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*AS “Rīgas kuģu būvētava”  
Annual Report for 2022*

*Rīga, 2023*

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## Information on 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	Renting and operating of own or leased real estate NACE2 68.20 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 Deniss Parfens, in office from 07.01.2021, representation rights collectively with one member of the board

## Council

From 07.01.2021

Chairman of the Council	Vasilijs Meļņiks
Deputy Chairman of the Council	Aleksandrs Čerņavskis
Member of the Council	Larisa Artemenko
Member of the Council	Gahramans Guseinovs
Member of the Council	Sandis Strods

From 30.06.2022

Chairman of the Council	Vasilijs Meļņiks
Deputy Chairman of the Council	Aleksandrs Čerņavskis
Member of the Council	Irina Meļņika
Member of the Council	Gahramans Guseinovs
Member of the Council	Ainārs Tropiņš

Annual Report prepared by Chief Accountant Ināra Tužilova

Reporting year 1 January – 31 December 2022

Auditor's name and address SIA (limited liability company) "Sandra Dzerēle un Partneris"  
Commercial company of sworn auditors,  
Licence No. 38.  
Registered office: Vīlandes iela 7-1,  
Rīga, LV-1010  
Sworn Auditor in Charge  
Baiba Apine  
Certificate No.214.

**AS "Rīgas kuģu būvētava"**  
**Management Report**  
**to the Annual Activity Report for 2022**

**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 the year 2022 with a positive performance result or profit of EUR 1,006,722, contrary to 2021, which the Company closed with loss.

In 2022, changing market conditions have significantly increased demand for the use of the Company's owned and leased assets; therefore, the Company has focused its activities on the management and renting out of own and leased real estate (NACE2 68.20). Net turnover from operations in 2022 was EUR 1,674,927, which decreased by 20 % compared to 2021. One of the factors of such decrease is related to suspension of provision of ship repair services.

The total assets of AS "Rīgas kuģu būvētava" at the end of 2022 dropped to EUR 7,712,263, compared to the beginning of the year. In 2022, the amount of the Company's total liabilities has decreased by 26 %, while equity has increased as a result of successful performance and at the end of the reporting period it was EUR 1,934,347.

The profit gained and decrease in assets in the reporting year is related to the Company's assets sold in 2022, which ensured successful implementation of the plan of measures of legal protection proceedings.

On 16 August 2019, the Riga City Vidzeme Suburb Court approved the plan of measures for the Company's legal protection proceedings (hereinafter referred to as 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 containment 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, which were approved by the Riga City Vidzeme Suburb Court on 15 May 2020, determining a term of 4 (four) years for the implementation of the Company's LPP, counting from 16 August 2019. At the end of 2020, with the continuation of the bans and restrictions imposed in connection with the containment of the spread of Covid-19, the Company repeatedly developed amendments to the LPP plan of measures, which were approved by the Riga City Vidzeme Suburb Court on 25 January 2021, extending the term of implementation of LPP plan to 5 (five) years; On 17 September 2021, the Riga City Vidzeme Suburb Court approved new amendments to the plan of measures of the legal protection proceedings of the Company, which allow for a 10% reduction in payment obligations (principal claims) to the Company's creditors in the event of a successful outcome of the LPP. As a precautionary measure, the Company will reflect the decrease in liabilities in the financial data at the end of the LPP. Whereas in the context with the anticipated global energy crisis in 2022, the Company repeatedly developed amendments to the LPP plan of measures on 14 September 2022, adjusting the Company's planned income and expenses, as well as the schedule for settlement of creditor claims, without changing the total amount of liabilities to be covered.

The amendments to the LPP were approved by the Riga City Vidzeme Suburb Court on 1 November 2022.

### Financial indicators of the Company

Company balance sheet items	2022 EUR	2021 EUR	2020 EUR
Current assets	1 907 290	1 669 448	1 197 846
Total assets	7 712 263	9 059 203	8 946 860
Equity	1 934 347	1 143 973	1 434 818
Short-term liabilities	1 358 480	3 361 011	1 780 322
Total liabilities	5 777 916	7 856 449	7 453 261

Profit and loss statement items of the company	2022 EUR	2021 EUR	2020 EUR
Net turnover	1 674 927	2 095 882	1 798 430
Gross profit or loss	-671 205	-67 654	-447 027
Profit or loss of the reporting period	1 006 722	-285 538	-9 982 648

**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:

	2022	2021
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Gross profit margin (gross profit/net turnover)	(40)%	(3.2)%
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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)	(60)%	(13.6)%
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The Company uses this indicator to determine its ability to generate profits.

Return on equity (profit/equity for the reporting period)	52%	(25)%
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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)	13%	(3)%
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The Company uses this indicator to calculate the return on total assets used for the Company's operations.

The negative indicator of gross profit is a consequence of the Company's transition to other types of economic activity. Ship building and repair services were not provided anymore in 2022, and the Company had significant infrastructure maintaining and improvement expenses in the reporting year. By selling the largest assets of the economic activity – the floating docks that were previously used for provision of ship repair services, the Company had an opportunity to close the reporting year with profit. The equity and the Company's assets being transferred to other types of economic activity as leasing and maintaining of own infrastructure has potential to be used in a more profitable manner.

