costs</b>	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration for work	660 603	835 133
State social insurance expenses	155 238	201 789
	<b>815 841</b>	<b>1 036 922</b>
<b>Remuneration for carrying out their functions</b>	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
<b>To Members of the Board</b>	<b>93 089</b>	<b>160 963</b>
incl. Remuneration for work	75 017	129 715
State social insurance expenses	18 072	31 248
<b>For members of the council</b>	<b>68 689</b>	<b>209 755</b>
incl. Remuneration for work	55 354	169 608
State social insurance expenses	13 335	40 147

The Board recommends that the losses of the reporting year be covered from the profit of the following years.

### Summary of the most significant accounting policies

#### 2) General principles

The company's financial statements have been prepared according to the Law On Accounting, the Law On the Annual Financial Statements and Consolidated Financial Statements and Regulations of the Cabinet of Ministers No.775 of 22.12.2015 Regulations on the Application of the Law On the Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia.

The Balance sheet, the Profit and loss statement, the Cash flow statement, the Statement of changes in equity are prepared according to the scheme provided in annexes to the Law on the Annual Financial Statements and Consolidated Financial Statements.

The profit and loss statement has been prepared according to the method of function of expenses.

The cash flow statement has been prepared in accordance with the direct method.

The monetary unit of the Republic of Latvia – Euro (EUR) is used in the financial statement as a monetary unit.

The financial statements give a true and fair view of the assets, liabilities, financial standing, profit or loss and cash flow of the company.

The financial statements have been prepared in compliance with the following general principles:

- it is assumed that the company will continue its activity (a going-concern basis);
- the same accounting policy and evaluation methods are used as were used in the previous reporting year;
- items of financial statements are recognised and measured on a prudent basis, especially adhering to the following rules:
  - a) only the profit earned before the balance sheet date is included in financial statements,
  - b) all the liabilities, as well as anticipated amounts at risk and losses that have occurred during the reporting year or previous years, even if they have become known during the time between the

## Notes to the financial statement

balance sheet date and the day when the annual report is signed by the management, the authorized person or a governing body, are taken into account,

c) all impairments of assets and depreciation amounts are calculated and taken into account regardless of whether the reporting year has closed with a profit or a loss;

- amounts in items of the balance sheet and the profit and loss statement are specified based on an accrual basis, namely, income and expenses are specified taking into account the time of their occurrence rather than the time of receipt or spending of money. Income and expenses related to the reporting year are specified regardless of the payment date or the date of receipt of the invoice;
- expenses are reconciled with income in the corresponding reporting periods;
- assets and liabilities items of the balance sheet are evaluated separately;
- any set-off between the assets and liabilities items of the balance sheet or the income and expense items of the profit and loss statement is forbidden,
- if an alienated or liquidated long-term investment object is excluded, the income and costs related to the exclusion of the said object are mutually set off. The net value is indicated in the profit and loss statement — the profit or losses from alienation of the long-term investment object, which is calculated as a difference between the book value of the excluded object and the income and expenses of its alienation or liquidation provided that the gross amounts are shown in the notes to the financial statements;
- the amounts in items of the balance sheet and the profit and loss statement are specified taking into account the economic contents and nature of transactions rather than their legal form only;
- items of the balance sheet and the profit and loss statement are evaluated at acquisition or production cost. Acquisition costs are the purchase price of a commodity or a service (less received discounts), whereto the purchase related additional expenses are added. Production cost is the acquisition costs of raw materials and consumables and other expenses that directly relate to the manufacturing of the respective object. Production cost may also include the parts of costs that are indirectly related to the manufacturing of the object only if these costs refer to the same period.

Specific items of the balance sheet, the profit and loss statement, the cash flow statement and the statement of changes in equity shown important financial information, which has a significant influence on the evaluation or decision-making of users of the annual report. Insignificant amounts which do not considerably impact the assessment or decision-making by the users of the annual financial statements in the said components of financial statements are shown in the respective items aggregating similar financial information and the details of these sums are given below in the notes to financial statements.

### 3) Use of estimates

When preparing the financial statements the Board of the Company has made a number of estimates and assumptions, which have an impact on the balance of individual items in the balance sheet and the profit and loss statement included in the financial statements, as well as the amount of contingent liabilities. Future events can influence the said estimates and assumptions. Any impact of changes in such estimates and assumptions on the Company's performance results is indicated in financial statements at the moment they have been established.

#### *Use of estimates and key assumptions*

Requirements of the Latvian legislation set out that the preparation of financial statements requires the management of Company to make assumptions that affect the amounts of assets, equity and liabilities reported in the statement and off-balance at the day of preparation of financial statements, as well as shown income and expenses of the reporting period. Actual results could differ from these estimates

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty, which exist at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

#### *Provisions for doubtful and bad debtors*

The Company's management evaluates the carrying amount of receivables and assesses their recoverability, making provisions for doubtful and bad debts, if necessary.

#### *Net realisable value of inventories*

The Company's management evaluates the net realisable value of inventories based on information about expected sales prices and selling expenses, as well as evaluates the physical condition of inventories during the

## Notes to the financial statement

annual stocktaking. In cases when the net realisable value of inventories is lower than the cost of inventories, provisions are made for inventories.

### *Useful lives of fixed assets*

Useful lives of fixed assets are reviewed on each balance sheet date, and changed, if necessary, to reflect current views of the management of the Company on the residual useful life of assets, taking into account technology changes, residual economic life of the assets and their physical condition.

### *Carrying amount of fixed assets*

The Company management evaluates the carrying amounts of fixed assets, and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on fixed assets based on the estimates related to the expected future use, disposal or sale of the assets.

### *Book value of issued loans*

The Company's management evaluates the issued loans and assesses their recoverability, making provisions for doubtful loans if necessary.

### *Book value of investments in affiliates and associates*

The Company management evaluates the carrying amount of capitals of affiliates and associates and issued loans and assesses whenever indications exist that the recoverable amount of assets are lower than their carrying amount. The Company management calculates and records an impairment loss on investments in capitals of affiliates based on the estimates related to the future return on them.

## 4) Revenue recognition

The main activity of the Company is ship repair.

Net turnover is the aggregate amount of the value of goods sold and services rendered during a year less granted discounts and value added tax.

Revenues are recognized according to the following principles:

- Revenues from the sale of goods in Latvia are recognised when the buyer has accepted the goods. Revenues from sales of goods outside Latvia are recognised in accordance with the conditions for the delivery of goods.
- Revenues from the provision of services are recognised according to the degree of execution of transaction.
- The income from fines and late payment penalties is recognised at the moment of their receipt.
- The interest income is recognised on the basis of time apportionment taking into account the actual profitability of the asset.
- The dividends are recognised at the moment when legal right to them arises.
- Author's fee is recognised on an accrual basis in accordance with the respective agreement.

Other income from the economic activity is formed by various other income (e.g. the profit obtained from the alienation of long-term investment objects or foreign currency fluctuations, income from the received insurance indemnities, from the received financial aid or financial support), which is not directly related to the company's basic activity but which results from the economic activity.

## 5) Expense recognition principles

Costs in the profit and loss statement are specified on an accrual basis, taking into account the time of their occurrence rather than the time money has been paid. Expenses related to the reporting year are specified regardless of the payment date or the date of receipt of the invoice. Costs are reconciled with income in the respective reporting periods.

## 6) Revaluation of foreign currency in euro

All transactions in foreign currency are converted into Euro based on the foreign currency exchange rate, which is used in accounting and which is effective at the beginning of the day on the date of transaction.

All monetary assets in foreign currency at the end of the reporting period are revalued in euro (EUR) in accordance with the foreign currency exchange rate, which is used in accounting and which is effective at the end of the day of the balance sheet date on 31 December, and the respective differences of the currency exchange rates are reflected in the profit and loss statement.

The foreign currency exchange rates at the end of the reporting period over last two years were as follows:

## Notes to the financial statement

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR 1</b>	<b>EUR 1</b>
USD	1.22710	1.12340
RUB	91.46710	69.95630
GBP	0.89903	0.85080

### 7) Intangible investments

Intangible investments mainly consist of the usage rights, licences, patents, concessions and similar rights, which have been obtained for remuneration. Intangible investments are assessed according to their historical cost value less the accrued depreciation. Depreciation is calculated on a straight-line basis using the annual depreciation rate of 20%. In an exceptional case when it is not possible to estimate plausibly the useful life of goodwill or the development cost object, their historical value is written-off gradually breaking down it to years within a period of time that does not exceed 10 years (each such case is explained in the notes to the financial statements indicating the duration of the period of time provided for writing off the historical value of the respective item).

### 8) Fixed assets

Fixed assets are assessed according to their historical cost value less the accrued depreciation. Depreciation is calculated according to the straight-line method, using the following rates of calculation of depreciation of fixed assets, which are based on the evaluation of the useful service life of fixed assets with regard to breakdown of fixed assets accounted for into categories:

Category in financial accounting	Depreciation rate %	Item of the financial statements
Buildings	1.5 - 12.5	Land plots, buildings and engineering structures
Engineering structures	1.5 - 12.5	Land plots, buildings and engineering structures
Technological devices whose operation results in the change of substance qualities	1.43 - 25	Plant and machinery
Plant and technical equipment	10; 12.5	Other fixed assets
Furniture and office equipment	10; 12.5	Other fixed assets
Computers and equipment	20	Other fixed assets
Cars	15; 20	Other fixed assets
Tools and equipment	8;10;12,5;15;20; 50	Other fixed assets

Estimated residual values and periods of useful use of assets are reviewed and adjusted, when needed, on the date of each report.

The Company capitalises the fixed assets, the value of which exceeds EUR 150 and the useful life of which exceeds 1 year. Depreciation for the improvements, the value of which does not exceed EUR 150, is calculated in the amount of 100% after their commissioning.

Current repairs and maintenance costs of fixed assets are included in the profit and loss statement of the period in which they are incurred.

The accounting value of an item of fixed assets is derecognised on disposal or when no future economic benefits are expected from its use.

### 9) Revaluation of long-term investments

By derogation from the Law on the Annual Financial Statements and Consolidated Financial Statements, the fixed asset objects, whose value is considerably higher than the costs of its acquisition or costs of its production, or the evaluation in the balance sheet of the previous year, may be revaluated according to the highest value, if the increase in value is assumed to be long-term. On the other hand, if a significant and prolonged impairment of fixed assets is identified as at the balance sheet date, the resulting recoverable amount is lower than the carrying amount on the balance sheet, the Company recognises an asset impairment loss, which is written off in the reporting year, in which it was stated. When there is no longer any basis for asset impairment, it is

## Notes to the financial statement

derecognised at the lower of cost recognising in income the amount written down into expenses, when the value impairment was stated.

