

***AS Rīgas kuģu būvētava  
Interim Periods Report  
for the period: 01.01.2020-30.06.2020***

***Rīga, 2021***

## *Content*

	Page
Information about the company	3
Management Report	4
Statement on Management Liability	6
Profit or Loss Statement	7
Balance Sheet	8
Statement of Changes in Equity	10
Cash Flow Statement	11
Annexes	12

### Information about the company

Name of the company	AS Rīgas kuģu būvētava
Legal status of the company	Joint Stock Company
Number, venue and date of registration	40003045892, 5 December 1991, Companies register, Riga
Registered with the Commercial Register	26 August 2004, Riga
Address	Gāles iela 2, Rīga, LV-1015
Main types of operations of the company	Building of ships and floating structures, NACE2 30.11
Board	
Chairman of the Board	Einārs Buks, holding the position from 18.08.2017 right of representation jointly with one Member of the Board from 10.01.2020 holding the position of Member of the Board
Board Member	Jekaterina Meļņika, holding the position from 13.04.2016 till 08.05.2020 right of representation jointly with one Member of the Board
Member of the Board	Ainārs Tropiņš, holding the position from 18.08.2017 till 19.05.2020 right of representation jointly with one Member of the Board
Council	
As from 26.05.2014	
Chairman of the Council	Vasilijs Meļņiks
Deputy Chairman of the Council	Aleksandrs Čerņavskis
As from 05.06.2009	
Member of the Council	Gaidis Andrejs Zeibots
Reporting period:	1 January - 30 June 2019

***AS Rīgas kuģu būvētava  
Management Report  
To Interim Period Report 2020***

***About the company***

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

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

**Operational financial results and the financial condition**

AS Rīgas kuģu būvētava concluded 6 months 2020 with a negative result of loss of EUR 246 802, which had decreased by approximately 60% in comparison to 6 months 2019. In 6 months 2020 the net turnover amounted to EUR 641 028, which has decreased by EUR 473 851 or 283 % in comparison to 6 month 2019. On 16 August 2019 Riga City Vidzeme District Court approved the Plan of LPP measures of the Company by defining the implementation term of the Company LPP equal to two years starting from 16 August 2019. The plan of measures of the LPP as prepared and submitted to the court by the Company allows maintaining of the current profile of operations, in particular, ship repair, at the same time developing also new types of business activity in order to use the infrastructure of the Company as efficiently as possible.

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

The implementation of the plan of measures of the LPP has been successful since the approval of the LPP plan until now, i.e. for more than a year. During this time period the Company has been carrying out its core operations by resuming the provision of the ship repair services to its customers and continuing the lease of its movable properties and real estate, as well as by performing the measures related to the annual survey of the berths and floating docks, repairs of berths and floating docks, the tidying works of its leased territory and improvement of the infrastructure owned by it. The Company management has implemented major measures for attaining its goals, in particular, attraction of new customers, efficient use of the labour and material resources, improvement of work efficiency. Following the end of the fiscal year, in March 2020 restrictions related to the spread of the Corona virus have been imposed both in the Republic of Latvia and other countries, deterring the economic development on the national and global scale, and this has had direct, major and negative impact on the economic operations of the Company in 2020. For the purpose of restricting the spread of Covid-19 cases, many precaution and safety measures were imposed, moreover, similar precautionary and safety measures were also provided in other countries resulting in the Company receiving refusals of performance of previously booked ship repairs from ship owners companies Also the delivery of materials and spares needed for performing the repairs and involvement of foreign experts was difficult, resulting in the Company not obtaining the previously scheduled revenue. The above described situation has not only affected the further business operations of the Company, but also the implementation of the LPP,

resulting in preparation of the amendments to the Plan of Measures of the LPP by the Company in April 2020. On 15 May 2020 Riga City Vidzeme District Court approved the amendments to the plan of measures of the LPP of the Company by setting the term of implementation of the LPP of the Company four years as from 16 August 2019. The Company attests that the amendments to the plan of measures of the LPP prepared by it and approved by the court will allow maintaining the current profile of operations and indicate that the financial liabilities to secured creditors will be satisfied within sixteen months, to unsecured creditors within forty eight months as from the moment of approval of the plan of measures of the LPP. The further operation of the Company depends on the ability of the Company to implement the legal protection plan and to settle liabilities to its creditors within the defined terms by complying with all the conditions of the plan.

