AS "Rīgas kuģu būvētava"
Annual report for 2020
(audited)

Riga, 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
Board	
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
Council	
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.

Company's balance sheet items	**2020 EUR**	**2019 EUR**	**2019 EUR**
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			**2019 EUR**
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:

2020	**2019**
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.

Commercial profitability indicator (profit/net turnover for the reporting period)	
(1561)%	(297)%

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

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.

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.

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.

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.

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.

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 _____ Einārs Buks

Member of the Board _____ 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.

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
from other core business		*633 502*	*277 376*
Costs of goods sold, costs of purchasing of sold goods or provided services	31	(2 275 457)	(1 924 492)
Gross profit or loss		**(1 641 955)**	**(1 647 116)**
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
from other persons		*9 952*	*827*
Interest payments and similar expenses	37	-	(39 017)
to other persons		-	*(39 017)*
Profit or loss before corporate income tax		**(9 883 693)**	**(820 294)**
Corporate income tax for the reporting year		(2 754)	(3 696)
Profit or loss for the reporting year		**(9 886 447)**	**(823 990)**

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

ASSETS	**Notes**	**31.12.2020 EUR**	**31.12.2019 EUR**
Long-term investments			
II Fixed assets			
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
Total fixed assets	38	***7 407 000***	***15 196 724***
III Long-term financial investments			
Other securities and investments	43	235	235
Other loans and other long-term receivables	46	341 779	128 783
Total financial investments	40 - 43; 46	***342 014***	***129 018***
Total long-term investments		***7 749 014***	***15 325 742***
Current assets			
I Inventories			
Raw materials and consumables	44	199 078	1 023 673
Advance payments for inventories		4 189	8 730
Total inventories		***203 267***	***1 032 403***
II Receivables			
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	-
Total receivables		***959 127***	***1 838 225***
IV Cash	48	***35 452***	***708 202***
Total current assets		***1 197 846***	***3 578 830***
Total assets		**8 946 860**	**18 904 572**

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

EQUITY AND LIABILITIES	**Notes**	**31.12.2020 EUR**	**31.12.2019 EUR**
Equity			
Stock or share capital (fixed capital)	49	16 340 950	16 340 950
Long-term investments revaluation reserve	39	243 228	69 687
Reserves:			
other reserves		266 962	266 962
Retained earnings			
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)
Total retained earnings		*(15 320 121)*	*(5 433 674)*
Total equity		***1 531 019***	***11 243 925***
Provisions			
Other provisions	18	58 781	-
Total provisions		***58 781***	***-***
Liabilities			
I Long-term liabilities			
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
Total long-term liabilities		***5 672 939***	***2 177 682***
II Short-term liabilities			
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
Total short-term liabilities		***1 684 121***	***5 482 965***
Total liabilities		***7 357 060***	***7 660 647***
Grand total equity and liabilities		**8 946 860**	**18 904 572**

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
Balance as at 31.12.2018	**16 340 950**	**6 720 723**	**266 962**	**(4 609 684)**	**18 718 951**
Losses for the reporting period	-	-	-	(823 990)	**(823 990)**
Decrease for the reporting year	-	(6 651 036)	-	-	**(6 651 036)**
Balance as at 31.12.2019	**16 340 950**	**69 687**	**266 962**	**(5 433 674)**	**11 243 925**
Losses for the reporting period	-	-	-	(9 886 447)	**(9 886 447)**
Increase for the reporting year	-	173 541	-	-	**173 541**
Balance as at 31.12.2020	**16 340 950**	**243 228**	**266 962**	**(15 320 121)**	**1 531 019**

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	**31.12.2020 EUR**	**31.12.2019 EUR**
Cash flow from operating activities		
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	-
Gross cash flow from operating activities	**(195 641)**	**(1 407 032)**
Corporate income tax expenses	(2 754)	-
Net cash flow from operating activities	**(198 395)**	**(1 407 032)**
Cash flow from investing activities		
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	-
Net cash flow from investment activities	**54 304**	**3 898 326**
Cash flow from financing activities		
Borrowing repayment expenses	(528 659)	(1 793 543)
Net cash flow from financing activities	**(528 659)**	**(1 793 543)**
Net cash flow of the reporting year	**(672 750)**	**697 751**
Balance of cash and its equivalents at the beginning of the	**708 202**	**10 451**
Balance of cash and its equivalents at the end of the reporting	**35 452**	**708 202**

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

Average number of employees	**2020**	**2019**
Number of employees in the reporting year	**51**	**66**
including		
Members of the Management Board	2	3
Members of the Supervisory Board	5	3
Other employees	44	60