The difference between the evaluation made based on the costs of acquisition and the cost of production and the evaluation made based on the revaluation, which results from such a revaluation, if this difference is positive (hereinafter referred to as increase in value), is included in the respective balance sheet item, which specifies the fixed asset object being revaluated, and in the balance sheet equity and liabilities item "Long-term investments revaluation reserve" in the "Equity" section. The long-term investments revaluation reserve does not include the amount by which the increase in value resulting from revaluation fully or partially offsets the impairment adjustments for the same fixed asset object that were included in the profit and loss statement in previous reporting years as expenses. This amount is included in the profit and loss statement as revenue in the reporting year in which the increase in the value of the fixed asset object was stated.

The annual depreciation of a revalued fixed assets item in the current reporting year is calculated based on the value of that object in the respective reporting year and is included in the profit and loss statement in the same amounts as the expenses.

The long-term investments revaluation reserve is reduced if the revalued fixed asset object is disposed of, liquidated or there is no longer a basis for increasing its value or when calculating the annual depreciation of the revalued fixed assets object. The revaluation reserve impairment is included in the profit and loss statement as revenue in the reporting year, in which this impairment occurred.

The long-term investments revaluation reserve is not paid out, distributed in dividends and is not used to cover losses, increase share capital, create other reserves or for other purposes.

In accordance with Section 6(5) of the Law "On Enterprise Income Tax", when the income liable to corporate income tax is determined, the results of revaluation of balance and off-balance items (with the exception of revaluation of assets due to changes in foreign currency rates) are not taken into account.

### 10) Inventories

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

The Company applies one and the same method for the determination of the usage and remainder value of inventory for all inventory of similar type and usage.

The value of inventory is corrected so that on the balance sheet date it would be valued in accordance with the acquisition costs or production cost or the lowest market prices on this date depending on the lowest of these indicators or in special cases — in accordance with the net sales value. Inventory impairment adjustments may be ceased if the impairment is not justified any more.

### 11) Receivables

Accounts receivable are measured with caution, showing only actual receivables in the balance sheet.

Special provisions for doubtful debts are created in cases when the management considers the collectibility of these accounts receivable doubtful upon evaluation of each debtor individually. Impairment provision is the difference between the asset's book value and the present value of the estimated future cash flow determined by discounting at the effective interest rate. The sum of provisions is included in the item of the profit and loss statement "Other operating expenses". Bad debts are written off as losses in the reporting year.

### 12) Investments into the group's subsidiaries and associates, other investments

Investments in the capital of associates (i.e. companies in which the Company owns more than 50% of the share capital or otherwise controls) are initially measured at cost. Control is the power to govern the financial and operating policies of the other entity.

Associates are those entities in which the Company has significant influence, but not control, generally between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the other entity but is not control or joint control over those policies. Investments in associates are initially measured at cost.

Other financial investments are investments in the share capital of other companies in the amount of not more than 20% of the share capital of the company.

Short-term investments, including investments into the group's subsidiaries and associated companies, are listed in their acquisition value, which is adjusted in cases of continued increase or decrease of their value. Whenever events or changes in circumstances indicate that the book value of an investment may not be recoverable, the value of the respective investments is revised to determine its impairment. An impairment loss is recognised in the profit or loss statement.

## Notes to the financial statement

### 13) Accrued liabilities

The balance sheet item "Accrued liabilities" shows clearly known trade payables for goods and services received during the reporting year, if no corresponding settlement document (invoice) has been received yet on the balance sheet date in compliance with the provisions of supply, purchase or contract agreement or due to other reasons.

The Company forms provisions for unused vacation liabilities toward employees.

Accrued costs for unused vacations are estimated by multiplying average daily earnings of employees in the last six months of the reporting year by the number of unused vacation days accumulated at the end of the reporting year.

### 14) Corporate income tax

Corporate income tax, in accordance with the requirements of the Law on Corporate Income Tax, consists of the corporate income tax calculated for the reporting year, which is recognised in the profit and loss statement. Corporate income tax is calculated on distributed profit (dividends) and conditionally distributed profit, for which the corporate income tax base is increased.

### 15) Cash and cash equivalents

For the purposes of the cash flow statement, cash and its equivalents in the cash flow statement comprises cash at bank and short-term deposits with the term up to 90 days.

### 16) Financial aid and support, donations and gifts

The received financial support is included in the income of the reporting year in which the financial aid or financial support is received.

The financial aid and support received for the formation of fixed assets are listed as deferred income that is gradually included in the income during the useful life of the fixed assets, which have been received or purchased using the financial aid and support. Other grants are referred to the results of the reporting year in the period of receiving the grants. If in the years following the inclusion of the financial support received in the balance sheet or profit and loss statement any of the conditions of the financial support provider is not met and the financial support received must be repaid in full or in part, then the amount of financial support received is included in the balance sheet item "Deferred income" and is not yet fully included in the revenue of the respective reporting year, the balance of the balance sheet item "Deferred income" is used first to write off the amount of financial support to be repaid, including in the costs of the reporting year only the uncovered excess of the repaid financial support from the balance of this item.

In case the company justly believes that all conditions related to the receipt of financial aid will be met and the repayment of supported expenses will be received, the company includes the receivable financial support in the income before the supported expenses are repaid. This sum is indicated in the item "Accrued income" of the financial statement.

### 17) Financial liabilities, granted warranties and other contingent liabilities not included in the balance sheet

#### *17.1. Liabilities for concluded lease and rent agreements, which are important for the company's activity*

The Company has concluded land and berth lease agreements with the Freeport of Riga Authority. The agreements are valid until 31 August 2028. After the expiration of the agreement, the Company has a pre-emptive right to extend the agreement.

#### *17.2. Information about pledged or otherwise encumbered assets of the company*

On 28 December 2010, the Ship Bond No.EH 28.12.2010/KO was issued for the floating dock pledge in favour of AS "UniCreditBank" and it was valid until the full fulfilment of the secured obligations. The ship bond was issued as security for the credit liabilities of SIA "Eiroholdings" arising from the Credit Facility Agreement No.EH 01.07.2008/CL of 1 July 2008, which were repaid in full by SIA "Eiroholdings" in January 2020. Therefore, on 23.01.2020, AS "UniCreditBank" repaid the mortgage registered in the Latvian Ship Register on the pledged floating dock.

## Notes to the financial statement

On 12 December 2014, a Mortgage Agreement No.14-FP-0328/01 on a mortgage on the real estate and two berths of AS "Rīgas kuģu būvētava" was concluded between AS "Rīgas kuģu būvētava" and AS "ABLV Bank" and it is valid until the full fulfilment of the secured obligations. The immovable properties are pledged as a security for the liabilities of AS "Remars-Rīga" arising from the Loan Agreement No.14-FP-032 of 12 December 2014. As at 31 December 2020, the amount of outstanding liabilities of AS "Remars-Rīga" towards AS "ABLV Bank", which AS "Rīgas kuģu būvētava" has undertaken to cover on the basis of the guarantee agreement is EUR 278,531. The amount of the secured claim is EUR 2,860,000. Balance sheet value of pledged property as at 31.12.2020 amounts to EUR 4,126,403. At the time of preparation of the annual report, credit liabilities towards AS "ABLV Bank" have been settled.

On 14 December 2017, Ship Bond No.2 was prepared for the pledge of the tug "Orkāns" and Ship Bond No. 3 pledging the floating crane "CELTNIS 24" in favour of AS "Latvenergo" as security for liabilities of AS "Rīgas kuģu būvētava" and shall remain in force until the secured obligations have been fully fulfilled. The amount of the secured claim is EUR 190,000 and EUR 270,000. The balance sheet value of the pledged floating vessels as of 31 December 2020 is EUR 47,000 for the tug "Orkāns" and EUR 117,000 for the floating crane "CELTNIS 24" (SPK-24).

The Company has not provided any other guarantees or warranties, has no pension liabilities or similar liabilities towards former members of the governing bodies.

### 17.3. Unrecognised claims

In 2021, legal proceedings were initiated for the cancellation of the lease agreement and recovery of losses, where the plaintiff as the lessee filed a claim against the Company as the lessor for compensation of the lessee's expenses for its investments in the Company's infrastructure not coordinated with the Company. As the Company does not recognise the claim and the judicial proceedings are currently ongoing, no adjustments have been made to the financial statements in connection with these judicial proceedings.

### 18) Judicial proceedings

At the time of preparing the annual report, there are several lawsuits against the Company. Pursuant to the provisions of the laws and regulations of the Republic of Latvia, the LPP plan of measures must indicate all debtor's liabilities, including those subject to a dispute, the principal amounts of possible creditors' claims in the first two proceedings are included in the Company's LPP plan of measures, because filing an action to court does not give rise to a legal basis to ignore creditor's interests:

- 18.1. In 2018, legal proceedings have been initiated for the recovery of debt and default interest in the amount of EUR 111,246. The Company has filed a counterclaim in court to recognise the creditor's debt for the reduction of the Company's liabilities. As the Company's management forecasts an unfavourable legal outcome for the preparation of the financial statements for 2020, the balance sheet includes a provision of EUR 58,781, which is the difference between the Company's principal debt liabilities without default interest and the debt already repaid and the creditor's debt within the LPP plan by 31 December 2020 (see Note 35). As a result of the adjustments made, the Company has recognised losses of EUR 58,781 and included them in the profit and loss statement for 2020.
- 18.2. In 2019, legal proceedings were initiated for the recovery of state support funding paid to the Company and default interest in the amount of EUR 403,267. Until the preparation of the annual report, the court has ruled against the Company and in accordance with the decision of the Kurzeme Regional Court of 25 November 2021, the financing received by the Company must be returned in the amount of EUR 320,648, which should be repaid based on payments under the LPP plan. As a result of the court decision, the Company made adjustments to long-term and short-term items "Deferred income" of the balance sheet in accordance with the accounting policies defined in Note 16. As a result of the adjustments made, the Company has recognised losses of EUR 124,093 and included them in the profit and loss statement for 2020.
- 18.3. Judicial proceedings have been initiated for the full repayment of the advance payment received by the Company in the amount of EUR 250,000. In February 2020, a preliminary agreement was concluded between the Company and the buyer, in which the parties agreed to enter into a purchase agreement for

## Notes to the financial statement

the sale of the Company's assets, based on which the buyer paid an advance of EUR 250,000. Although the Company has not refused to enter into the purchase agreement, and, moreover, the parties had agreed on the essential elements of the purchase agreement, in July 2020 the buyer unilaterally terminated the preliminary agreement and demanded repayments of the advance payment, which was objected to by the Company. Currently, the parties have started talks on a peaceful settlement and have informed the court of the initiation of such a procedure. The advance payment received is shown in the balance sheet item "Advance payments from purchasers".