**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)

3.99                      7.92

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)

2.99                      6.78

The Company uses this indicator to determine 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.

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

0.75                      0.87

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

After sales of floating docks, the value of assets of the Company has decreased considerably, which has caused a drop in the financial equilibrium ratio. Sales of fixed assets has provided the possibility to cover a significant share of liabilities, thus decreasing the Company's dependence on the borrowed capital.

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

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

1.40                      0.50

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

Analysing the indicators of the last two years, the Company's liquidity has improved in the reporting period as according to the amendments to the LPP a schedule for settlement of creditor claims which is more suitable for the Company's cash flow has been approved. 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.

**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 proposes to retain the profit of the reporting year and allocate it for covering of losses of the previous years.

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

The Company's equity as at 31 December 2022 is positive – EUR 1,934,347. The Company's operating result for 2022 was net profit of EUR 1,006,722 (in 2021, there was net loss of EUR 285,538) and its short-term liabilities as at 31 December 2022 are less than the current assets. Despite the positive performance result, the Company has gross loss of EUR 671,205 (in 2021 – gross loss of EUR 67,654).

The war initiated by Russia against Ukraine in 2022 has significantly affected the energy and food market, which considerably slows down the national and global economic development and causes uncertainty of economic development, which, in its turn, significantly and adversely impacted also the Company's economic activity.

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 preparation of the report for 2022, several amendments to the LPP plan of measures have been implemented, the most recent being approved on 1 November 2022, adjusting the Company's planned income and expenses, as well as the schedule for settlement of creditor claims, without changing the total amount of liabilities to be covered. 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 confirms that in 2022 and until the preparation of the annual report, the Company has been able to fulfil its obligations both to secured creditors, and unsecured creditors 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 terms until 2024, observing all conditions of the plan. The Company forecasts that 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.

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. In the period of time between the last day of the reporting year and the day when the management signs the Annual Report there have not occurred any significant or extraordinary circumstances that would affect the yearly results and the Company's financial standing.

Member of the Board  
Member of the Board

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Einārs Buks  
Deniss Parfens

THE DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

### ***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 ending on 31 December 2022, 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

2 May, 2023



## Statement on corporate governance

The corporate governance report of AS "Rīgas kuģu būvētava" for 2022, 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 2022 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 2022 on the Stock Exchange's website, as well as published on the Company's website [www.riga-shipyard.com](http://www.riga-shipyard.com).

Member of the Board

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Einārs Buks

Member of the Board

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Deniss Parfens

2 May, 2023

## Profit and Loss Statement for 2022 and 2021.

	Notes	2022 EUR	2021 EUR
Net turnover	27	1 674 927	2 095 882
<i>from other types of principal activity</i>		1 674 927	2 095 882
Production cost of goods sold, acquisition costs of goods sold or services provided	28	(2 346 132)	(2 163 536)
<b>Gross profit or loss</b>		<b>(671 205)</b>	<b>(67 654)</b>
Administrative costs	29	(564 362)	(173 963)
Other operating income	30	2 500 104	67 670
Other costs of economic activity	31	(261 305)	(96 372)
Other interest income and similar income	32	6 645	9 735
<i>from other persons</i>		6 645	9 735
Interest payments and similar costs	33	(2 951)	(24 954)
<i>to other persons</i>		(2 951)	(24 954)
<b>Profit or loss before enterprise income tax</b>		<b>1 006 926</b>	<b>(285 538)</b>
Enterprise income tax for the reporting year		(204)	-
<b>Profit or loss for the reporting year</b>		<b>1 006 722</b>	<b>(285 538)</b>

*Notes on pages 15 to 34 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	_____	Ināra Tužilova

2 May, 2023

**Balance sheets as at 31 December 2022 and 2021**

<b><u>ASSETS</u></b>	<b>Notes</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
		<b>EUR</b>	<b>EUR</b>
<b>Long-term investments</b>			
<b>II Fixed assets</b>			
Immovable properties		3 556 190	3 711 819
land plots, buildings and engineering structures		3 556 190	3 711 819
Other fixed assets and inventory		626 776	3 523 218
Creation of fixed assets and costs of construction in progress		145 108	-
Advance payments for fixed assets		6 664	-
<b>Total fixed assets</b>	34	<b>4 334 738</b>	<b>7 235 037</b>
<b>III Long-term financial investments</b>			
Other securities and investments	38	235	235
Other loans and other long-term receivables	39	1 470 000	154 483
<b>Total long-term financial investments</b>	36 -39	<b>1 470 235</b>	<b>154 718</b>
<b>Total long-term investments</b>		<b>5 804 973</b>	<b>7 389 755</b>
<b>Current assets</b>			
<b>I Inventories</b>			
Raw materials and consumables	40	45 910	107 525
Advance payments for inventories		32 160	31 748
<b>Total inventories</b>		<b>78 070</b>	<b>139 273</b>
<b>II Receivables</b>			
Trade receivables	41	872 755	756 822
Other receivables	42	757 905	755 881
Prepaid expenses	43	913	805
Accrued income		105 591	7 713
<b>Total receivables</b>		<b>1 737 164</b>	<b>1 521 221</b>
<b>IV Cash</b>	44	<b>92 056</b>	<b>8 954</b>
<b>Total current assets</b>		<b>1 907 290</b>	<b>1 669 448</b>
<b>Total assets</b>		<b>7 712 263</b>	<b>9 059 203</b>