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

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

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

**Research and  
development measures**

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

Board Member \_\_\_\_\_

Einārs Buks

22 January 2021

### ***Statement on Management Liability***

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

The management confirms that appropriate accounting methods were used and applied consistently, and reasonable and prudent decisions have been taken in preparing this statement for the period ending on 30 June 2020. The management hereby confirms that the relevant regulating accounting principles have been complied with and that the financial statements have been prepared on a going concern basis.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Board Member \_\_\_\_\_

Einārs Buks

22 January 2021

	<b>6 months 2020 Eur</b>	<b>6 months 2019 Eur</b>
Net turnover	641 028	167 177
Production costs of sold products, purchase costs of sold goods or provided services	(1 044 385)	(985 959)
<b>Gross profit or loss</b>	<b>(405 357)</b>	<b>(818 782)</b>
Administration costs	(267 347)	(297 303)
Other revenue of economic operations	440 648	435 088
Other costs of economic operations	(12 557)	(331 132)
Other interest income and similar revenue	<b>4 350</b>	-
<i>from other entities</i>	4 350	-
Interest payments and similar costs	<b>(8 539)</b>	<b>(68 008)</b>
<i>to other entities</i>	(8 539)	(68 008)
<b>Profit or loss before the corporate income tax</b>	<b>(246 802)</b>	<b>(1 080 137)</b>
Corporate income tax for the report year	-	-
<b>Report year profit or loss</b>	<b>(246 802)</b>	<b>(1 080 137)</b>

*Annexes from page 12 to page 29 are an integral part of these financial statements.*

Board Member \_\_\_\_\_ Einārs Buks

Accountant \_\_\_\_\_ Aleksandrs Kočkins

22 January 2021

**Balance Sheets**

**ASSETS**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
<b>Long-term investment</b>		
<b><i>I Intangible investments</i></b>		
Concessions, licences, patents, trademarks and similar rights	-	-
<b><i>Total intangible investment</i></b>	<b>-</b>	<b>-</b>
<b><i>II Fixed assets</i></b>		
Real estate		
<i>land plots, buildings and engineering constructions</i>	7 930 474	8 023 050
Technological equipment and machinery	6 646 616	6 858 751
Other fixed assets and inventory	279 664	314 923
<b><i>Total fixed assets</i></b>	<b>14 856 734</b>	<b>15 196 724</b>
<b><i>III Long-term financial investment</i></b>		
Other securities and investment	235	235
Other loans and other long-term debtors	323 267	128 783
<b><i>Total long-term financial investment</i></b>	<b>323 502</b>	<b>129 018</b>
<b><i>Total long-term investment</i></b>	<b>15 180 235</b>	<b>15 325 742</b>
<b>Current assets</b>		
<b><i>I Inventories</i></b>		
Raw materials, core materials and auxiliary materials	1 022 437	1 023 673
Advance payments for reserves	3 164	8 730
<b><i>Total provisions</i></b>	<b>1 025 601</b>	<b>1 032 403</b>
<b><i>II Receivables</i></b>		
Customers and buyers debts	563 343	509 036
Other debtors	1 408 442	1 321 921
Costs of future periods	83 103	7 268
<b><i>Total receivables</i></b>	<b>2 097 024</b>	<b>1 838 225</b>
<b><i>IV Cash</i></b>	<b>174 857</b>	<b>708 202</b>
<b><i>Total current assets</i></b>	<b>3 255 586</b>	<b>3 578 830</b>
<b>Total Assets</b>	<b>18 435 822</b>	<b>18 904 572</b>

*Annexes from page 12 to page 29 are an integral part of these financial statements.*