### 19) Material post balance sheet events that do not refer to the reporting year and therefore are not included in the balance sheet or the profit and loss statement

Only such post balance sheet events are presented in the financial statements which provide additional information on the Company's financial position at balance sheet date (adjusting events). If post balance sheet events are not adjusting, they are disclosed in the notes to the financial statements only if they are material.

### 20) Affiliates

Affiliates are such companies that in relation to the company are a subsidiary of the group or a parent company of the group or other subsidiaries of this group or a subsidiary of the subsidiary of this group.

### 21) Associates

Associates are companies, which are under significant influence of other company, which is secured by no less than 20, but not more than 50 per cent of shareholders with voting rights in this company.

### 22) Comparative information

Pursuant to requirements of law, names of some items of the profit or loss statement and balance sheet have been changed, as well as reclassification of the items has been performed, reclassifying the comparative results of the previous period in accordance with the principles used in the reporting year, therefore, the financial results of the reporting period are mutually comparable:

	Item values after reclassification EUR	Other fixed assets EUR	Item values before reclassification EUR
Plant and machinery	2 600 914	(173 510)	2 774 424
Other fixed assets and inventory	1 006 086	173 510	832 576
Impact of reclassification on the balance sheet (assets and equity and liabilities) as of 31.12.2019		-	
Impact of reclassification on profit of 2019		-	

### 23) Related parties

Related parties are considered to be employees, Members of the Management Board and the Council of the company, their close family members and companies, in which mentioned persons have control or significant influence.

All transactions with affiliated parties in the reporting year comply with normal market conditions.

Related company or related person	Type of liability	Goods sold and services provided EUR	Goods purchased and services received EUR	Other transactions EUR
AS "Remars-Rīga"	Significant impact	48 980	-	149 302
SIA "EIROHOLDINGS"	Significant impact	-	16 500	30 540
SIA "EIRO WELDING"	Significant impact	-	27 051	-
<b>Total</b>		<b>48 980</b>	<b>43 551</b>	<b>179 842</b>

### 24) Shares subscribed in the reporting year

There has been no subscription for the Company's shares in the reporting year.

## Notes to the financial statement

### 25) Agreements not included in the balance sheet, which have effect in the evaluation of the financial position of the company

The Company does not have any agreements not included in the balance sheet that influence the assessment of the Company's financial standing.

### 26)

#### Information about subsidiaries

Company name	Registered address	Participating interest	Equity	Profit or loss	Participating interest	Equity	Profit or loss
		31.12.2020 %	31.12.2020 EUR	2020 EUR	31.12.2019 %	31.12.2019 EUR	2019 EUR
AS "Tosmares kuģubūvētava"	Ģenerāļa Baloža iela 42/44, Liepāja	80.75%	No information		80.75%	1 329 267	(105 437)
			-	-		<b>1 329 267</b>	<b>(105 437)</b>

In 2021, the insolvency proceedings of AS "Tosmares kuģubūvētava" were completed and, accordingly, on 22 February 2021, it was excluded from the commercial register.

### 27)

#### Information about associates

Company name	Registered address	Participating interest	Equity	Profit or loss	Participating interest	Equity	Profit or loss
		31.12.2020 %	31.12.2020 EUR	2020 EUR	31.12.2019 %	31.12.2019 EUR	2019 EUR
SIA "Remars Granula"	Gāles iela 2, Rīga	49.79%	238 357	(20 562)	49.79%	258 919	70 588
			<b>238 357</b>	<b>(20 562)</b>		<b>258 919</b>	<b>70 588</b>

### 28) Research and development activities and own shares

The company has not hosted any research and development events and it has not repurchased its shares in the reporting year.

### 29) Consolidated annual report, information about the group's parent company and the applied exemption from obligation to prepare the consolidated annual report

The parent company is exempt from the duty to prepare a consolidated annual report in accordance with Section 68(1) of the Law On the Annual Financial Statements and Consolidated Financial Statements, which provides for an exemption from consolidation, if there are strict long-term restrictions that substantially hinder the ability of the parent company of the group of companies to exercise its rights to the property and management of this subsidiary company of the group of companies. In 2018, the insolvency proceedings of AS "Tosmares kuģubūvētava" were declared and an administrator was appointed, who managed AS "Tosmares kuģubūvētava" until the end of the insolvency proceedings, as a result of which the Company had no control over the property, management and business processes and decisions of AS "Tosmares kuģubūvētava". The Company points out that in 2021, the insolvency proceedings of AS "Tosmares kuģubūvētava" were completed and, accordingly, on 22 February 2021, it was excluded from the commercial register.

## Notes to the financial statement

### 30)

#### Net turnover

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Revenue from ship repairs	633 502	277 376
	<b>633 502</b>	<b>277 376</b>

#### In the breakdown to the types of activity

NACE code

**2 020**

**2019**

		<b>Eur</b>	<b>Eur</b>
Ship repair	3011	633 502	277 376
		<b>633 502</b>	<b>277 376</b>

#### In the breakdown to the geographical markets

State code

Germany	DE	28 435	-
Estonia	EE	4 250	80 274
Sweden	SE	564	-
Belgium	BE	305 000	12 636
Poland	FA	274 274	-
Latvia	LV	18 879	181 186
Cyprus	CY	2 100	-
Lithuania	LT	-	3 280
		<b>633 502</b>	<b>277 376</b>

### 31)

#### Costs of goods sold, costs of purchasing of sold goods or provided services

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Material costs	95 954	38 950
Services of subcontractors	344 816	7 000
Staff remuneration	369 516	444 970
Mandatory state social insurance contributions	84 453	100 961
Depreciation of fixed assets and intangible investments	627 306	756 790
Electricity and heat costs	287 281	243 978
Rental costs of land, premises and equipment	89 072	89 430
Transportation costs	250	192
Real estate tax	158 566	155 353
Infrastructure maintenance costs	120 449	-
Other manufacturing costs	97 794	57 428
	<b>2 275 457</b>	<b>1 924 492</b>

### 32)

#### Selling expenses

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Advertising	-	435
	<b>-</b>	<b>435</b>

## Notes to the financial statement

### 33)

#### Administrative expenses

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Wages of for administrative work	291 087	360 039
State social insurance contributions	70 785	85 290
Representation cars maintenance costs	10 994	13 955
Transport costs, work travel	31 473	18 243
Legal services	26 268	95 834
Depreciation of fixed assets and intangible investments	-	7 701
Representation expenses	21 856	18 675
Communication expenses	8 020	12 388
Office maintenance costs	21 421	5 020
Incidental costs of cash turnover	16 110	53 317
Annual report auditing charges	16 200	13 500
Monitoring of the legal protection plan	36 000	6 000
Other administrative expenses	7 047	17 421
	<b>557 261</b>	<b>707 383</b>

### 34)

#### Other operating income

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Revenue from services	1 164 928	434 229
Sale of materials	4 290	244 458
Revenue from the financing of projects by European funds	18 366	60 579
Revenue from write-off of revaluation reserve (see note 39)	38 254	6 651 036
Write-off of timed-out liabilities	200 837	113 324
Other insignificant income	26 525	12 391
	<b>1 453 200</b>	<b>7 516 017</b>

## Notes to the financial statement

### 35)

#### Other operating expenses

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Expenditure on the maintenance of leased fixed assets	-	119 466
Costs of purchase of materials	-	286 882
Net income from sale of long-term investments *	358 178	110 700
Expenditure on writing off doubtful and bad debts	973 891	172 836
Expenses for writing off financial investments (see note 40)	-	5 005 536
Fixed assets value impairment (see note 38)	6 896 304	-
Inventories value impairment (see note 44)	676 805	-
Losses from currency sales and exchange rate depreciation	-	67
Write-off of materials	-	110 566
Fines and default interests	27 486	74 083
Expenditure in accordance with court judgments	5 485	32 911
Provision for the outcome of legal proceedings and recoverable expenses for lost legal proceedings (see note 18)	182 874	-
Deferred expenses	17 752	-
Donations	20	13
Other costs	8 834	30 127
	<b>9 147 629</b>	<b>5 943 187</b>

#### \* Information about the profit or loss from disposal and liquidation of long-term investment objects

No.	Long-term investment object	Book value at the moment of exclusion	Alienation income	Profit or loss from the object disposal
		EUR	EUR	EUR
1.	Buildings and engineering structures	200 344	-	(200 344)
2.	Other fixed assets and inventory	309 847	152 013	(157 834)
		<b>510 191</b>	<b>152 013</b>	<b>(358 178)</b>

### 36)

#### Other interest income and similar income

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Interest income on loans	9 952	827
	<b>9 952</b>	<b>827</b>

### 37)

#### Interest payments and similar expenses

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Estimated borrowing interest	-	38 963
Recognised financial lease interest	-	54
	<b>-</b>	<b>39 017</b>

## Notes to the financial statement

### 38)

Fixed assets	Concessions, patents, licences, trademarks and similar rights	Buildings and engineering structures	Other fixed assets and inventory	Total
	EUR	EUR	EUR	EUR
<b>Initial value</b>				
31.12.2019	361 351	14 055 896	19 461 005	<b>33 878 252</b>
Acquired	-	-	32 281	<b>32 281</b>
Written-off	-	(571 653)	(1 131 035)	<b>(1 702 688)</b>
Revaluated *	-	-	211 796	<b>211 796</b>
31.12.2020	361 351	13 484 243	18 574 047	<b>32 419 641</b>
<b>Depreciation</b>				
31.12.2019	361 351	6 032 846	12 287 331	<b>18 681 528</b>
Calculated	-	185 046	442 260	<b>627 306</b>
Written-off	-	(371 309)	(821 188)	<b>(1 192 497)</b>
Asset impairment *	-	3 837 660	3 058 644	<b>6 896 304</b>
31.12.2020	361 351	9 684 243	14 967 047	<b>25 012 641</b>
<b>Residual book value</b>				
<b>31.12.2019</b>	-	<b>8 023 050</b>	<b>7 173 674</b>	<b>15 196 724</b>
<b>Residual book value</b>				
<b>31.12.2020</b>	-	<b>3 800 000</b>	<b>3 607 000</b>	<b>7 407 000</b>
<b>The value that would have been shown in the balance sheet if the item had not been revalued</b>				
31.12.2019	-	8 023 050	7 173 674	15 196 724
31.12.2020	-	7 637 660	6 665 644	14 303 304

All the immovable properties are pledged as a security for the received loans (see Notes 50 and 51). The cadastral value of immovable property (buildings) as at 31.12.2020 is EUR 5,723,487 (as at 31.12.2019 – EUR 5,723,487).