Notes on pages 15 to 34 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	_____	Ināra Tužilova

2 May, 2023

***Balance sheets as at 31 December 2022 and 2021***

**LIABILITIES**

	Notes	31.12.2022 EUR	31.12.2021 EUR
<b>Equity</b>			
Stock or share capital (fixed capital)	45	16 340 950	16 340 950
Long-term investments revaluation reserve	35	21 573	237 921
<b><u>Reserves:</u></b>			
other reserves		266 962	266 962
<b><u>Retained profit</u></b>			
Previous years' retained profit or outstanding losses		(15 701 860)	(15 416 322)
Retained earnings or losses of the reporting year		1 006 722	(285 538)
<i>Total retained earnings</i>		<i>(14 695 138)</i>	<i>(15 701 860)</i>
<b>Total equity</b>		<b>1 934 347</b>	<b>1 143 973</b>
<b>Provisions</b>			
Other provisions	18	-	58 781
<b>Total provisions</b>		<b>-</b>	<b>58 781</b>
<b>Creditors</b>			
<b><i>I Long-term liabilities</i></b>			
Other loans	46	2 700 871	2 465 830
Trade payables	47	1 305 165	1 541 671
Deferred income	49	413 400	487 937
<b>Total long-term creditors</b>		<b>4 419 436</b>	<b>4 495 438</b>
<b><i>II Short-term liabilities</i></b>			
Other loans	46	93 939	683 871
Advance payments received from buyers		-	437 000
Trade payables	47	629 385	1 173 856
Taxes and social insurance payments		369 845	617 389
Other creditors	48	10 723	185 038
Deferred income	49	85 964	97 166
Unpaid dividends	50	11 746	11 746
Accrued liabilities	51	156 878	154 945
<b>Total short-term creditors</b>		<b>1 358 480</b>	<b>3 361 011</b>
<b>Total creditors</b>		<b>5 777 916</b>	<b>7 856 449</b>
<b>Total liabilities</b>		<b>7 712 263</b>	<b>9 059 203</b>

*Notes on pages 15 to 34 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	_____	Ināra Tužilova

2 May, 2023

**Statement of Changes in Equity for the Years Ended 31 December 2021 and 2022**

Types of changes	Fixed Capital	Long-term investments revaluation reserve	Reserves	Retained profit	Total
	EUR	EUR	EUR	EUR	EUR
<b>Balance as at 31.12.2020</b>	<b>16 340 950</b>	<b>243 228</b>	<b>266 962</b>	<b>(15 416 322)</b>	<b>1 434 818</b>
Losses for the reporting period	-	-	-	(285 538)	(285 538)
Decrease for the reporting year	-	(5 307)	-	-	(5 307)
<b>Balance as at 31.12.2021</b>	<b>16 340 950</b>	<b>237 921</b>	<b>266 962</b>	<b>(15 701 860)</b>	<b>1 143 973</b>
Profit of the reporting period	-	-	-	1 006 722	1 006 722
Decrease for the reporting year	-	(216 348)	-	-	(216 348)
<b>Balance as at 31.12.2022</b>	<b>16 340 950</b>	<b>21 573</b>	<b>266 962</b>	<b>(14 695 138)</b>	<b>1 934 347</b>

*Notes on pages 15 to 34 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 \_\_\_\_\_ Ināra Tužilova

2 May, 2023

**Cash Flow Statements for 2022 and 2021**

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>EUR</b>	<b>EUR</b>
<b>Cash flow from operating activities</b>		
Income from selling of goods and rendering of services	1 601 798	1 862 816
Payments to suppliers, staff, other operating expenses	(4 184 452)	(1 891 564)
Other operating income or expenses of the company	(48 323)	4 235
<b>Gross cash flow from operating activities</b>	<b>(2 630 977)</b>	<b>(24 513)</b>
<b>Net cash flow from operating activities</b>	<b>(2 630 977)</b>	<b>(24 513)</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed assets	(362 468)	(23 187)
Income from sale of fixed assets and intangible investments	3 354 838	46 983
Loans issued	(57 000)	(170 117)
Income from repayment of loans	135 000	93 900
<b>Net cash flow from investment activities</b>	<b>3 070 370</b>	<b>(52 421)</b>
<b>Cash flow from financing activities</b>		
Received loans	-	279 000
Borrowing repayment expenses	(356 291)	(228 564)
<b>Net cash flow from financing activities</b>	<b>(356 291)</b>	<b>50 436</b>
<b>Net cash flow of the reporting year</b>	<b>83 102</b>	<b>(26 498)</b>
<b>Balance of cash and its equivalents at the beginning of the</b>	<b>8 954</b>	<b>35 452</b>
<b>Balance of cash and its equivalents at the end of the reporting</b>	<b>92 056</b>	<b>8 954</b>

*Notes on pages 15 to 34 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	_____	Ināra Tužilova