Board Member \_\_\_\_\_ Einārs Buks

Accountant \_\_\_\_\_ Aleksandrs Kočkins

22 January 2021



**Balance Sheets**

**LIABILITIES**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
<b>Equity capital</b>		
Share capital (fixed capital)	16 340 950	16 340 950
Long-term investment revaluation reserve	35 117	69 687
<b><u>Reserves:</u></b>		
Other reserves	266 962	266 962
<b><u>Retained profit</u></b>		
Undistributed profit or uncovered loss of the preceding years	(5 433 674)	(4 609 684)
Report year retained profit or loss	(246 802)	(823 990)
<b><i>Total retained profit</i></b>	<b><i>(5 680 476)</i></b>	<b><i>(5 433 674)</i></b>
<b><i>Total equity capital</i></b>	<b><i>10 962 553</i></b>	<b><i>11 243 925</i></b>
<b>Creditors</b>		
<b><i>I Long-term creditors</i></b>		
Other loans	2 573 788	903 982
Debts to suppliers and contractors	2 081 197	718 093
Debts to related companies	194 687	73 765
Revenue of future periods	481 842	481 842
<b><i>Total long-term creditors</i></b>	<b><i>5 331 514</i></b>	<b><i>2 177 682</i></b>
<b><i>II Short-term creditors</i></b>		
Loans from credit institutions	317 556	550 702
Other loans	135 593	1 890 700
Advances from customers	269 021	11 938
Debts to suppliers and contractors	353 869	1 911 224
Debts to related companies	6 428	133 517
Taxes and state social insurance contributions	822 008	665 934
Other creditors	74 842	104 615
Revenue of future periods	19 856	37 320
Unpaid dividends	11 746	11 746
Accrued liabilities	130 836	165 269
<b><i>Total short-term accounts payable</i></b>	<b><i>2 141 755</i></b>	<b><i>5 482 965</i></b>
<b><i>Total creditors</i></b>	<b><i>7 473 269</i></b>	<b><i>7 660 647</i></b>
<b>Total liabilities</b>	<b><u>18 435 822</u></b>	<b><u>18 904 572</u></b>

***Annexes from page 12 to page 29 are an integral part of these financial statements.***

Board Member \_\_\_\_\_ Einārs Buks

Accountant \_\_\_\_\_ Aleksandrs Kočkins

22 January 2021

**Statement on changes**

Types of changes	Stock capital	Long-term investment revaluation reserve	Reserves	Retained profit	Total
	Eur	Eur	Eur	Eur	Eur
<b>Balance as on 01.01.2019</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>
Loss of the report period	-	-	-	(823 990)	(823 990)
Decrease of the reporting year	-	(6 651 036)	-	-	(6 651 036)
<b>Balance as on 01.01.2020</b>	<b>16 340 950</b>	<b>69 687</b>	<b>266 962</b>	<b>(5 433 674)</b>	<b>11 243 925</b>
Loss of the report period	-	-	-	(246 802)	(246 802)
Decrease of the reporting year	-	(34 570)	-	-	(34 570)
<b>Balance as on 30.06.2020</b>	<b>16 340 950</b>	<b>35 117</b>	<b>266 962</b>	<b>(5 680 476)</b>	<b>10 962 552</b>

*Annexes from page 12 to page 29 are an integral part of these financial statements.*

Board Member \_\_\_\_\_ Einārs Buks

Accountant \_\_\_\_\_ Aleksandrs Kočkins

22 January 2021

<b>Cash flow statements</b>	<b>6 months 2020 Eur</b>	<b>6 months 2019 Eur</b>
<b>Cash flow from operating activities</b>		
Revenue from the sale of goods and provision of services	1 181 659	22 393
Payments to suppliers, employees, other expenses of principal activity	<b>(1 259 203)</b>	<b>(1 155)</b>
<b>Gross cash flow from core operations</b>	<b>(77 754)</b>	<b>21 238</b>
Expenses for interest payments	-	-
Expenses for payment of the corporate income tax liabilities	(3 696)	-
<b>Net cash flow from core operations</b>	<b>(81 240)</b>	<b>21 238</b>
<b>Investment operations cash flow</b>		
Purchase of fixed assets and intangible investment	(22 846)	
Revenue from sale of fixed assets and intangible investment	163 350	
Issued loans	(281 917)	
<b>Investment operations net cash flow</b>	<b>(141 413)</b>	
<b>Financing operations cash flow</b>		
Received loans	-	
Expenses for repayment of loans	(310 692)	
<b>Financing operations net cash flow</b>	<b>(310 692)</b>	
<b>Net cash flow of the reporting year</b>	<b>(533 345)</b>	<b>21 238</b>
<b>Cash and its equivalents in the beginning of the reporting year</b>	<b>708 202</b>	<b>10 451</b>
<b>Cash and its equivalents at the end of the reporting year</b>	<b>174 857</b>	<b>31 689</b>

*Annexes from page 12 to page 29 are an integral part of these financial statements.*

Board Member \_\_\_\_\_ Einārs Buks

Accountant \_\_\_\_\_ Aleksandrs Kočkins

22 January 2021

## Annexes to financial statements

### 1) General principles

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

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

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

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

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

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

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

## **Annexes to financial statements**

service (by deducting received discounts), to which the additional expenses are added. Production costs comprise the costs of acquisition of raw materials, core materials and auxiliary materials and other expenses which are directly related to production of the relevant item. The production costs may include also portions of the costs which are indirectly related to the production of the item, if these costs can be related to the same time period.