\* By inviting independent licensed experts from Grant Thornton Baltic SIA, in 2021 the Company has performed a valuation of the fair value of fixed assets as at 31 December 2020.

Certified appraisers used the cost or substitutability method to assess the fair values of fixed assets, taking into account the technical condition, age and technological usefulness of the fixed assets, and compared the result obtained with the information available in the market on market values of such fixed assets. The value of the property is determined in accordance with the definition of the market value of immovable property formulated in the Latvian Property Valuation Standards LVS 401:2013, using the cost and income approach. A market approach has been chosen to calculate the market value of the movable property to be valued, which is mainly based on a comparison of data from equivalent movable property transactions or offers for which the market price is known, the comparison of data assumed for calculations of value.

According to the calculations made, the recoverable amount of the fixed assets is set at EUR 7,407,000. As a result, an increase in the value of certain fixed assets in the amount of EUR 211,796 was recognised in the reporting year, increasing the balance sheet item "Long-term investments revaluation reserve" (see Note 39) and at the same time significant impairment losses in the amount of EUR 6,896,304 were recognized, including them in the profit and loss statement for 2020 (see Note 35).

## Notes to the financial statement

### 39) Revaluation reserve

The balance sheet value of the long-term investments revaluation reserve as at 31 December 2020 is the balance of the revaluation reserve for previous periods as at 31 December 2019, reduced by the annual depreciation of revalued fixed assets by EUR 38,254, and increased by an increase in the value of fixed assets of EUR 211,796 resulting from the revaluation within the framework of preparation of the annual report for 2020.

<b>Long-term investments revaluation reserve</b>	<b>EUR</b>
Balance	
<b>31.12.2019</b>	<b>69 686</b>
Decrease in revaluation reserve	(38 254)
Increase in revaluation reserve	211 796
Balance	
<b>31.12.2020</b>	<b>243 228</b>

### 40)

<b>Long-term financial investments</b>	<b>Participating interest in affiliates 2020 EUR</b>	<b>Participating interest in affiliates 2019 EUR</b>
Initial carrying amount:		
at the beginning of the reporting year	5 005 536	-
at the end of the reporting year	5 005 536	5 005 536
Increase in participating interest *	-	1 374 946
	-	3 630 590
Transfer to participating interest in affiliates		
Accrued impairment adjustments:		
at the beginning of the reporting year	(5 005 536)	-
at the end of the reporting year	(5 005 536)	(5 005 536)
Impairment adjustments calculated in the reporting year **	-	(5 005 536)
<b>Book value</b>	-	-

\* Regarding the ownership balances as at 31 December 2019, the Company had a receivable for the shares of AS "Tosmares kuģubūvētava" (see Note 46), which was secured by the shares of AS "Tosmares kuģubūvētava". Pursuant to the share sale agreements, in case the settlement for the purchase of shares is not made within the term specified in the agreement, the secured shares become the property of the Company. As the Company's debtor Seletrade Impex LLP did not repay the debt and on 17 December 2019 it was excluded from the British Commercial Register, in 2019 the Company acquired 31.03% of the shares of AS "Tosmares kuģubūvētava" amounting to EUR 1,374,946. Taking over the secured shares as at 31 December 2019 provided the Company with ownership of 80.75% of the shares of AS "Tosmares kuģubūvētava" amounting to EUR 5,005,536. The re-registration of the shares in the Register of Enterprises had not taken place until 31 December 2019 and the administrator of the insolvent AS "Tosmares kuģubūvētava" was informed about these circumstances, requesting to make appropriate amendments to the register of its shareholders.

\*\* Evaluating the financial data and recoverable assets of AS "Tosmares kuģubūvētava", on 31 December 2019 the Company reduced the value of the investment by EUR 5 million up to the value of the recoverable asset, recognising the impairment loss in full in 2019 (see Note 35).

## Notes to the financial statement

### 41)

Long-term financial investments	Participating interest in	Participating interest
	associates	in associates
	2020	2019
	EUR	EUR
Initial carrying amount:		
at the beginning of the reporting year	1 200 000	1 200 000
at the end of the reporting year	1 200 000	1 200 000
Impairment adjustments:		
at the beginning of the reporting year	(1 200 000)	(1 200 000)
at the end of the reporting year	(1 200 000)	(1 200 000)
<b>Book value</b>	-	-

### 42)

Loans to associates	31.12.2020	31.12.2019
	EUR	EUR
Debt of SIA "Remars Granula" in accordance with the assignment :	770 000	770 000
SIA "Remars Granula" principal amount for the loan	310 642	310 642
SIA "Remars Granula" interest on the loan	244 317	244 317
Provisions for doubtful receivables	(1 324 959)	(1 324 959)
<b>Book value</b>	-	-

Receivables from associates are reflected in net value from the full amount less provisions for doubtful debts. During the reporting year, no debts written off in previous periods were received, and no provisions were made for new doubtful debts.

### 43) Other securities and investments

In 1999, the Company acquired 33 shares of AS "Baltic International Bank" with a nominal value of LVL 5 or EUR 7.1 per share. As of 31.12.2019, the Company owns 33 shares, where the value of one share is EUR 7.1, which is 0.0006% of the shares of AS "Baltic International Bank", amounting to EUR 235, which is registered in the Register of Enterprises.

### 44)

Raw materials and materials	31.12.2020	31.12.2019
	EUR	EUR
Raw materials and materials	875 883	1 023 673
	(676 805)	-
Impairment of slow-moving and obsolete inventories	<b>199 078</b>	<b>1 023 673</b>

By inviting independent licensed experts from Grant Thornton Baltic SIA, in 2021, the Company has assessed the net realisable value of inventories as at 31 December 2020 and recognised an impairment of the value of inventories of EUR 676,805, including it in full in the profit and loss statement for 2020 (see Note 35).

## Notes to the financial statement

45)

### Trade receivables

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
Book value of trade receivables	549 237	549 106
Provisions for doubtful receivables	(129 640)	(40 070)
<b>Book value</b>	<b>419 597</b>	<b>509 036</b>

Trade receivables are reflected in net value from the full amount less provisions for doubtful debts. No debts written off in previous periods were received during the reporting year. Bad debts have been written off from previously created provisions for doubtful receivables in the amount of EUR 233. Provisions for new doubtful receivables in the amount of EUR 89,803 were created in 2020, and as at 31 December 2020, debts were recognised as doubtful receivables for a total of EUR 129,640.

46)

### Other receivables

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR</b>	<b>EUR</b>
Tax overpayments	-	70 886
Advance payments made for services	377 489	357 952
Provisions for doubtful advance payments	(344 456)	-
Debt for performance of guarantee *	448 444	222 278
Carrying amount of loans and accrued interest **	535 520	596 763
Provisions for doubtful loans ***	(535 520)	-
Payment persons	-	32 054
Settlement for other receivables	34 269	41 988
	<b>515 746</b>	<b>1 321 921</b>

\* In 2014, the Company entered into a mortgage agreement where the Company's real estate was pledged in favour of AS ABLV Bank with a maximum claim amount of EUR 2,860,000 for a loan received by AS "Remars Rīga". Until 31 December 2020, AS "Rīgas kuģu būvētava" has covered the loan liabilities of AS "Remars Rīga" for EUR 448,444.

### \*\* Carrying amount of loans and accrued interest

	<b>31.12.2020</b>			<b>31.12.2019</b>		
	<b>Long-term portion EUR</b>	<b>Short-term portion EUR</b>	<b>Total EUR</b>	<b>Long-term portion EUR</b>	<b>Short-term portion EUR</b>	<b>Total EUR</b>
Loans and accrued interest SIA Eiro Paint ***	-	535 520	535 520	-	535 520	535 520
Loans and accrued interest SIA Eiroholdings****	91 783	-	91 783	-	61 243	61 243
Loan and accrued interest AS Remars Rīga *****	249 996	-	249 996	128 783	-	128 783
	<b>341 779</b>	<b>535 520</b>	<b>877 299</b>	<b>128 783</b>	<b>596 763</b>	<b>725 546</b>

\*\*\* In 2015, the Company issued a loan to SIA "Eiro Paint" amounting to EUR 500,000 with an annual interest rate of 6% and maturity – 31 December 2020. No interest has been calculated on the loan during the reporting year, as the economic activity of SIA "Eiro Paint" stopped on 11 February 2019 and it is unlikely that the Company will ever receive the calculated interest. The long-term loan is issued without a security, however, the Company has the option to repurchase the equipment purchased for the loan amount. In 2020, provisions were made for the doubtful loan issued by SIA "Eiro Paint" and accrued interest in the amount of EUR 535,520.

## Notes to the financial statement

\*\*\*\* In 2020, the Company issued an additional loan to the related party SIA Eiroholdings in the amount of EUR 27,000, reaching EUR 88,000 in total on 31 December 2020. The loan is issued at an interest rate of 4% per annum and the accrued interest is repayable together with the principal amount of the loan. At the time of preparation of the annual report, amendments have been made to the agreement entered into in 2019, extending the maturity until 31 December 2022. The loan was issued without any security.

\*\*\*\*\* In 2020, the Company issued an additional loan to the related party AS "Remars Rīga" in the amount of EUR 114,800 the total amount of the loan reached EUR 243,000 on 31 December 2020. The loan is issued at an interest rate of 3% per annum and the accrued interest is repayable together with the amount of the loan. At the time of preparation of the annual report, the loan has been partially repaid and amendments have been made to the agreement entered into in 2019, extending the maturity until 31 December 2023. The loan was issued without any security.

### 47)

#### Deferred expenses

	31.12.2020	31.12.2019
	EUR	EUR
Company property insurance	-	4 653
Vehicles insurance	174	2 615
	<b>174</b>	<b>7 268</b>

### 48)

#### Cash

	31.12.2020	31.12.2019
	EUR	EUR
Cash at bank	35 452	708 202
	<b>35 452</b>	<b>708 202</b>

### 49) Aggregate of the equity capital shares

AS "Rīgas kuģu būvētava" was founded in 1991. The share capital of the Company is EUR 16,340,950, which consists of 11,672,107 ordinary registered shares, the nominal value of one share is EUR 1.40. As at 31.12.2020, the share capital of the Company consists of a total of 11,672,107 shares, of which 10,000,000 shares are traded on a regulated market and 1,672,107 shares are shares of private offering.