2 May, 2023

## Notes to the financial statement

### 1) Information Provided by the Company

<b>Average number of employees</b>	<b>2022</b>	<b>2021</b>
Number of employees in the reporting year including	<b>38</b>	<b>44</b>
Members of the Board	2	2
Members of the Supervisory Board	5	5
Other employees	31	37
<b>Personnel costs</b>	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration for work	384 939	298 388
State social insurance expenses	88 825	68 427
	<b>473 764</b>	<b>366 815</b>
<b>Remuneration for carrying out their functions</b>	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
<b>To Members of the Board</b>	<b>43 058</b>	<b>15 493</b>
incl. Remuneration for work	34 839	12 536
State social insurance expenses	8 219	2 957
<b>For Members of the Supervisory Board</b>	<b>58 677</b>	<b>42 543</b>
incl. Remuneration for work	47 477	34 423
State social insurance expenses	11 200	8 120

The Board of the Company proposes to retain the profit of the reporting year and allocate it for covering of losses of the previous years.

### Summary of the most significant accounting policies

#### 2) General principles

The Company's financial statements have been prepared according to the Accounting Law, 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 the 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 authorised 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 Company's main activity is renting and operating of own or leased real estate.

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.

Revenue is recognised according to the following principles:

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

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

## 5) Expense recognition principles

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

## 6) Revaluation of foreign currency in euro

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

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

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

## Notes to the financial statement

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>EUR 1</b>	<b>EUR 1</b>
USD	1.06660	1.13260
GBP	0.88693	0.84028

### 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:

<b>Category in financial accounting</b>	<b>Depreciation rate %</b>	<b>Item of the financial statements</b>
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 on improvements and other inventory, the value of which does not exceed EUR 150, is calculated in the amount of 100% after the commissioning thereof.

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

## Notes to the financial statement

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 Enterprise Income Tax Law, when the income liable to enterprise 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) shall not be 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 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 makes a provision for liability to employees for untaken leave.

The accumulated cost of untaken leave is estimated by multiplying the average daily earnings of employees for the last six months of the reporting year by the number of days of untaken leave 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, it is found that any of the conditions of the financial support provider are not met and the financial support received must be repaid in full or in part, then, if 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 years, the balance of the balance sheet item "Deferred income" shall be used first to write off the amount of financial support to be repaid, including in the costs of the reporting year only the excess of the repaid financial support not covered 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 guaranties, 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 14 December 2017, Ship Bond No. 2 was prepared in the Latvian Ship Register for the pledge of the tug "Orkāns" and Ship Bond No. 3 pledging the floating crane "CELTNIS 24" in favour of AS "Latvenergo" as a 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 at 31 December 2022 is: EUR 43,884 for the tug "Orkāns" and EUR 112,012 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*

## Notes to the financial statement

- 17.3.1. 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. The next court hearing is scheduled for 2023.
- 17.3.2. In 2022, the claimant as a subcontractor has filed a claim against the Company for recovery of partial payment for the provided services. The claimant's claim has been satisfied with the default judgment of the Riga City Court of 22 November 2022; however, the Company does not recognise the claim and has appealed the judgment. The court proceedings continue and the next court hearing has not been scheduled yet. The financial statement does not contain any corrections in respect to these court proceedings.
- 17.3.3. A fine was imposed on the Company for non-compliance with the deadlines for publishing the Company's financial statements for 2020 in accordance with the Financial Instrument Market Law. The Company holds a view that the fine was imposed without taking into consideration essential circumstances which affected preparation of financial statements. In 2022, the Company filed to the court an application for cancellation of the decision; however, the Company's claim was rejected with the judgment of the Administrative Regional Court of 11 October 2022. The Company has appealed the judgment and the next court hearing has not been scheduled yet. The financial statement does not contain any corrections in respect to these court proceedings.

### 18) Judicial proceedings

During the reporting year, the Company has been involved in three judicial proceedings which have been concluded at the date of the annual report. 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, judicial proceedings were initiated for the recovery of debt and default interest in the amount of EUR 111,246. The Company filed a counterclaim in court to recognise the creditor's debt for the reduction of the Company's liabilities. Pursuant to the judgment of the Riga Regional Court of 16 March 2022, the court rejected the claim in the amount of EUR 33,442.56, as a result of which the Company has a principal debt in the amount of EUR 66,340.56. Provisions for contingent liabilities have been established during the preparation of the financial statement for 2020, corrections have been made in 2022 based on a court judgment, and the remaining liabilities will be settled in accordance with the LPP plan of measures.
- 18.2. In 2020, judicial proceedings were initiated for the full repayment of the advance payment for acquisition of fixed asset received by the Company in the amount of EUR 250,000. On 4 March 2022, the Company signed a settlement with the buyer, resolving the civil relations out of court. The settlement was approved at the court hearing on 20 September 2022.
- 18.3. The Company carried out ship repairs in 2021; however, due to the fact that damage of the ship was caused as a result of fault of the subcontractors attracted during performance of repair works, the Company did not receive the last payment for the ship repairs. Based on the condition that the Company had previously reimbursed the damage caused to the ship, the Company filed a claim to the court on debt recovery. During the period until preparation of the annual report, the ship owner was imposed an obligation to make full payment for the provided services with the judgment of London Court of International Arbitration of 20 February 2023, and the payment has been received.