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

### **2) Use of estimations**

In preparing the financial statements the Board of the Company has made several estimations and assumptions which affect the balance of some of the items of the Balance Sheet and the Profit or Loss Statement included in the financial statements and the amount of eventual liabilities. Future events may affect the above estimations and assumptions. Any impact of the change of such estimations and assumptions on the performance of the Company are presented in financial statements upon establishing it.

#### *Use of estimations and major assumptions*

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

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

#### *Provisions for doubtful and bad debts*

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

#### *Net sales value of inventories*

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

#### *Terms of useful use of fixed assets*

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

#### *Accounting value of fixed assets*

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

#### *Re-evaluation of floating docks*

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

## **Annexes to financial statements**

### *Accounting value of issued loans*

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

### *Accounting value of investment in associated companies*

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

### *Definition of the degree of completion of shipbuilding contracts*

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

## **3) Recognition of revenue**

The core operation of the Company is ship repair.

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

Revenue is recognised in compliance with the following principles:

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

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

## **4) Principles of recognition of revenue**

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

## **5) Re-evaluation of foreign currencies in euro**

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

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

**Annexes to financial statements**

**6) Intangible investment**

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

**7) Fixed assets**

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

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

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

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

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

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

**8) Re-evaluation of long-term investment**

By deviating from the provisions of the Law "On Annual Reports and Consolidated Reports", the items of fixed assets whose value considerably exceeds their acquisition costs or production costs, or their evaluation on the Balance Sheet of the preceding year, can be re-evaluated according a higher value if it can be assumed that the value increase will be long-term. The difference resulting from the re-evaluation between the evaluation according to the acquisition costs or production costs and the evaluation according to the re-evaluation, if this difference is positive (hereinafter - the increase of the value), is included in the

---

## **Annexes to financial statements**

relevant assets item of the Balance Sheet where the re-evaluated item of fixed assets is presented and the liabilities item of the Balance Sheet "Provision of re-evaluation of long-term investments" under Section "Equity". The provision of re-evaluation of long-term investment does not include the amount by which the increase of the amount resulting from the re-evaluation fully or partially compensates the adjustment for the value decrease of the same fixed assets item which were included as costs in the Profit or Loss Statement of the preceding report years. This amount is included in the Profit or Loss Statement as revenue in the report year where the increase of the value of the fixed assets item was established.

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

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

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

### **9) Financial lease (with a buy-out)**

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

### **10) Reserves**

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

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

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

### **11) Receivables**

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

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



## **Annexes to financial statements**

### **12) Investments in subsidiaries and associates of the Group and other investments**

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

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

Other financial investments represent investments in the share capital of another company which does not exceed 20% of the company's total share capital.

Long-term investment, including investment in the Group daughter and association companies, are accounted for according to the acquisition value which is adjusted in cases of long-term increase or decrease of their value. If any events or change of circumstances indicate that the Balance Sheet value of the investment could be unrecoverable, the value of the relevant fixed assets is reviewed in order to identify the value deterioration. Loss from the value reduction are recognised in the Profit or Loss Statement.

### **13) Accrued liabilities**

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

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

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

### **14) Corporate Income Tax**

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

### **15) Cash and cash equivalents**

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

### **16) Financial assistance and aid, donations and gifts**

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

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

## **Annexes to financial statements**

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

### **17) Financial liabilities, provided guarantees and other eventual liabilities not included on the Balance Sheet**

#### ***17.1. Liabilities for signed lease and rent contracts which are important for the company operation***

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

#### ***17.2. Information regarding pledging or other encumbering of the Company assets***

On 28 December 2010 Ship Bond No.EH 28.12.2010/KO was issued regarding the pledge of floating docks in favour of AS “UniCreditBank” and it is in force until full performance of the secured liabilities. The ship bond is issued as the security of the liabilities of SIA “Eiroholdings” arising from the Loan Facility Agreement No.EH 01.07.2008/CL of 1 July 2008 with the outstanding value EUR 22 863 as on 01 June 2020. The amount of the secured claim is EUR 4 183 243. One floating dock with the Balance Sheet value of EUR 2 211 864 as on 01 June 2020 is pledged. In January 2020 SIA “Eiroholdings” fully settled its liabilities to AS “UniCreditBank” and therefore on 23.01.2020 AS “UniCreditBank” deleted the mortgage to the floating dock registered with the Ship Register of Latvia.