The Company's shares are traded on a regulated market and are listed on the Second List of AS NASDAQ Rīga. All shares give equal rights to receive dividends, liquidation quota and voting rights at the shareholders' meeting. One share entitles to 1 vote at the shareholders' meeting.

Amendments to the Articles of Association:

1. On 30 December 1998, increase of the company's share capital to EUR 15,651,590;
2. On 30 December 1999 increase of the company's share capital to EUR 16,607,912;
3. In May 2015, the share capital was denominated. The size of the share capital after the denomination is EUR 16,340,950. Number of shares 11,672,107, nominal value of shares EUR 1.40.

#### Information on shares and stock

Type of shares	Number	Nominal value	Carrying amount
		EUR	EUR
Ordinary registered shares	11 672 107	1.40	16 340 950
		<b>1.40</b>	<b>16 340 950</b>

## Notes to the financial statement

Shareholders of AS "Rīgas kuģu būvētava"	Number of shares		TOTAL	Nominal value of a share, Eur	Total value of shares, Eur
	Shares on the exchange regulated market	Shares of private offering			
AS "Remars-Rīga"	4 673 757	1 145 437	5 819 194	1.40	8 146 872
Private persons	3 764 977	307 698	4 072 675	1.40	5 701 745
Other statutory companies	1 561 266	218 972	1 780 238	1.40	2 492 333
<b>Total</b>	<b>10 000 000</b>	<b>1 672 107</b>	<b>11 672 107</b>		<b>16 340 950</b>

Shareholders of AS "Rīgas kuģu būvētava"	31.12.2020		31.12.2019	
	EUR	%	EUR	%
AS "Remars-Rīga"	8 146 872	49.86	8 146 872	49.86
Private persons	5 701 745	34.89	5 646 291	34.55
Other statutory companies	2 492 333	15.25	2 547 787	15.59
<b>Total</b>	<b>16 340 950</b>	<b>100</b>	<b>16 340 950</b>	<b>100</b>

### 50)

#### Borrowings from credit institutions

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
AS ABLV Bank *	-	105 037	105 037	-	550 702	550 702
	-	105 037	105 037	-	550 702	550 702

\* On 28 December 2017, the Company entered into an additional agreement with AS "ABLV Bank" to the Credit Agreement on the credit facility line concluded 18 October 2013 for the needs of working capital. The loan maturity was 30 December 2018. The interest rate is 7 % per year. The maximum amount of the secured claim is EUR 2,470,000. A mortgage on immovable properties and two berths has been entered into a security. Balance sheet value of pledged properties as at 31.12.2020 amounts to EUR 4,126,403. According to the amendments to the plan of measures of the legal protection proceedings, the loan maturity was 2021. At the time of preparation of the annual report, credit liabilities towards AS "ABLV Bank" have been settled.

## Notes to the financial statement

### 51)

#### Other borrowings

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
Interest on borrowing from management*	-	22 050	22 050	-	22 050	22 050
Borrowings from legal entities **	2 815 579	35 444	2 851 023	903 982	1 868 650	2 772 632
	<b>2 815 579</b>	<b>57 494</b>	<b>2 873 073</b>	<b>903 982</b>	<b>1 890 700</b>	<b>2 794 682</b>

\*In 2014, the Company entered into an agreement and received a loan from V.Melnik for the total amount of EUR 1,165,000 with an interest rate of 5% per annum. The principal amount of the loan has been repaid and as at 31.12.2019. and 31.12.2020 the amount of the debt is calculated at EUR 22,050.

\*\*In 2014, the Company entered into an agreement and received a loan from SA SOGIP SERVICES GENEVA for the total amount of EUR 2,000,000 with an interest rate of 6% per annum. The loan must be repaid by 22 June 2019. The loan is not secured with any pledges or guarantees. The accrued calculated interest at the moment of starting the implementation of the legal protection proceedings on 16.08.2019 was in the amount of EUR 178,773, which is to be covered together with the principal amount. Following the approval of the LPP, no further interest was calculated on the loan. In 2020, the loan to SA SOGIP SERVICES GENEVA increased by EUR 186,251 due to the liquidation of AS "Tosmares kuģubūvētava", the Company's remaining debt to the associate was assigned to SA SOGIP SERVICES GENEVA (see Note 53).

In accordance with the amendments to the legal protection plan approved on 17 September 2021, the loan and accrued interest must be repaid by 16 August 2024, therefore the amount of the debt to be repaid later than one year after the end of the reporting year EUR 2,508,544 is shown as a long-term loan.

\*\*In 2017 and 2018, the Company entered into four agreements and received loans from SIA "Eironams" for the total amount of EUR 773,933 with interest rate for agreements of 4% per annum. The maturities of three loan agreements were 2018 and for one agreement – 2021. The loans are not secured with any pledges or guarantees. The accrued calculated interest at the moment of starting the implementation of the legal protection proceedings on 16.08.2019 was in the amount of EUR 22,079, which is to be covered together with the principal amount. Following the approval of the LPP, no further loan interest was calculated on the loan. In accordance with the amendments of 17 September 2021 to the LPP approved on 16.08.2019, the loan and accrued interest must be repaid by 16 August 2024, therefore the amount of the debt to be repaid later than one year after the end of the reporting year EUR 307,035 is shown as a long-term loan.

According to loan agreements and legal protection plans, incl. for all amendments up to 17 September 2021, there is no part of the payment that would be covered five years after the balance sheet date.

### 52)

#### Trade payables

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
Debts according to the LLP plan of measures	2 272 258	211 129	2 483 387	718 093	1 911 224	2 629 317
	<b>2 272 258</b>	<b>211 129</b>	<b>2 483 387</b>	<b>718 093</b>	<b>1 911 224</b>	<b>2 629 317</b>

According to the amendments of 17 September 2021 to the LPP approved on 16.08.2019, the debts must be repaid by 16 August 2024 in accordance with the schedule specified in the LPP plan.

## Notes to the financial statement

53)

### Payables to affiliates

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
Borrowing and accrued interest *		-	-	73 765	133 517	207 282
	-	-	-	<b>73 765</b>	<b>267 034</b>	<b>207 282</b>

\* In 2014, the Company entered into an agreement and received a loan from AS "Tosmares kuģubūvētava" for the total amount of EUR 500,000 with an interest rate of 6% per annum. The loan must be repaid by 31 December 2018. The loan was not secured with any pledges or guarantees. The accrued interest as at 31.12.2018 amounted to EUR 8,262, which should be covered together with the principal amount: In 2019, loan interest was not calculated. According to the legal protection plan approved on 16 August 2019, the loan and accrued interest had to be repaid by 31 August 2021. As AS "Tosmares kuģubūvētava" was liquidated on 22 February 2021, the remaining debt in the amount of EUR 186,251 was assigned in favour of SA SOGIP SERVICES GENEVA, and as at 31 December 2020 is shown under "Other borrowings", increasing the debt of SA SOGIP SERVICES GENEVA (see Note 51).

54)

### Taxes and mandatory state social insurance contributions

	31.12.2020	31.12.2019
	EUR	EUR
Value added tax	3 728	(70 886)
Social insurance contributions	278 443	194 431
Personal income tax	242 832	451 334
Corporate income tax	2 754	3 696
Business risk state fee	59	17
Real estate tax	78 168	16 456
Natural resource tax	6	6
<b>Total:</b>	<b>605 990</b>	<b>595 054</b>
Including:		
Overpayment of taxes (see note 46)	-	(70 886)
Debt to the budget	<b>605 990</b>	<b>665 940</b>

55)

### Other liabilities

	31.12.2020	31.12.2019
	EUR	EUR
Wages	144 010	103 420
Settlements with advance payment persons	12 987	-
Security deposit	-	1 195
	<b>156 997</b>	<b>104 615</b>

## Notes to the financial statement

### 56)

#### Deferred income

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
Project – reconstruction of heat supply system *	313 391	7 257	320 648	201 036	18 955	219 991
Project – implementation of energy efficiency measures in production shops **	271 711	9 094	280 805	280 806	18 365	299 171
	<b>585 102</b>	<b>16 351</b>	<b>601 453</b>	<b>481 842</b>	<b>37 320</b>	<b>519 162</b>

\* In 2013 and 2014, the Company received financing from the Investment and Development Agency of Latvia for the creation of fixed assets of EUR 344,085: Agreement No.LIAA/017-PSC-12-0031 "For the reconstruction of the heat supply system of "AS "Rīgas kuģu būvētava"". The fixed assets were commissioned in 2014. The funding received in the period from 2014 to 2019 was gradually transferred to the revenues in the profit and loss statement, according to the useful life of the fixed assets. According to the decision of the Kurzeme Regional Court of 25 November 2021, the financing received by the Company must be returned in full, and according to the LPP plan, the maturity is until August 2024. Since the financial support received should be repaid in full, then in accordance with the accounting policy for accounting of financial support described in Note 18 the Company made adjustments to the long-term and short-term "Deferred income" items of the balance sheet. The total amount to be repaid to the Investment and Development Agency of Latvia as at 31.12.2020 was EUR 320,648, as a result of which adjustments have been made by increasing the balance sheet item "Deferred income" by EUR 100,658, which is the difference between the total amount of EUR 124,093 attributed to revenue in previous reporting periods, less EUR 23,435 repaid to the Investment and Development Agency of Latvia by 31 December 2020.

\*\* In 2013 and 2014, the Company received financing from SIA "Vides investīciju fonds" for the creation of fixed assets of EUR 479,807: agreement No.KPFI-15.2/236 "Implementation of energy efficiency measures in production facilities". The fixed assets were commissioned in 2014. The received funding will gradually be transferred to the revenue in the profit and loss statement over the residual useful life of the fixed assets. In the reporting year, EUR 18,366 was attributed to revenue.

The long-term amount exceeding five years after the balance sheet date is EUR 247,638.

### 57)

#### Unpaid dividends

The Company's debt to shareholders for unpaid dividends amounting to EUR 11,746 was created in 2013. The non-payment of dividends is due to the fact that some shareholders have not yet denominated their shares and the shares are on the initial register of depositaries, as well as dividends to liquidated shareholders of shares of private offering are unpaid.

### 58)

#### Accrued liabilities

	31.12.2020 EUR	31.12.2019 EUR
For services	51 905	59 889
Accrued unused vacation expenses	56 981	105 380
	<b>108 886</b>	<b>165 269</b>

## Notes to the financial statement

### 59)

#### Going concern basis and events after the end of the reporting year

The amount of the Company's equity as of 31 December 2020 is positive in the amount of EUR 1,531,019. The Company's operating result for 2020 was a net loss of EUR 9,886,447 and as at 31 December 2020, short-term liabilities exceed current assets by EUR 486,275. The most significant short-term liability items are liabilities for taxes and state social insurance contributions, as well as advances received, amounting to total liabilities of EUR 1,016,481.