### 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

The financial statements reflect only such events after the Balance Sheet date which provide additional information on the Company's financial position at the Balance Sheet date (adjusting events). If events after the Balance Sheet date are not adjusting, they are disclosed in the notes to the financial statements only if they are material.

## Notes to the financial statement

### 20) 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.

### 21) 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:

	<b>Item values after reclassification</b>	Non-operating costs	<b>Item values before reclassification</b>
	EUR	EUR	EUR
Production cost of goods sold, acquisition costs of goods sold or services provided	2 163 536	(14 710)	2 178 246
Other costs of economic activity	96 372	14 710	81 662
Impact of reclassification on the balance sheet (assets and equity and liabilities) as of 31.12.2021		-	
Impact of reclassification on profit of 2021		-	

### 22) Related parties

Related parties are considered to be employees, Members of the Board and the Council of the company, their close family members and companies, in which the said persons have control or significant influence. All transactions with related parties in the reporting year are insignificant and comply with normal market conditions.

### 23) Shares subscribed in the reporting year

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

### 24) 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.

### 25)

#### Information about associates

Company name	Legal address	Participatory share			Equity			Profit or loss		
		31.12.2022	31.12.2022	2022	31.12.2021	31.12.2021	2021	31.12.2021	31.12.2021	2021
		%	EUR	EUR	%	EUR	EUR	EUR	EUR	EUR
SIA "Remars Granula"	Gāles iela 2, Rīga	49.79%	236 787	(50)	49.79%	236 837	(1 521)			
			<u>236 787</u>	<u>(50)</u>		<u>236 837</u>	<u>(1 521)</u>			

The reports for 2021 and 2022 have not been audited.

### 26) 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.

## Notes to the financial statement

27)

### Net turnover

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Revenue from ship repairs	-	1 665 812
Revenue from the rental of infrastructure	1 674 927	430 070
	<b>1 674 927</b>	<b>2 095 882</b>

### In the breakdown to the types of activity

	NACE code	<b>2022</b>	<b>2021</b>
		<b>EUR</b>	<b>EUR</b>
Ship repair	3011	-	1 665 812
Leasing and managing owned or rented real estate	6820	1 674 927	430 070
		<b>1 674 927</b>	<b>2 095 882</b>

### In the breakdown to the geographical markets

	State code		
Germany	DE	-	696 863
The Netherlands	NL	-	930
Belgium	BE	-	415 000
Finland	FI	-	450 000
Latvia	LV	1 653 201	510 829
Cyprus	CY	21 726	-
Russia	RU	-	14 880
Great Britain	GB	-	7 380
		<b>1 674 927</b>	<b>2 095 882</b>

28)

### Production cost of goods sold, acquisition costs of goods sold or services provided

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Material costs	96 872	147 619
Services of subcontractors	117 079	941 029
Staff remuneration	254 309	241 998
Mandatory state social insurance contributions	58 243	55 542
Depreciation of fixed assets and intangible investments	152 238	187 860
Public utility costs	502 987	293 876
Rental costs of land, premises and equipment	61 921	60 151
Transportation costs	3 097	375
Real estate tax	157 458	158 879
Infrastructure maintenance costs	534 295	7 558
Waste removal and disposal costs	387 555	1 151
Other manufacturing costs	20 078	67 498
	<b>2 346 132</b>	<b>2 163 536</b>

## Notes to the financial statement

### 29)

#### Administrative costs

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Wages of for administrative work	130 630	56 390
State social insurance contributions	30 731	13 050
Work travel expenses	37 868	-
Transport costs	37 121	15 767
Legal services	236 023	1 976
Representation expenses	10 793	1 066
Communication expenses	13 302	9 912
Office maintenance costs	13 006	14 478
Incidental costs of cash turnover	4 505	1 581
Annual report auditing charges	16 200	16 200
Monitoring of the legal protection plan	33 000	42 000
Other administrative expenses	1 183	1 543
	<b>564 362</b>	<b>173 963</b>

### 30)

#### Other operating income

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Net revenue from the sale of long-term investments*	2 264 433	35 563
Sale of materials	5 181	7 621
Revenue from the financing of projects by European funds	7 240	9 094
Revenue from write-off of revaluation reserve (see note 35)	216 348	5 307
Write-off of timed-out liabilities	-	292
Recovered bad debts	-	9 793
Other income	6 902	-
	<b>2 500 104</b>	<b>67 670</b>

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

No.	Long-term investment object	Book value at the moment of exclusion	Disposal income	Alienation expenses	Gross income or expenses	Profit or loss from the object disposal
		EUR	EUR	EUR	EUR	EUR
1	Buildings and engineering structures	134 752	494 135	-	494 135	359 383
2	Other fixed assets and inventory	2 919 534	4 827 784	3 200	4 824 584	1 905 050
		<b>3 054 286</b>	<b>5 321 919</b>	<b>3 200</b>	<b>5 318 719</b>	<b>2 264 433</b>