On 12 December 2014 AS Rīgas kuģu būvētava and AS “ABLV Bank” signed Mortgage Agreement No.14-FP-0328/01 regarding the mortgage to the real estate of AS Rīgas kuģu būvētava and it is valid until full satisfaction of the secured liabilities. The real estate is mortgaged as the security of the liabilities of SIA “Remars-Rīga” arising from the Loan Agreement No.14-FP-032 of 12 December 2014 with the outstanding value EUR 224 117 as on 01 June 2020. The amount of the secured claim is EUR 2 860 000. The Balance Sheet value of the mortgaged property as on 01 June 2020 amounts to EUR 5 553 709. According to the evaluation performed by the Company management, at the moment of preparation of the financial statement there is no probability that the outflow of economic benefits from the Company will be required for settlement of the liabilities.

On 14 December 2017 Ship Bond No.2 for the pledge of the tug boat “Orkāns” and Ship Bond No. 3 for the pledge of the floating crane „CELTNIS 24” was issued in favour of AS “Latvenergo” as the security of the liabilities of AS Rīgas kuģu būvētava and they are in force until full satisfaction of the secured liabilities. The amount of the secured claims are EUR 190 000 and EUR 270 000. The Balance Sheet value of the pledged floating devices is as follows as on 01 June 2020: the value of the tug boat “Orkāns” of EUR 175 288 and the value of the floating crane “CELTNIS 24” of EUR 365 735.

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

#### ***17.3. Litigations***

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

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

## Annexes to financial statements

the LPP because the submission of a claim to the court does not provide the legal basis for ignoring the creditor's interests.

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

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

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

### 19) Related companies

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

### 20) Associated companies

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

### 21) Net turnover

Split per types of operation	NACE code	6 months 2020 Eur	6 months 2019 Eur
Ship repair	3011	641 028	167 177
		<b>641 028</b>	<b>167 177</b>

### 22) Production costs of sold products, purchase costs of sold goods or provided services

	6 months 2020 Eur	6 months 2019 Eur
Material costs	7 659	5 439
Services	143 451	60 271
Personnel costs	254 613	328 283
Depreciation of fixed assets and intangible investment	316 283	301 950
Power costs	145 034	150 769
Heat costs	-	18 600
Lease costs	48 818	
Real Estate Tax	78 173	77 789
Other production costs	50 354	42 768
	<b>1 044 385</b>	<b>985 959</b>

**Annexes to financial statements**

<b>23) Sales costs</b>	<b>6 months 2020 Eur</b>	<b>6 months 2019 Eur</b>
Advertising costs	-	-
	-	-
<b>24) Administration costs</b>	<b>6 months 2020 Eur</b>	<b>6 months 2019 Eur</b>
Personnel costs	175 349	222 779
Maintenance expenses of representative cars	3 298	2 534
Transportation expenses, business trips	11 546	11 907
Legal services	34 667	34 940
Representation expenditure	16 022	8 674
Costs of maintenance of the office	11 260	3 113
Other administration costs	15 205	13 356
	<b>267 347</b>	<b>297 303</b>
<b>25) Other revenue of economic operations</b>	<b>6 months 2020 Eur</b>	<b>6 months 2019 Eur</b>
Revenue from services	302 444	197 714
Sale of materials	-	199 453
Net revenue from sale of long-term investment	79 913	-
Revenue related to funding of the projects of European funds	18 661	36 060
Revenue from the write-off or re-evaluation provisions	34 570	
Other non-essential revenue	12 544	1 861
	<b>440 648</b>	<b>435 088</b>
<b>26) Other costs of economic operations</b>	<b>6 months 2020 Eur</b>	<b>6 months 2019 Eur</b>
Expenses for maintenance of leased fixed assets	-	54 997
Expenses of purchase of materials	-	199 698
Net loss from sale of long-term investment	-	72 670
Donations	13	-
Other costs	12 544	3 767
	<b>12 577</b>	<b>331 132</b>
<b>27) Other interest income and similar revenue</b>	<b>6 months 2020</b>	<b>6 months 2019</b>

**Annexes to financial statements**

	<b>Eur</b>	<b>Eur</b>
Interest income for loans	4 350	-
	<b>4 350</b>	<b>-</b>

<b>28) Interest payments and similar costs</b>	<b>6 months 2020 Eur</b>	<b>6 months 2019 Eur</b>
Assessed interest of loans	-	1 010
Recognised financial lease interest	8 539	66 998
	<b>8 539</b>	<b>68 008</b>