In 2021 and until the approval of the annual report, the restrictions related to the spread of coronavirus are still in force in the Republic of Latvia and many other countries, which significantly slows down the economic development in the country and in the world, therefore, the economic development is still uncertain and this had a significant and unfavourable impact on the Company's economic activity.

Many precautionary and safety measures were taken to limit the spread of Covid-19, and similar precautionary and safety measures were imposed in other countries, as a result of which the Company received from ship owners refusals to carry out previously announced ship repairs. It was also difficult to supply the materials and spare parts needed for the repairs, as well as to attract foreign specialists, as a result of which the Company did not earn the previously planned income.

The above situation has had a very direct impact not only on the Company's future operations, but also on the implementation of LPP. On 16 August 2019, Riga City Vidzeme Suburb Court approved the plan of measures for the Company's legal protection proceedings and announced the Company's legal protection proceedings, setting the term for the implementation of this process at two years. Since the approval of the plan of measures of legal protection proceedings until the preparation of the annual report, there have been several amendments to the plan of measures of legal protection proceedings, the last of which was approved on 17 September 2021, reducing the total amount of creditors' liabilities by ten percent and setting a period of five years for the implementation of these proceedings counting from 16 August 2019.

The Company confirms that the amendments to the LPP plan of measures prepared by it and approved by the court will make it possible for it to maintain its current business profile and indicates that the financial obligations towards both secured creditors and unsecured creditors will be fulfilled within sixty months from the approval of the LPP plan of measures, i.e. by 2024.

In 2021 and until the preparation of the annual report, the Company has been able to fulfil its obligations in accordance with the LPP plan of measures. The future operation of the Company depends on the Company's ability to implement the legal protection plan, as well as to settle the liabilities to its creditors within the set term, observing all conditions of the plan. The Company forecasts that in the near future, as the restrictions imposed due to Covid-19 in Latvia and in the world reduce, it will be able to improve its economic performance and financial results within approximately 12 months. The Company continues to take measures in the field of process efficiency and cost optimisation, at the same time looking for solutions to expand the Company's operations, as a result of which the Company's forecasts and operating financial results are planned with a profit.

Although the Company has clear prospects for resuming operations, it is already known that it will take time to optimise staffing, restore the flow of current assets, diversify production and raise investment.

This conclusion is based on the information available at the moment of signing this financial statement and the impact of further events on future operations of the Company may differ from the management's evaluation.

On the initiative of the private shareholder, on 26 October 2021, the Financial and Capital Market Commission (Decision No. 139) authorised to make a mandatory share repurchase offer. Within the framework of the mandatory share repurchase offer, one private person repurchased 42,036 shares of the Company or 0.3601% of the total number of voting shares of the Company, as a result of which one private shareholder acquired 50.2157% both as indirect (as the shareholder of AS "Remars-Rīga") and direct ownership of the total number of voting shares of the Company. The Board of the Company considers that the share repurchase offer complied with the provisions of the Financial Instrument Market Law. Considering that the issuer of the share repurchase offer intends to continue the current activity of the Company and no change in the type of its activity is planned, the Board of the Company evaluates the share repurchase offer positively and accordingly it will continue the economic activity in the current field.

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## Notes to the financial statement

It is also planned to continue the employment relationship with the existing employees of the Company in accordance with the employment contracts concluded with them, as well as no change of the Company's location is planned.

Member of the Board \_\_\_\_\_ Einārs Buks

Member of the Board \_\_\_\_\_ Deniss Parfens

Annual report prepared by  
Chief accountant \_\_\_\_\_ Elīna Treija

14 March 2022

## Independent auditors' report

### To the shareholders of the Joint Stock Company "Rīgas kuģu būvētava"

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#### Our opinion with reservations on the financial statements

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We have performed audit of AS "Rīgas kuģu būvētava", reg. No. 40003045892, the Company, financial statements included in the attached annual report from page 11 to 38. The attached financial statements include:

- the balance sheet as of 31 December 2020,
- the profit or loss statement for the year that ended on 31 December 2020,
- the statement of changes in equity for the year ended 31 December 2020,
- the cash flow statement for the year that ended on 31 December 2020, as well as
- the notes to the financial statements, which includes a summary of significant accounting principles and other explanatory information.

In our opinion, except for the impact of circumstances described in the substantiation paragraphs of the opinion with reservations, the attached financial statements provide a clear and true perception of Riga AS "Rīgas kuģu būvētava" financial position as of 31 December 2020 and of the financial results of its activities and the cash flow in the year that ended on 31 December 2020 in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia (Law on the Annual Financial Statements and Consolidated Financial Statements).

#### ***Substantiation for the opinion with reservations***

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1. As at 31 December 2020, the Company showed the item "Fixed assets" in the amount of EUR 7,407 thousand (as at 31 December 2019 in the amount of EUR 15,197 thousand). When preparing the financial statement for 2020, the Company performed an impairment assessment of fixed assets and showed fixed assets at fair value. As mentioned in Note 38 to the financial statement, as of 31 December 2020, the Company recognises fixed assets at revalued amounts, at the same time recognising asset impairment losses of EUR 6,896 thousand, which are included in the profit and loss statement for 2020 in full. However, when preparing the financial statement for 2019, the Company's management did not conduct a fixed assets value impairment verification, which is inconsistent with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* and did not recognise a possible adjustment for impairment. Signs of impairment of these fixed assets have existed since 2018, on which we issued an opinion with reservations as at 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. According to the *Law on the Annual Financial Statements and Consolidated Financial Statements* of the Republic of Latvia, fixed assets are measured at cost or revalued amount, less annual depreciation, and impairment losses, if the impairment is expected to be lasting. Taking into account the circumstances specified in this paragraph, we were unable to determine the value of the total loss from the impairment of fixed assets recognised in 2020 in the amount of EUR 6,896 thousand, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.

2. As at 31 December 2020 and 2019, the Company showed the item “*Ownership interest in affiliates*” in the amount of EUR 0. As described in Note 40 to the financial statement, when preparing the financial statement for 2019 for the year ended 31 December 2019, the Company recognised an impairment loss on the full investment in ownership in the amount of EUR 5,005.5 thousand, including an investment as at 31 December 2018 of EUR 3,630.6 thousand, including the adjustment in the profit or loss statement for 2019. Estimates for the adjustment of impairment of ownership in the periods before 2019 were not made. Signs of impairment of investments in ownership have existed since 2017, therefore the previous auditors’ reports on the financial statements for 2018 and 2017 had a reservation to this circumstance. In accordance with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* regarding the inspection of the decrease of the value of assets, if such indications exist at the reporting date, the management should estimate the recoverable value of the assets and recognise the loss from the decrease of the value, if any. If the Company had acted in accordance with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* and if the decrease in the value of the investment asset had been recognised in the period when it occurred, the loss for 2019 would have been EUR 3,630.6 thousand smaller and retained earnings on 31 December 2018 would decrease by the same amount.
3. As at 31 December 2020, the Company showed the item “*Inventories*” in the amount of EUR 199 thousand (as at 31 December 2019 in the amount of EUR 1,024 thousand). As mentioned in Note 44 to the financial statement, when preparing the financial statements for 2020, the Company assessed the impairment of inventories and showed the inventories at net realisable value, recognising the impairment loss in full in the amount of EUR 676.8 thousand in the profit and loss statement for 2020. When preparing the financial statement for 2019, the Company’s management did not conduct an inventories value impairment verification, which is inconsistent with the requirements of the *Law on the Annual Financial Statements and Consolidated Financial Statements* and did not recognise a possible adjustment for impairment. Signs of impairment of these inventories have existed since 2018, on which we issued an opinion with reservations as of 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. In accordance with the *Law on the Annual Financial Statements and Consolidated Financial Statements* of the Republic of Latvia, an inventory item is initially recognised in the financial statements at cost and the balances of inventories are adjusted in accordance with their net realisable value at the balance sheet date, recognising loss from the impairment of inventories in the profit and loss statement. Taking into account the circumstances specified in this paragraph, we were unable to determine the value of the total loss from the impairment of inventories recognised in 2020 in the amount of EUR 676.8, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.
4. As at 31 December 2020, the Company showed items “*Trade receivables*” in the amount of EUR 419.6 thousand (on 31 December 2019 EUR 509 thousand) and “*Other receivables*” in the amount of EUR 515.7 thousand (on 31 December 2019 in the amount of EUR 1,322 thousand). When preparing the financial statement for 2020, the Company created provisions for doubtful recoverable receivables in the amount of EUR 969.8 thousand and recognised bad debts in the amount of EUR 4 thousand, recognising the loss for the reporting period from the impairment of receivables in full in the profit and loss statement for 2020 in the amount of EUR 973.9 thousand. As mentioned in Notes 45 and 46 to the financial statement, in accordance with the *Law on the Annual Financial Statements and Consolidated Financial Statements* of the Republic of Latvia, the Company recognises the receivables item in its financial statements at net value, deducting from the carrying amount of these receivables the balance of created provisions for doubtful debts or

including bad debts into losses. When preparing the financial statement for 2019, the Company did not recognise loss from long-term outstanding *Trade receivables* in the amount of EUR 92 thousand and *Other receivables* in the amount of EUR 881.9, which is contrary to the requirements of the *Law On the Annual Financial Statements and Consolidated Financial Statements*, on which we issued an opinion with reservation as at 31 December 2019 in this regard.

If the Company had acted in accordance with the requirements of the *Law On the Annual Financial Statements and Consolidated Financial Statements* and created provisions for doubtful debts during the period in which their recoverability was in doubt, the carrying amount of *Trade receivables* as at 31 December 2019 would have decreased by EUR 92 thousand, the carrying amount of *Other receivables* as at 31 December 2019 would have decreased by EUR 881.9 thousand, the profit for 2019 and the equity as at 31 December 2019 would have decreased by EUR 973.9 thousand, while the losses in 2020 would decrease by the same amount.

In accordance with the Law on Audit Services of the Republic of Latvia (the Law on Audit Services), we conducted our audit in accordance with the International Standards on Auditing (hereinafter referred to as ISA) recognized in the Republic of Latvia. Our responsibilities under these standards are described in our report section *Auditor's responsibility for auditing the financial statements*.

We hold a view that the audit evidence acquired by us provides a sufficient and appropriate substantiation for our opinion with reservations.