**Notes to the financial statement**

**31)**

**Other costs of economic activity**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Expenditure on writing off doubtful and bad debts	111 030	47 676
Losses from currency sales and exchange rate depreciation	1 206	-
Fines, late payment interest and contractual penalties	55 306	25 041
Expenditure in accordance with court judgments	48 765	40
Corrections to the account inventory result	26 803	-
Expenses of previous periods	8 874	-
Non-operating costs	-	14 710
Donations	11	3
Other costs	9 310	8 902
	<b>261 305</b>	<b>96 372</b>

**32)**

**Other interest income and similar income**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Interest income on loans	6 645	9 735
	<b>6 645</b>	<b>9 735</b>

**33)**

**Interest payments and similar costs**

	<b>2022</b>	<b>2021</b>
	<b>Eur</b>	<b>Eur</b>
Estimated borrowing interest	2 951	24 954
	<b>2 951</b>	<b>24 954</b>

## Notes to the financial statement

### 34)

Fixed assets	Concessions, patents, licences, trademarks and similar rights	Land	Buildings and engineering structures	Other fixed assets and inventory	Creation of fixed assets and costs of construction in progress	Advance payments for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Initial value</b>							
31.12.2021	361 351	-	9 646 583	15 093 655	-	-	25 101 589
Acquired	-	65 484	-	88 969	145 108	6 664	306 225
Written-off	-	-	(305 189)	(5 088 950)	-	-	(5 394 139)
31.12.2022	361 351	65 484	9 341 394	10 093 674	145 108	6 664	20 013 675
<b>Depreciation</b>							
31.12.2021	361 351	-	5 934 764	11 570 437	-	-	17 866 552
Calculated	-	-	86 361	65 877	-	-	152 238
Written-off	-	-	(170 437)	(2 169 416)	-	-	(2 339 853)
31.12.2022	361 351	-	5 850 688	9 466 898	-	-	15 678 937
<b>Residual book value</b>							
31.12.2021	-	-	3 711 819	3 523 218	-	-	7 235 037
<b>Residual book value</b>							
31.12.2022	-	65 484	3 490 706	626 776	145 108	6 664	4 334 738
<b>The value that would have been shown in the balance sheet if the item had not been revalued</b>							
31.12.2021	-	-	7 504 594	6 039 353			13 543 947
31.12.2022	-	-	7 058 564	2 531 065			9 589 629

The cadastral value of real estate (buildings as at 31.12.2022 – EUR 5,723,487 (31.12.2021 – EUR 5,723,487).

When preparing the annual report for 2020, the Company performed a valuation of the fair value of fixed assets as at 31 December 2020 based on the valuation of independent licensed experts Grant Thornton Baltic SIA and recognised an impairment of fixed assets in the amount of EUR 6,896,304.

The 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.

If the revaluation of fixed assets had not been carried out, their total value in the balance sheet as at 31 December 2022 would have been EUR 9,589,629.

### 35) Revaluation reserve

The balance sheet value of the long-term investments revaluation reserve as at 31 December 2022 is the balance of the revaluation reserve for previous periods as at 31 December 2021, reduced by the annual depreciation of revalued fixed assets by EUR 1,895 and the increase in the alienated asset value of EUR 214,453.

## Notes to the financial statement

<b>Long-term investments revaluation reserve</b>	<b>EUR</b>
Balance	
<b>31.12.2021</b>	<b>237 921</b>
Decrease in revaluation reserve	(216 348)
Balance	
<b>31.12.2022</b>	<b>21 573</b>

### 36)

<b>Long-term financial investments</b>	<b>Participating interest in associates 2022 EUR</b>	<b>Participating interest in associates 2021 EUR</b>
Initial carrying amount:		
at the beginning of the reporting year	1 200 000	1 200 000
at the end of the reporting year	1 200 000	1 200 000
Impairment adjustments:		
at the beginning of the reporting year	(1 200 000)	(1 200 000)
at the end of the reporting year	(1 200 000)	(1 200 000)
<b>Balance sheet value</b>	-	-

### 37)

<b>Loans to associates</b>	<b>31.12.2022 EUR</b>	<b>31.12.2021 EUR</b>
Debt of SIA "Remars Granula" in accordance with the assignment :	770 000	770 000
SIA "Remars Granula" principal amount for the loan	310 642	310 642
SIA "Remars Granula" interest on the loan	244 317	244 317
Provisions for doubtful receivables	(1 324 959)	(1 324 959)
<b>Balance sheet value</b>	-	-

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

### 38) 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 at 31.12.2022, 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, registered in the Register of Enterprises.

### 39) Other loans and other long-term receivables

In the reporting year, the Company alienated its fixed assets and according to the sales agreement a part of the transaction value is to be covered until 2027.

## Notes to the financial statement

### 40)

#### Raw materials and materials

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials and materials	201 980	474 139
	(156 070)	(366 614)
Impairment of slow-moving and obsolete inventories	<b>45 910</b>	<b>107 525</b>

By inviting independent licensed experts from Grant Thornton Baltic SIA, the Company assessed the net sales value of inventories as at 31 December 2020 and recognised an impairment of the value of inventories amounting to EUR 676,805, including it in full in the profit and loss statement for 2020.