<b>29) Fixed assets</b>	<b>Buildings and engineering constructions Eur</b>	<b>Technological equipment and machinery Eur</b>	<b>Other fixed assets and inventory Eur</b>	<b>Total Eur</b>
<b>Initial value</b>				
01.01.2020	14 055 896	16 959 178	2 501 827	<b>33 516 901</b>
Acquisitions	-	24 650	20 537	<b>45 187</b>
Written off	-	(163 783)	(6 031)	<b>(169 814)</b>
30.06.2020	14 055 896	16 820 045	2 516 333	<b>33 392 274</b>
<b>Depreciation</b>				
01.01.2020	(6 032 846)	(10 100 427)	(2 186 904)	<b>(18 320 177)</b>
Calculation	(92 576)	(186 343)	(50 271)	<b>(329 190)</b>
Written off	-	113 341	486	<b>113 827</b>
30.06.2020	(6 125 422)	(10 173 429)	(2236 689)	<b>(18 535 540)</b>
<b>Remaining Balance</b>				
<b>Sheet value</b>				
<b>01.01.2020</b>	<b>8 023 050</b>	<b>6 858 751</b>	<b>314 923</b>	<b>15 196 724</b>
<b>Remaining Balance</b>				
<b>Sheet value</b>				
<b>30.06.2020</b>	<b>7 930 474</b>	<b>6 646 616</b>	<b>279 644</b>	<b>14 856 734</b>

By involving independent experts, the Company has carried out the re-evaluation of the floating docks owned by it. In 2007 SIA “Baltic Kontor” carried out the evaluation of the three floating docks of the Company and, in the result of the performed evaluation, it was concluded that the market value of the floating docks amounted to EUR 17 107 000 as one 20.12.2007. The Company management considers that the increase of the value of the fixed assets is long-term and it could be assessed according to the higher value. The difference resulting from the re-evaluation in the amount of EUR 12 056 273 was recognised under the equity item "Re-evaluation reserve of long-term investment" which was reduced by the related reserve amount for the purpose of the deferred Corporate Income Tax. In 2012, 2014 and 2016 SIA “Baltic Kontor” carried out the regular evaluation of the floating docks owned by the Company, resulting in concluding that the value of the floating docks subject to evaluation had not changed

**Annexes to financial statements**

considerably and no adjustments of the re-evaluation reserves were made. In the evaluation of the floating docks, certified assessors applied the method of costs or replacement taking into account the technical condition of the floating docks, their age and the technological usefulness of the assets, as well as compared the obtained result with the market information regarding the market values of such fixed assets. In 2018 the management carried out the re-evaluation by presenting the docks according to the market value which is included in the letters of intent regarding the sale of the docks signed by two independent, well informed parties interested in the transaction, this value amounting to EUR 12 500 000 on the Balance Sheet date. The re-evaluation is performed with sufficient regularity, however, minimum once in 5 years, to ensure that the Balance Sheet value is not considerably different from the value set by applying the true value on the Balance Sheet date.

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

**30) Other securities and investment**

Name enterprise	Parts or shares		30.06.2020		30.06.2019	
	30.06.2020	31.12.2019	Quantity	Eur	Quantity	Eur
“Baltic International Bank” AS	7.1	7.1	33	235	33	235
<b>Total</b>	<b>7.1</b>	<b>7.1</b>	<b>33</b>	<b>235</b>	<b>33</b>	<b>235</b>

**31) Other loans and non-current receivables**

Name enterprise	As of 30.06.2020	As of 31.12.2019	Term of repayment
-----------------	---------------------	---------------------	----------------------

---

**Annexes to financial statements**

	<b>Eur</b>	<b>Eur</b>	
AS “Remars Rīga”	233 718	128 783	2021
SIA “EIROHOLDINGS”	89 549	-	2021
<b>Total</b>	<b>323 267</b>	<b>128 783</b>	

**32) Advances for inventories**

	<b>As of 30.06.2020 Eur</b>	<b>As of 31.12.2019 Eur</b>
Payments for materials	3 164	8 730
<b>Total</b>	<b>3 164</b>	<b>8 730</b>

**33) Customers and buyers debts**

	<b>30.06.2020 Eur</b>	<b>31.12.2019 Eur</b>
Customers and buyers accounting value	563 543	509 036
<b>Balance Sheet value</b>	<b>563 543</b>	<b>509 036</b>

**34) Other debtors**

	<b>30.06.2020 Eur</b>	<b>31.12.2019 Eur</b>
Paid advances for services	383 601	357 952
Overpaid taxes	45 504	70 886
Short-term loans**	535 520	596 763
Short-term loans*	368 058	222 278
Settlement persons	8 867	32 054
Settlements for other debtors	66 932	41 988
	<b>1 408 482</b>	<b>1 321 921</b>

\* In 2014 the Company signed the mortgage agreement according to which the real estate of the Company was mortgaged in favour of AS ABLV Bank for the maximum amount of the claim equal to EUR 2 860 000. As the borrower from AS ABLV Bank is AS “Remars Rīga” on behalf of which the Company has repaid liabilities in the amount of EUR 368 058 in 2019, the relevant amount is recognised as a loan to the related party AS “Remars Rīga”.