### ***Independence***

We are independent of the Company in accordance with the requirements of the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (including International Independence Standard) and the independence requirements included in the Law on Auditing Services applicable to our audit of the financial statement in the Republic of Latvia. We have observed all other principles of professional ethics and objectivity requirements set out in the Code of Ethics for Professional Accountants (including International Independence Standard).

In the period from 1 January 2020 to 31 December 2020, we have not provided the Company any services not related to auditing.

### ***Significant uncertainty regarding the Company's ability to continue activities***

We draw attention to Note 59 to the financial statement, which describes that in the year that ended on 31 December 2020, the Company's operating result was a net loss of EUR 9,886,447 and its short-term liabilities exceed current of assets by EUR 486,275. On 16 August 2019, the Riga City Vidzeme Suburb Court approved the plan of measures for the Company's legal protection proceedings and announced the Company's legal protection proceedings, setting the term for the implementation of this process at two years. Since the approval of the plan of measures of legal protection proceedings until the preparation of the annual report, there have been several amendments to the plan of measures of legal protection proceedings, the last of which was approved on 17 September 2021, reducing the total amount of creditors' liabilities by ten percent and setting a period of five years for the implementation of these proceedings counting from 16 August 2019. The future operation of the Company depends on the Company's ability to implement the legal protection plan, as well as to settle the liabilities to its creditors within the set term, observing all conditions of the plan. As described in Note 59 to this financial statement, these circumstances, together with other circumstances described in Note 59,

indicate that there is significant uncertainty that could cast significant doubts on the Company's ability to continue operation in future. We do not express any further reservation to this circumstance.

## Our audit approach

### Materiality

Total amount of materiality	182 thou. euro
Substantiation for determining materiality	<p>The total materiality corresponds to approx. 1% of the assets of 2020.</p> <p>We selected assets as a criterion for determining materiality because:</p> <ul style="list-style-type: none"> <li>○ in 2020, the Company no longer earned significant revenues from its principal activities – ship building and repair services,</li> <li>○ the Company's assets as of 31 December 2020 significantly exceeded the net turnover of 2020,</li> <li>○ the Company's opinion on the financial statements for the year that ended on 31 December 2019 had reservations, mainly due to possible material errors in the valuation of assets at the balance sheet date.</li> </ul>

In planning our audit procedures, we determined the materiality level and assessed the risks of material misstatement of the financial statements. In particular, we assessed whether the management has made subjective assumptions, for example, in respect of significant accounting estimates that include assumptions and uncertainties in respect of future events. As with our other audits, we assessed the risk of breaches of the management's internal controls, including whether there is evidence of partiality that indicates a significant risk of non-compliance due to fraud.

The scope of the audit depends on the application of materiality. Audit is planned for the purpose of obtaining reasonable assurance that the financial statements do not contain material misstatements. Discrepancies may result from fraud or error. They are considered material if, individually or in the aggregate, they could influence the economic decisions of the users based on the financial statements.

Based on our professional judgement, we determined certain materiality thresholds, including the total amount of materiality applicable to the financial statements as a whole, as described above. These, together with qualitative considerations, helped us determine the scope of the audit and the type, timing and extent of the audit procedures, as well as to assess both the individual and aggregate inconsistencies in the financial statements as a whole.

In view of the fact that in accordance with the shareholders' decisions of 26 April 2017 and 31 December 2019, the functions of the Company's Audit Committee were delegated to the Company's Council, which did not actually perform the tasks assigned to it, we agreed with the Company's Board that we would inform it about the irregularities established in the course of the audit exceeding 9 thousand euro, as well as about minor irregularities, if, in our opinion, they should be reported for qualitative reasons.

**Key audit matters**

The key audit matters are those that, based on our professional judgement, were most significant in the audit of the financial statements for the reporting period. These matters were considered in the context of the audit of the financial statements as a whole, as well as weighed as a whole in the preparation of the opinion with reservations on these financial statements, so we do not express a separate opinion on these matters.

In addition to the issues described in the section *Substantiation for the opinion with reservations* and section *Significant uncertainty regarding the Company's ability to continue activity*, we have identified the following matters as key audit matters, information on which must be provided in our opinion.

<b>Key audit matters</b>	<b>What audit procedures did we perform in respect of the key audit matter?</b>
<b>Valuation of fixed assets</b>	
<p>As indicated in Note 38, the balance sheet value of the Company's "Fixed assets" item as of 31 December 2020 is EUR 7,407 thousand (as at 31 December 2019 EUR 15,196.7 thousand).</p> <p>The balance sheet value of fixed assets depends on significant estimates, which are the management assumptions it applies in valuation of the balance sheet items, to give a true and fair view in respect of the determination of the expected recoverable amount of fixed assets.</p> <p>The management is obliged to determine the expected recoverable amount of the mentioned assets. Depending on the type of asset, different valuation methods are used – the comparative transaction method, the income method or the discounted cash flow method.</p> <p>When preparing the financial statement for 2019, the management did not assess the signs that may indicate a decrease in the potential value of fixed assets in its balance sheet, although signs of impairment of these fixed assets have existed since 2018, on which we issued an opinion with reservations as of 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. In addition, the circumstance that the</p>	<p>We interviewed the Company's management:</p> <ul style="list-style-type: none"> <li>○ about its plans for the future development of the Company and its intentions to use the movable and immovable property at its disposal, as well as any other circumstances, including the management's ability to implement the LPP plan, which is essential for the assessment of indicators of decrease of the value of assets.</li> <li>○ about the experts selected and engaged, who performed the assessment of fixed assets at fair value.</li> <li>○ about the policy for recognising impairment losses and the policy of reflection of adjustments in the financial statement.</li> </ul> <p>We discussed the high risks identified in the audit team related to the assessment of fixed assets at recoverable amounts and identified key risk-mitigating audit procedures that require obtaining the sufficient and appropriate audit evidence for a substantiated judgement of the auditor:</p> <ul style="list-style-type: none"> <li>○ to obtain an expert assessment of the fair values of fixed assets and to evaluate the assumptions and factors used by them;</li> </ul>

<p>Company's legal protection proceedings (LPP) were initiated on 16 August 2019 should be taken into account.</p> <p>When preparing the annual report for 2020, the Company's management assessed the signs of impairment of fixed assets and performed procedures for assessing the value of fixed assets. As a result, significant impairment losses of EUR 6,896 thousand were recognised in the reporting year by including them in the profit and loss statement for 2020.</p> <p>Given the overall significance of the value of the Company's fixed assets in the financial statements, the value of the Company's fixed assets as of the balance sheet date is considered a key audit matter.</p>	<ul style="list-style-type: none"> <li>○ to obtain the management's impairment calculations based on the assessment of the fair values of assets by the experts, to verify the validity of the calculations made and to reflect the identified impairment adjustment in the financial statements.</li> </ul> <p>We evaluated the effect of the impairment of fixed assets recognised in the financial statements on prior periods and their appropriate recognition in the financial statements.</p> <p>As indicated in section <i>Substantiation for the opinion with reservations</i>:</p> <p>The Company recognised all assets impairment losses in the profit and loss statement for 2020, without considering the effect of these losses on previous reporting periods. Signs of impairment already existed in 2018, on which other auditors had issued a reservation regarding this circumstance. Our opinion is qualified with respect to the opening balances of the financial statements for 2020 as at 31 December 2019, as we were unable to determine the value of the total impairment losses recognised in 2020 for fixed assets in the amount of EUR 6,896 thousand, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.</p>
<p><b>Assessment of inventories</b></p>	
<p>As indicated in Note 44, the Company showed raw materials and materials in the "Inventories" as of December 2020 in the amount of EUR 199 thousand (as at 31 December 2019 in the amount of EUR 1,024 thousand).</p> <p>A significant management judgement is necessary in determining the balance sheet value of inventories and the corresponding provisions for decrease of the value.</p> <p>When preparing the annual report for 2020, the Company's management assessed the signs of impairment of inventories and performed procedures for estimating the net realisable value of the inventories. As a result, significant inventories impairment losses of</p>	<p>We interviewed the Company's management:</p> <ul style="list-style-type: none"> <li>○ about its plans for the future development of the Company and its intentions to use the movable property at its disposal, as well as any other circumstances, including the management's ability to implement the LPP plan, which is essential for the assessment of indicators of decrease of the value of assets.</li> <li>○ about the experts selected and engaged, who performed the assessment of inventories at their net realisable values.</li> <li>○ about the policy for recognising inventories impairment losses and the</li> </ul>

EUR 676.8 thousand were recognised in the reporting year by including them in the profit and loss statement for 2020.

Given the overall significance of the value of the Company's inventories in the financial statements, as well as the management judgement necessary to assess inventories, presenting the Company's inventories in the balance sheet at the lowest of cost or net realisable values and the reflection of value impairment adjustments in the financial statement, are considered a key audit matter.

policy of reflection of adjustments in the financial statement.

We agreed to audit the Company's financial statements for 2020 by concluding an audit agreement only in July 2021 and therefore we did not participate in the inventory of raw materials and consumables included in the composition of inventories as of 31 December 2020, the balance sheet value of which on this date was EUR 199 thousand.

We discussed the high risks identified in the audit team related to the assessment of inventories at net realisable values and identified key risk-mitigating audit procedures that require obtaining the sufficient and appropriate audit evidence for a substantiated judgement of the auditor:

- to obtain an expert assessment of the net realisable values of inventories and to evaluate the assumptions and factors used by them;
- to obtain the management's calculations of impairment of the net realisable value of inventories based on the assessment of the fair values of assets by the experts, to verify the validity of the calculations made and to reflect the identified impairment adjustment in the financial statements.

We:

- analysed the movement of all inventories during the reporting period and the post-balance sheet period and identified slow-moving inventories that have not been moving for more than a year;
- we evaluated the effect of the impairment of inventories recognised in the financial statements on prior periods and their appropriate recognition in the financial statements.

As indicated in section *Substantiation for the opinion with reservations*

The Company recognised all inventories impairment losses in the profit and loss statement for 2020, without considering the effect of these losses on previous reporting periods.