Raw materials and supplies are stated at net value of the full value less accumulated impairment losses for slow-moving and obsolete inventories. No new inventories of materials and raw materials were made during the period, while inventories made in the previous period were reduced by slow-moving inventories used during the period.

### 41)

#### Trade receivables

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>EUR</b>	<b>EUR</b>
Book value of trade receivables	993 709	886 462
Provisions for doubtful receivables	(120 954)	(129 640)
<b>Balance sheet value</b>	<b>872 755</b>	<b>756 822</b>

Trade receivables are reflected in net value from the full amount less provisions for doubtful debts. During the reporting year, no provision for new doubtful receivables has been made; however, a part of bad debts has been written, for which provision has been previously made, with a total of EUR 120,954 recognised as doubtful receivables as at 31 December 2022.

### 42)

#### Other receivables

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>EUR</b>	<b>EUR</b>
Advance payments made for services	387 719	405 553
Provisions for doubtful advance payments	(335 304)	(344 456)
Debt for performance of guarantee *	611 471	611 471
Carrying amount of loans and accrued interest **	714 000	630 872
Provisions for doubtful loans	(634 441)	(583 196)
Advance settlement persons	10 753	-
Settlement for other receivables	3 707	35 637
	<b>757 905</b>	<b>755 881</b>

\* In 2014, the Company entered into a mortgage agreement with AS ABLV Bank, guaranteeing AS "Remars Rīga" liabilities to AS ABLV Bank. In 2021, all liabilities to AS ABLV Bank have been discharged and the Company's mortgaged real estate has been released from pledge. Until 31 December 2022, AS "Rīgas kuģu būvētava" has covered the loan liabilities of AS "Remars Rīga" for EUR 611,471.

## Notes to the financial statement

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

	31.12.2022			31.12.2021		
	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****	-	98 921	98 921	-	95 352	95 352
Loan and accrued interest AS Remars Rīga *****	-	79 559	79 559	154 483	-	154 483
	-	<b>714 000</b>	<b>714 000</b>	<b>154 483</b>	<b>630 872</b>	<b>785 355</b>

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

\*\*\*\* The Company has issued a loan to the related party SIA "Eiroholdings" in the amount of EUR 88,000 with an interest rate of 4% per annum. The accrued interest is repayable together with the principal amount of the loan. In 2021, amendments have been made to the agreement entered into in 2019, extending the maturity until 16 August 2024. The loan was issued without any security. In 2021, a provision has been created for the loan issued to SIA "Eiroholdings" and the accrued interest equal to EUR 47,676 as doubtful receivable, whereas in 2022 a provision has been created for the remaining part of the loan and accrued interest equal to EUR 51,245.

\*\*\*\*\* In 2022, "Remars Rīga" has partially repaid the loan. As at 31 December 2022, the outstanding loan amounts to EUR 63,321 and accrued interest to EUR 16,239. 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. In 2021, amendments have been made to the agreement entered into in 2019, extending the loan maturity until 31 December 2023. The loan was issued without any security.

### 43)

#### Prepaid expenses

	31.12.2022 EUR	31.12.2021 EUR
Company property insurance	360	360
Vehicles insurance	553	445
	<b>913</b>	<b>805</b>

### 44)

#### Cash

	31.12.2022 EUR	31.12.2021 EUR
Cash at bank	92 056	8 954
	<b>92 056</b>	<b>8 954</b>

## Notes to the financial statement

### 45) 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 31.12.2022, the share capital of the Company consists of a total of 11,672,107 shares, 10,000,000 of which are traded on a regulated market and 1,672,107 shares are non-publicly issued shares.

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;
3. In May 2017, it was determined that the Board consists of 3 board members (previously the Board consisted of 5 members).

#### Information on shares and stock

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

Shareholders of AS "Rīgas kuģu būvētava"	Number of shares		TOTAL	Nominal value of a share, Eur	Total value of shares, Eur
	Shares on the exchange regulated market	Shares of private offering			
AS "Remars-Rīga"	4 673 757	1 145 437	5 819 194	1.40	8 146 872
Private persons	4 399 601	308 853	4 708 454	1.40	6 591 836
Other statutory companies	926 642	217 817	1 144 459	1.40	1 602 243
<b>Total</b>	<b>10 000 000</b>	<b>1 672 107</b>	<b>11 672 107</b>		<b>16 340 950</b>

Shareholders of AS "Rīgas kuģu būvētava"	31.12.2022		31.12.2021	
	EUR	%	EUR	%
AS "Remars-Rīga"	8 146 872	49.86	8 146 872	49.86
Private persons	6 591 836	40.34	6 585 550	40.30
Other statutory companies	1 602 243	9.81	1 608 529	9.84
<b>Total</b>	<b>16 340 950</b>	<b>100</b>	<b>16 340 950</b>	<b>100</b>

## Notes to the financial statement

### 46)

#### Other loans

	31.12.2022			31.12.2021		
	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 **	2 700 871	71 889	2 772 760	2 465 830	661 821	3 127 651
	<b>2 700 871</b>	<b>93 939</b>	<b>2 794 810</b>	<b>2 465 830</b>	<b>683 871</b>	<b>3 149 701</b>

\*In 2014, the Company entered into an agreement and received a loan from V. Meļņiks 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 31.12.2021. and 31.12.2022 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.

