



## Independent Auditor's Report

### To the shareholders of AS "TOSMARES KUĢUBŪVĒTAVA"

#### *Our Qualified Opinion on the Financial Statements*

We have audited the accompanying financial statements of "TOSMARES KUĢUBŪVĒTAVA" AS ("the Company") set out on pages 8 to 27 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2017,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of AS "TOSMARES KUĢUBŪVĒTAVA" as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

#### *Basis for Qualified opinion*

1. As at 31 December 2017, the Company's balance sheet includes fixed assets with a carrying amount of EUR 5 955 711, which includes a floating dock with a book value of EUR 2 583 782. In accordance with the Company's accounting policy, the Company counts floating dock at revalued amount minus accumulated depreciation (appendix 12). The management of the Company has performed a valuation of fixed assets and has not detected impairment as at 31 December 2017. It was not possible for us to verify the validity of management's assumptions in forecasting future cash flows and therefore we were not able to obtain sufficient and adequate audit evidence about the recoverable amount of these fixed assets and the amount of the revaluation reserve as at 31 December 2017, as well as determining which adjustments would be required for the indicated item in 2017.
2. As disclosed in the accompanying financial statements appendix note 16, the Company's balance sheet for December 31, 2017 includes Finished goods and production for sale with a book value of EUR 1 348 572, which includes the value of the yacht hull and its equipment. According to the Company's accounting policies, inventories should be valued at the lower of net selling value and purchase or production costs. During the audit, we were not able to obtain sufficient and adequate audit evidence to verify the recoverable value of the yacht and its equipment. Therefore, we do not issue an opinion on the value of the finished goods and production for sale included in the balance sheet of the Company as at 31 December 2017.
3. The debts of the buyers and customers of the company include debts amounting to EUR 60 165, which were significantly delayed by the due date. As at 31 December 2017, provisions for impairment were not available for these receivables. In our opinion, a significant delay in payment periods indicates a possible decrease in the value of these receivables. The company's management believes that receivables are fully recoverable, therefore no provision is required. The management of the company has not provided us with an analysis of the expected future cash flows from these debts. Since we were not provided with sufficient information to assess the recovery of these receivables, we were not able to obtain assurance on the recoverable amount of debtors using other audit procedures.
4. As disclosed in the note 19 of appendix of the Company's financial statements, the statement of financial position of 31 December 2017 includes debts of amount EUR 417 916 to SIA "Eiro Paint". As at 31



December 2016, according to officially available data, SIA "Eiro Paint" had negative equity and short-term liabilities exceeded current assets by EUR 1 831 622. The annual report for 2017 is not available at the moment when the report is prepared. According to officially available information, with the decision of the First recovery part from the State Tax Inspectorate, on February 20, 2018 SIA "Eiro Paint" has been prohibited from registering, re-registering, renewing and amending the Commercial Pledge in the Commercial Pledge Register of the Enterprise Register. The financial statements do not recognize any impairment loss on this debt. In our opinion, the value of this receivables has decreased, but since the management of the Company did not make an estimate of future cash flows from this debt, we were not able to reliably determine the amount of losses that should be recognized as a deduction.

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Significant uncertainty regarding the company's ability to continue operating***

We draw attention to the note 39 in the financial statements appendix, which states that in the year which ended on 31 December 2017, the Company's operating result was a loss of EUR 681 549. As described in the note 39 of the financial statements appendix, these circumstances, together with the other circumstances described in note 39, indicate that there is a significant uncertainty that could raise significant doubts to the Company's ability to continue operating in the future. This financial statement is based on the assumption of continuation of business and does not include any adjustments that might be required if the operating assumption was not appropriate. We do not make any further objection to this fact.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit as a whole, and in forming our opinion thereon, therefore we do not provide a separate opinion on these matters.

We have concluded, that except matters described in the *Basis for Qualified Opinion* section, we have not determined any other key audit matters to be communicated in our report.

#### ***Reporting on Other Information***

The Company management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 6 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 4 of the accompanying Annual Report,
- the Statement of Corporate Governance, as set out on page 5 of the accompanying Annual Report.





Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except mentioned in the *Basis for Qualified opinion*.

#### *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia*

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Other statements and approvals to be included in the auditor's report in accordance with the requirements of regulatory enactments of the Republic of Latvia and the European Union when providing audit services to companies that are public-interest entities.*

At the shareholders' meeting on May 19, 2017, it was appointed us to carry out the audit of AS "TOSMARES KUGUBŪVĒTAVA" financial statements for the year ended 31 December 2017. The total continuous period of





our audit engagement is 4 years, and includes reporting periods from the year ending 31 December 2014 and finishing with the year ending 31 December 2017.

We confirm that:

- Our audit report matches with the additional report submitted to the Audit Committee of the Company;
- as indicated in Article 37.6 of the LR Audit Services Law, we have not provided Audit Non-audit Services (NRPs) to the Company as indicated in EU Regulation (EU) No. 5 (1) of Regulation (EU) No 537/2014. During the audit, we also retained our independence from the audited company.

The responsible certified auditor on the audit resulting in this independent auditors' report is Natalija Zaiceva.

Member of the Board of SIA "Orient's Audit & Finance"  
Commercial Company License No.28

Rīga, Latvia  
2 August 2018



Natalija Zaiceva  
Certified Auditor  
Certificate No.138