	<p>The signs of impairment have existed since 2018, on which we issued an opinion with reservations as of 31 December 2019 and other auditors had issued an opinion as of 31 December 2018 regarding this circumstance. Our opinion is qualified with respect to the opening balances of the financial statements for 2020 as at 31 December 2019, as we were unable to determine the value of the total impairment losses recognised in 2020 for inventories in the amount of EUR 676.8 thousand, which would be attributable to the operating results for 2020, 2019 and retained earnings for the periods prior to 2019.</p>
<p><b>Provisions for doubtful receivables</b></p>	
<p>As indicated in Notes 45 and 46, as at 31 December 2020, the balance sheet value of the Company's items "Trade receivables" is EUR 419.5 thousand (as at 31 December 2019 is EUR 509 thousand) and the balance sheet value of "Other receivables" is EUR 515.7 thousand (as at 31 December 2019 is EUR 1,321.9 thousand).</p> <p>The recoverable amount of receivables reflected in the financial statements depends on various assumptions that are subject to significant management judgment and estimates, as well as on the Company's debt collection activities.</p> <p>Receivables are valued individually, assessing each receivable separately and taking into account different sources of information.</p> <p>When preparing the annual report for 2020, the Company's management assessed the recoverable amounts of receivables and established provisions for doubtful recoverable receivables or recognised losses on bad debts. As a result, significant receivables impairment losses of EUR 973.9 thousand were recognised in the reporting year by including them in the profit and loss statement for 2020.</p> <p>Given the overall significance of balances of the Company's receivables in the financial statements, as well as the management judgement necessary to assess the mentioned assets and related provisions for doubtful</p>	<p>We conducted discussions with the Company's management and assessed the management's competence, ability, and objectivity in respect of making judgements regarding the customers' financial position and their ability to repay debts.</p> <p>We:</p> <ul style="list-style-type: none"> <li>○ evaluated the internal and external sources of information used in the assessment, including their accuracy, completeness and timeliness;</li> <li>○ analysed the movement of all receivables during the reporting period and the post-balance sheet period and identified those receivables that are overdue for a long time;</li> <li>○ compared the amount of the Company's provisions for doubtful receivables and recognised losses from bad debts with our estimate;</li> <li>○ we evaluated the effect of the impairment of receivables recognised in the financial statements on prior periods and their appropriate recognition in the financial statements.</li> </ul> <p>As indicated in section <i>Substantiation for the opinion with reservations</i>: The Company recognised all adjustments from impairment of receivables in the profit and loss statement for 2020, without attributing the effect of these losses to the operating result of 2019.</p>

<p>debts, the assessment of the recoverable value of the Company's receivables and the reflection of value impairment adjustments in the financial statement are considered a key audit matter.</p>	<p>Our opinion is qualified with respect to the opening balances of the financial statement for 2020 as at 31 December 2019. If the Company had established provisions for doubtful debts during the period in which their recoverability was in doubt, the carrying amount of <i>Trade receivables</i> as at 31 December 2019 would have decreased by EUR 92 thousand, the carrying amount of <i>Other receivables</i> as at 31 December 2019 would have decreased by EUR 881.9 thousand, the profit for 2019 and the equity as at 31 December 2019 would have decreased by EUR 973.9 thousand, while the losses in 2020 would decrease by the same amount.</p>
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### **Reporting of other information**

Other information is the responsibility of the Company's management. Other information is formed by:

- the information about the Company provided in the accompanying annual report on page 3,
- the management report included in the accompanying annual report on pages 4 to 8,
- the statement of management responsibility provided in the attached annual report on page 9,
- the statement of corporate governance provided in the attached annual report on page 10,
- the remuneration report prepared and approved as a separate report by the Company's management on 7 March 2022 and available on the Company's website as of the date of the audit report [www.riga-shipyard.com](http://www.riga-shipyard.com).

Our opinion on the financial statements does not relate to other information contained in the annual report and we do not provide any assurance other than as stated in our report's section *Other reporting requirements applicable to other information in accordance with the requirements of the legal enactments of the Republic of Latvia*.

In connection with the audit of the financial statements, we are obliged to acquaint ourselves with other information and, in doing so, to assess whether that other information differs materially from the information in the financial statements, or our knowledge obtained during the audit and whether it contains any other material inconsistencies.

If, based on the performed work and taking into account the information and the understanding of the Company and its operating environment obtained during the audit, we conclude that there are significant inconsistencies in other information, we are obliged to report such circumstances. We have not encountered any circumstances that should be notified except for the circumstances that are described in the paragraphs *Substantiation of the Opinion with Reservations*.

### **Other information is subject to other reporting requirements in accordance with the requirements of the legal enactments of the Republic of Latvia**

Furthermore, in accordance with the Law on Auditing Services our responsibility is to provide an opinion whether the Management report has been prepared according to the requirements

of the regulatory enactment regulating its preparation, the Law on the Annual Financial Statements and Consolidated Financial Statements.

Based solely on our audit procedures, we believe that:

- The information provided in the management report for the financial year for which the financial statements have been prepared is consistent with the financial statements, and
- The management report has been prepared in accordance with the requirements of the Law on the Annual Financial Statements and Consolidated Financial Statements.

In accordance with the Law on Audit Services of the Republic of Latvia, we are also obliged to provide an opinion on whether the statement on corporate governance provides information in accordance with the requirements of Sec. 56<sup>1</sup> part one Clause 3, 4, 6, 8 and 9, as well as Sec. 56<sup>2</sup> part two Clause 5 of the Financial Instrument Market Law, and whether it includes information provided for by Sec. 56<sup>2</sup> part two Clause 1, 2, 3, 4, 7 and 8 of this Law.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia, with regard to the remuneration report, we are required to provide an opinion on whether the remuneration report contains the information referred to in Section 59.4 of the Financial Instrument Market Law and whether the remuneration report contains material inconsistencies.

In our opinion, in all material respects:

- the corporate governance report provides information in accordance with the requirements of Sec. 56.1 part one Clause 3, 4, 6, 8 and 9, as well as Sec. 56.2 part two Clause 5 of the Financial Instrument Market Law, and includes information provided for by Sec. 56.2 part two Clause 1, 2, 3, 4, 7 and 8 of this Law, and
- The remuneration report prepared and approved by the Company's management as a separate report on 7 March 2022, which is available on the Company's website [www.riga-shipyard.com](http://www.riga-shipyard.com) as of the date of the audit report includes the information referred to in Section 59.4 of the Financial Instrument Market Law and no significant inconsistencies have been identified in the remuneration report in relation to the financial information specified in the annual report.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia, we are obliged to provide information in the auditors' report on whether the Company has prepared a non-financial statement and whether the non-financial statement is included in the management report or prepared as a separate part of the annual report.

The Company has not prepared a non-financial statement that includes information on non-financial indicators characteristic of the respective sector, as well as information on the impact of environmental protection requirements and information on employees or other information.

### ***Responsibility of the management and the persons charged with supervision of the Company for the financial statements***

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The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on Annual Financial Statements and Consolidated Financial Statements, as well as for maintaining the internal control system that, in the opinion of management, is necessary to prepare the financial statements. which do not contain material irregularities due to fraud or error.

In preparing the financial statements, the management is obliged to evaluate the Company's ability to continue activities, providing the necessary information about the circumstances related to the Company's ability to continue activity and to apply the activity continuation

principle, unless management plans to liquidate or terminate the Company or it has other real alternatives, except for liquidation or termination of the Company.

The persons charged with supervision of the Company are responsible for supervision of the process of preparation of the Company's financial statements.

### ***Auditor's responsibility for auditing the financial statements***

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Our objective is to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and to provide an audit report. Sufficient assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with the ISA will always reveal a material misstatement, if any. Discrepancies may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

When conducting an audit in accordance with ISA, we make professional judgements and maintain professional scepticism throughout the audit process. We also:

- identify and evaluate any risks that a financial statement may contain material misstatement whether due to fraud or error, develop and conduct auditing procedures to mitigate these risks, as well as obtain audit evidence providing sufficient and appropriate basis for our opinion. The risk of non-detection of material misstatements due to fraud is higher than the risk of non-detection of non-compliance due to error, as fraud may involve collusion, forgery of documents, intentional misrepresentation, misrepresentation or breaches of internal control;
- gain an understanding of internal control that is relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not to provide an opinion on the effectiveness of the Company's internal control;
- evaluate the compliance of the applied accounting policies and the validity of the accounting estimates and information provided by the relevant management;
- conclude that the activity continuation principle has been applied and, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that may cast significant doubt on the Company's ability to continue activities. If we conclude that there is material uncertainty, the auditors' report highlights the information provided in the financial statement on these conditions, or, if no such information is provided, we provide a modified report. Our conclusions are based on audit evidence obtained up to the date of the auditors' report. However, due to future events or circumstances, the Company may cease its operations;
- evaluate the overall structure and content of the financial statements, including the disclosures and explanations in the notes, and whether the financial statements present fairly the transactions and events underlying the financial statements.

We communicate the persons charged with supervision of the Company and provide, among other things, information about the planned scope and timing of the audit, as well as significant audit observations, including significant internal control deficiencies that we identify during the audit.

We declare to the persons charged with supervision of the Company that we have complied with the binding ethical requirements regarding independence and impartiality, including information about all relationships and other circumstances that could reasonably be considered as able to affect our independence, and if necessary, also on safety measures to limit such effects.

Of all matters that we have reported to the persons charged with supervision of the Company, we identify those matters that we consider to be the most significant for the audit of the financial statements of the reporting period and which are therefore considered to be the main audit issues. We set out these matters in the auditors' report, unless the law prohibits the disclosure of such information, and except in the very rare case where we believe that the matter should not be included in our report because it is reasonably expected that the public interest benefit from publishing such information would not outweigh the negative consequences in result of its disclosure.

***Other statements and confirmations to be included in the auditors' report in accordance with the requirements of the regulatory enactments of the Republic of Latvia and the European Union when providing audit services to the Companies that are public interest entities***

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On 28 December 2020, the persons charged with the management of the Company appointed us to audit the financial statements of AS "Rīgas kuģu būvētava" for the year that ended on 31 December 2020. The total uninterrupted term of provision of our audit tasks is one year and includes reporting periods starting with the year that ended on 31 December 2020.

We confirm that:

- our auditors' opinion is in line with the additional report submitted to the Company's Council;
- as specified in Sec. 37.6 of the Law on Audit Service of the Republic of Latvia we have not provided the Company with the prohibited services not related to audit (NRP) mentioned in Art. 5(1) of the Regulation (EU) No. 537/2014. Performing the audit, we also maintained our independence from the audited company.

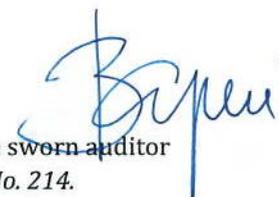
The sworn auditor responsible for the audit project, as a result of which this independent auditors' report is provided, is Baiba Apine.

*Commercial Company of Sworn Auditors  
Sandra Dzerele un Partneris LLC  
License No. 38.*

Sandra Dzerele  
Chairperson of the Board



Baiba Apine  
Responsible sworn auditor  
Certificate No. 214.



Riga, Latvia, 14 march 2022