**Annexes to financial statements**

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

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

<b>35) Costs of future periods</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Insurance of the Company property	4 930	7 268
Real Estate Tax	78 173	-
	<b>83 103</b>	<b>7 268</b>

<b>36) Cash</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Cash in banks	174 857	708 202
	<b>174 857</b>	<b>708 202</b>

**37) Aggregate of the shares of stock capital**

AS "Rīgas kuģu būvētava" was founded in 1991. The value of the stock capital of the company is EUR 16 340 950, which consists of 11 672 107 bearer's shares with the par value of a share equal to 1.40 EUR. As on 31.12.2019 the stock capital of the Company consists of 11 672 107 shares of which amount 10 000 000 shares are in public circulation and 1 672 107 shares are the shares of a closed issue. The shares of the company are in public circulation and are listed in the Second List of AS NASDAQ Riga. All the shares provide equal entitlement to dividends, the receipt of a liquidation quota and voting rights at the general meeting of shareholders. One share provides the right to 1 vote at the meeting of shareholders.

Amendments of Articles:

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

<b>Shareholders of AS Rīgas kuģu būvētava</b>	<b>30.06.2020</b>	
	<b>Eur</b>	<b>%</b>
AS "Remars-Rīga"	8 146 872	49.86
Private individuals	5 701 745	34.89
Other statutory companies	2 492 333	15.25
<b>Total</b>	<b>16 340 950</b>	<b>100</b>



**Annexes to financial statements**

	<b>Eur</b>
<b>38) Long-term investment revaluation reserve</b>	
Balance	
<b>31.12.2019</b>	<b>69 687</b>
Reduction of the re-evaluation provision	(34 570)
Balance	
<b>30.06.2020</b>	<b>35 117</b>

**39) Loans from credit institutions**

**30.06.2020                      31.12.2019**

	<b>Short-term part</b>	<b>Total</b>	<b>Short-term part</b>	<b>Total</b>
	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>
AS ABLV Bank *	317 556	317 556	550 702	<b>550 702</b>
	<b>317 556</b>	<b>317 556</b>	<b>550 702</b>	<b>550 702</b>

\* On 28 December 2017 the Company signed an additional agreement with AS “ABLV Bank” to Loan Agreement No.13-FP-0207 signed on 18 October 2013 on a loan facility for the needs of the current assets. The loan repayment term was 30 December 2018. In compliance with the Legal Protection plan the loan should be repaid in 2020. The interest rate is 7% per annum. The maximum amount of the secured claim is EUR 2 470 000. The mortgage for the real estate has been concluded as the security. The Balance Sheet value of the mortgaged real estate as on 31.12.2019 amounts to EUR 5 553 709.

**40) Other loans**

	<b>30.06.2020</b>			<b>31.12.2019</b>		
	<b>Long-term part</b>	<b>Short-term part</b>	<b>Total</b>	<b>Long-term part</b>	<b>Short-term part</b>	<b>Total</b>
	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>
Interest of a loan from the management*	-	22 050	<b>22 050</b>	-	22 050	<b>22 050</b>
Loans from legal companies**	2 573 788	113 543	<b>2 709 381</b>	903 982	1 868 650	<b>2 772 632</b>
	<b>2 573 788</b>	<b>135 593</b>	<b>2 709 381</b>	<b>903 982</b>	<b>1 890 700</b>	<b>2 794 682</b>

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

\*\* In 2014 the Company signed an agreement and received a loan from SA SOGIP SERVICES GENEVA in the amount of EUR 2 000 000 with an interest rate 6 % per annum. The loan had to be repaid until 22 June 2019. The loan is not secured by any pledges or guarantees. The accrued interest as on 31.12.2018 amount to EUR 178 773 and should be paid simultaneously with the principal amount. The

**Annexes to financial statements**

loan interest is not assessed in 2019. According to the legal protection plan approved on 16 August 2019, the loan and the accrued interest should be repaid until 31 August 2021, accordingly, the term of the amount EUR 801 178 exceeds one year and it is presented as long-term. On 15 May 2020 amendments to the legal protection plan were approved providing for repayment of the loan until 16 August 2023 and the long-term part of the loan would amount to EUR 2 287 592.