Personnel costs	**2020**	**2019**
	EUR	**EUR**
Remuneration for work	660 603	835 133
State social insurance expenses	155 238	201 789
	815 841	**1 036 922**

Remuneration for carrying out their functions	**2020**	**2019**
	EUR	**EUR**
To Members of the Board	**93 089**	**160 963**
incl. Remuneration for work	75 017	129 715
State social insurance expenses	18 072	31 248
For members of the council	**68 689**	**209 755**
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

	31.12.2020 EUR 1	31.12.2019 EUR 1
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	Other fixed assets	**Item values before reclassification**
	EUR	**EUR**	**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**	**Goods purchased and services received**	**Other transactions**
		EUR	**EUR**	**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	-
Total		**48 980**	**43 551**	**179 842**

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

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

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

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

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

	2020 Eur	2019 Eur
Revenue from ship repairs	633 502	277 376
	633 502	**277 376**

In the breakdown to the types of activity	NACE code	**2 020** **Eur**	**2019** **Eur**
Ship repair	3011	633 502	277 376
		633 502	**277 376**

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
		633 502	**277 376**

31)

Costs of goods sold, costs of purchasing of sold goods or provided services	**2020** **Eur**	**2019** **Eur**
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
	2 275 457	**1 924 492**

32)

Selling expenses	**2020** **Eur**	**2019** **Eur**
Advertising	-	435
	-	**435**

Notes to the financial statement

33)

Administrative expenses	**2020**	**2019**
	Eur	**Eur**
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
	557 261	**707 383**

34)

Other operating income	**2020**	**2019**
	Eur	**Eur**
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
	1 453 200	**7 516 017**

Notes to the financial statement

35)

Other operating expenses	**2020**	**2019**
	Eur	**Eur**
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
	9 147 629	**5 943 187**

*** 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)
		510 191	**152 013**	**(358 178)**

36)

Other interest income and similar income	**2020**	**2019**
	Eur	**Eur**
Interest income on loans	9 952	827
	9 952	**827**

37)

Interest payments and similar expenses	**2020**	**2019**
	Eur	**Eur**
Estimated borrowing interest	-	38 963
Recognised financial lease interest	-	54
	-	**39 017**

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

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

40)

Long-term financial investments	**Participating interest in affiliates 2020 EUR**	**Participating interest in affiliates 2019 EUR**
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)
Book value	-	-

* 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 associates 2020 EUR**	**Participating interest in associates 2019 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)
Book value	-	-

42)

Loans to associates	**31.12.2020 EUR**	**31.12.2019 EUR**
Debt of SIA "Remars Granula" in accordance with the assignment a	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)
Book value	-	-

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 EUR**	**31.12.2019 EUR**
Raw materials and materials	875 883	1 023 673
Impairment of slow-moving and obsolete inventories	(676 805)	-
	199 078	**1 023 673**

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

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	**31.12.2020 EUR**	**31.12.2019 EUR**
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
	515 746	**1 321 921**

* 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**

	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**
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**
	341 779	**535 520**	**877 299**	**128 783**	**596 763**	**725 546**

*** 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 EUR**	**31.12.2019 EUR**
Company property insurance	-	4 653
Vehicles insurance	174	2 615
	174	**7 268**

48)

Cash	**31.12.2020 EUR**	**31.12.2019 EUR**
Cash at bank	35 452	708 202
	35 452	**708 202**

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 EUR**	**Carrying amount EUR**
Ordinary registered shares	11 672 107	1.40	16 340 950
		1.40	**16 340 950**

Notes to the financial statement

Shareholders of AS "Rīgas kuģu būvētava"	Number of shares: Shares on the exchange regulated market	Shares of private offering	TOTAL	Nominal value of a share, Eur	Total value of shares, Eur
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
Total	**10 000 000**	**1 672 107**	**11 672 107**		**16 340 950**

Shareholders of AS "Rīgas kuģu būvētava"	31.12.2020 EUR	%	31.12.2019 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
Total	**16 340 950**	**100**	**16 340 950**	**100**

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**
	2 815 579	**57 494**	**2 873 073**	**903 982**	**1 890 700**	**2 794 682**

*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**
	2 272 258	**211 129**	**2 483 387**	**718 093**	**1 911 224**	**2 629 317**

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**
	-	**-**	**-**	**73 765**	**267 034**	**207 282**

***** 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
Total:	**605 990**	**595 054**
Including:		
Overpayment of taxes (see note 46)	**-**	**(70 886)**
Debt to the budget	**605 990**	**665 940**

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
	156 997	**104 615**

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**
	585 102	**16 351**	**601 453**	**481 842**	**37 320**	**519 162**

* 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
	108 886	**165 269**

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.

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