In accordance with the latest amendments to the legal protection plan approved on 1 November 2022, the loan and accrued interest must be repaid by 16 August 2024; therefore, the debt amounting to EUR 2,536,827 to be repaid later than one year after the end of the reporting year 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 latest amendments to the LPP plan of measures approved on 1 November 2022, 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 164,044 is shown as a long-term loan.

\*\* In 2021, the Company entered into an agreement and received a loan from related company SIA "MM INVEST" for the total amount of EUR 265,000 with an interest rate of 3.5% per annum and a repayment date of 31 December 2022. A mortgage on floating docks No. 791 and K-4 was registered as collateral. In 2022, the loan was repaid and the mortgage was cancelled.

\*\* In 2021, the Company entered into an agreement and received a loan from related company SIA "EIRO WELDING" for the total amount of EUR 14,000 with an interest rate of 13.44% per annum and a repayment date of 1 October 2022. The loan is not secured with any pledges or guarantees. In 2022, the loan was repaid.

According to loan agreements and legal protection plans, incl. for all amendments up to 1 November 2022, there is no part of the payment that would be covered five years after the balance sheet date.

## Notes to the financial statement

47)

### Trade payables

	31.12.2022			31.12.2021		
	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	1 305 165	629 385	1 934 550	1 541 671	1 173 856	2 715 527
	<b>1 305 165</b>	<b>629 385</b>	<b>1 934 550</b>	<b>1 541 671</b>	<b>1 173 856</b>	<b>2 715 527</b>

According to the last amendments of 1 November 2022 to the LPP plan approved on 16.08.2019, the debts must be repaid by 16 August 2024 in accordance with the schedule specified in the LPP plan.

48)

### Other creditors

	31.12.2022 EUR	31.12.2021 EUR
Wages	2 364	165 158
Settlements with advance payment persons	-	11 591
Receivables overpayment	70	-
Security deposit	8 289	8 289
	<b>10 723</b>	<b>185 038</b>

49)

### Deferred income

	31.12.2022			31.12.2021		
	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 *	155 527	79 366	234 893	223 466	89 926	313 392
Project – implementation of energy efficiency measures in production shops **	257 873	6 598	264 471	264 471	7 240	271 711
	<b>413 400</b>	<b>85 964</b>	<b>499 364</b>	<b>487 937</b>	<b>97 166</b>	<b>585 103</b>

\* In 2013 and 2014, the Company received financing from the Investment and Development Agency of Latvia for the creation of fixed assets of EUR 344,085: Agreement No. LIAA/017-PSC-12-0031 "For the reconstruction of the heat supply system of "AS "Rīgas kuģu būvētava"". The fixed assets were commissioned in 2014. The funding received in the period from 2014 to 2019 was gradually transferred to the revenues in the profit and loss statement, according to the useful life of the fixed assets. According to the decision of the Kurzeme Regional Court of 25 November 2021, the financing received by the Company must be returned in full, and according to the LPP plan, the maturity is until August 2024. Since the financial support received should be repaid in full, then in accordance with the accounting policy for accounting of financial support described in Note 16 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 Latvian Investment and Development Agency as at 31.12.2022 is EUR 234,893, which is discharged as at the moment of preparing the annual report.



## Notes to the financial statement

\*\* 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 7,240 was attributed to revenue.

The long-term amount exceeding five years after the balance sheet date is EUR 237,374.

### 50)

#### 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.

### 51)

#### Accrued liabilities

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>EUR</b>	<b>EUR</b>
For services	72 119	109 426
Accrued unused vacation expenses	84 759	45 519
	<b>156 878</b>	<b>154 945</b>

### 52)

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

The Company's equity as at 31 December 2022 is positive – EUR 1,934,347. The Company's operating result for 2022 was net profit of EUR 1,006,722 (in 2021, there was net loss of EUR 285,538) and its short-term liabilities as at 31 December 2022 are less than the current assets. Despite the positive performance result, the Company has gross loss of EUR 671,205 (in 2021 – gross loss of EUR 67,654).

The war initiated by Russia against Ukraine in 2022 has significantly affected the energy and food market, which considerably slows down the national and global economic development and causes uncertainty of economic development, which, in its turn, significantly and adversely impacted also the Company's economic activity.

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 preparation of the report for 2022, several amendments to the LPP plan of measures have been implemented, the most recent being approved on 1 November 2022, adjusting the Company's planned income and expenses, as well as the schedule for settlement of creditor claims, without changing the total amount of liabilities to be covered. 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 confirms that in 2022 and until the preparation of the annual report, the Company has been able to fulfil its obligations both to secured creditors, and unsecured creditors 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 terms until 2024, observing all conditions of the plan. The Company forecasts that 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.

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## Notes to the financial statement

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.

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.

In the period of time between the last day of the reporting year and the day when the management signs the Annual Report there have not occurred any significant or extraordinary circumstances that would affect the yearly results and the Company's financial standing.

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

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

Annual Report prepared by  
Chief Accountant \_\_\_\_\_ Ināra Tužilova

2 May, 2023