\*\* In 2017 and 2018 the Company signed four agreements and received loans from SIA “Eironams” in the amount of EUR 773 933 with interest rates of agreements of 4 % per annum. The repayment terms of the loans were year 2018 and year 2021 for one of the agreements. The loan is not secured by any pledges or guarantees. The accrued interest as on 31.12.2018 amount to EUR 22 079 and should be paid simultaneously with the principal amount. The loan interest is not assessed in 2019. According to the legal protection plan approved on 16 August 2019, the loan and the accrued interest should be repaid until 31 August 2021, accordingly, the term of the amount EUR 102 804 exceeds one year and it is presented as long-term. On 15 May 2020 amendments to the legal protection plan were approved providing for repayment of the loan until 16 August 2023 and the long-term part would amount to EUR 286 196.

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

**41) Revenue of future periods**

	30.06.2020			31.12.2019		
	Long-term part Eur	Short-term part Eur	Total Eur	Long-term part Eur	Short-term part Eur	Total Eur
Project - reconstruction of the heat supply system*	201 036	9 478	<b>210 553</b>	201 036	18 955	<b>219 991</b>
Project - implementation of energy efficiency measures in production workshops**	280 806	9 182	<b>289 989</b>	280 806	18 365	<b>299 171</b>
	<b>481 842</b>	<b>18 660</b>	<b>500 542</b>	<b>531 686</b>	<b>48 055</b>	<b>579 741</b>

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

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

**Annexes to financial statements**

**42) Advances from customers**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
For ship repair	269 021	11 938
<b>Total</b>	<b>269 021</b>	<b>11 38</b>

**43) Trade payables**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Non-current	2 081 297	718 093
Current	353 869	1 911 224
<b>Total</b>	<b>2 435 166</b>	<b>2 629 317</b>

**44) Debts to related companies**

	<b>30.06.2020</b>			<b>31.12.2019</b>		
	<b>Long-term part</b>	<b>Short-term part</b>	<b>Total</b>	<b>Long-term part</b>	<b>Short-term part</b>	<b>Total</b>
	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>
Loan and accrued interest*	194 687	6 428	201 155	73 765	133 517	207 282
	<b>194 687</b>	<b>6 428</b>	<b>201 155</b>	<b>73 765</b>	<b>133 517</b>	<b>207 282</b>

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

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

**45) Taxes and state social insurance contributions**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Value Added Tax	(45 504)	(70 886)
Social insurance contributions	241 539	194 431
Personal Income Tax	445506	451 334
Corporate Income Tax	-	3 696
State Business Risk Duty	-	17
Real Estate Tax	133 936	16 456
Tax of natural resources	-	-
<b>Total:</b>	<b>776 504</b>	<b>595 048</b>

**Annexes to financial statements**

Including:

Overpaid taxes	<u>(45 504)</u>	<u>(70 886)</u>
Debt to the budget	<u>822 008</u>	<u>665 934</u>

**46) Other creditors**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Wages	<u>67 256</u>	<u>103 420</u>
Settlements with reporting persons	1 229	-
Security Deposit	5 862	1 195
Other	495	-
	<u><b>74 842</b></u>	<u><b>104 5</b></u>

**47) Dividends unpaid**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
<b>As at the beginning of the period</b>	<b>11 746</b>	<b>11 746</b>
Dividends paid	-	-
<b>As at the end of the period</b>	<u><b>11 746</b></u>	<u><b>11 746</b></u>

**48) Accrued liabilities**

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
For services	<u>13 500</u>	<u>59 889</u>
Accrued costs of unused vacations	117 336	105 380
	<u><b>130 836</b></u>	<u><b>165 9</b></u>

**49) Risk management**

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation. The Company manages its liquidity risk by using the cash and the bank credit line.

---

**Annexes to financial statements**

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s trade receivables and cash at bank. The Company has significant exposure of credit risk with its foreign customers. The Company’s policy is to ensure that cooperation is carried out with customers having appropriate credit history. In accordance with construction and repair agreements Customers are required to pay part of agreement amount in advance. If necessary, provisions for doubtful receivables are made. Receivables in the financial statements are presented at net value of receivables nominal value and provisions for doubtful receivables.

Board Member \_\_\_\_\_ Einārs Buks

Annual Report prepared by  
Accountant \_\_\_\_\_ Aleksandrs Kočkins

22 January 2021