Public Joint Stock Company
“Latvijas Kuģniecība”

Separate Financial Statements
31 December 2014

Content

General information

General information of the Company

Name	„Latvijas kuģniecība” (hereinafter also referred to as „Company”)
Legal status	Joint Stock Company
Registration number, place and date	40003021108, Riga, 13 September 1991 Reregistered in the Commercial Register on 17 November 2004
Registered Office	Elizabetes iela 1, Riga, LV-1010, Latvia
Main activity (NACE classificatory)	6420 – Activities of holding companies, 7010 – Activities of head offices
Reporting period	1^{st} January 2014 – 31^{st} December 2014
Previous reporting period	1^{st} January 2013 – 31^{st} December 2013

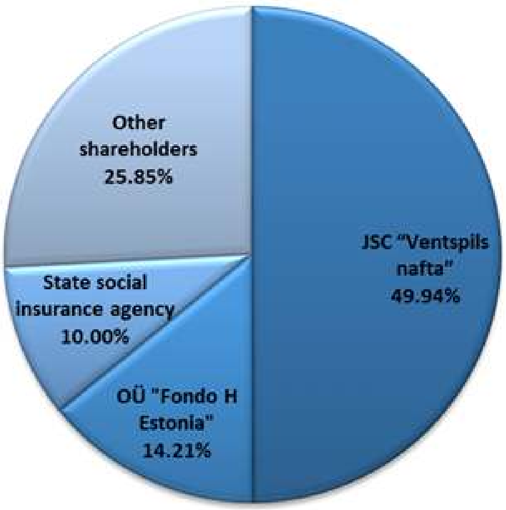
Shareholders of the Company

JSC “Latvian Shipping Company” shareholders (over 5%) as of date when the report is released:

Name	Description	Ownership interest
JSC “Ventspils nafta”	Listed company	49.94%
OÜ "Fondo H Estonia"	Private company	14.21%
State social insurance agency	Government institution	10.00%

No individual shareholder has legal control, but JSC “Ventspils nafta” has *de facto* control; therefore JSC “Latvijas kuģniecība” and its subsidiaries are consolidated in to JSC “Ventspils nafta” Group financial statements.

Shareholders structure of the Company as of date when the report is released:



The Auditors of the Company

Name and address of the Auditors:	PricewaterhouseCoopers SIA Commercial licence No. 5 Krišjāņa Valdemāra street 21-21, Riga, LV-1010, Latvia Certified auditor in charge Ilandra Lejiņa Sworn Auditor Certificate No. 168

General information (*Continued*)

The Supervisory Council of the Company

Chairman of the Supervisory Council	Vladimir Egger (from March 1, 2014 until March 26, 2014; from April 3, 2014) Robert Kirkup (until February 28, 2014)
Deputy Chairman of the Supervisory Council	Rubel Yilmaz (from April 3, 2014) Mikhail Dvorak (until March 26, 2014)
Members of the Supervisory Council:	Simon Boddy Julia Vereschagina (from March 26, 2014) Andrea Schlaepfer (from March 26, 2014) Varvara Maximova (from March 26, 2014) Olga Kurenkova (from March 26, 2014) Giovanni Fagioli (from March 26, 2014) Christophe Theophanis Matsacos (until March 26, 2014) Rubel Yilmaz (until April 1, 2014) Vladimir Egger (until April 1, 2014) Ivars Girgensons Kristo Oidermaa Javed Ahmed (until March 26, 2014) Mārtiņš Kvēps (until March 26, 2014) Oļegs Stepanovs (until March 26, 2014) Artūrs Lēmanis (until March 26, 2014)

The Management Board of the Company

Chairman of the Management Board	Robert Kirkup (from March 1, 2014) Simon Richard Blaydes (until February 28, 2014)
Members of the Management Board	Paul Thomas Christopher James Kernon

Management report

Dear Shareholders and Business Partners!

Type of operation

Basic activity of the Joint Stock Company "Latvian Shipping Company" (hereafter LSC or Company) is Group holding management and provision of vessel commercial management services. The LSC also provides other services to ensure everyday operation of the LSC Group companies.

Company's operation and results during the financial year

Net turnover of the LSC in 2014 was 2.89 million EUR that comparing with the previous year is by 10% less and mainly can be attributed to decrease of income from vessel commercial management. The decrease is caused by decrease in fees charged for provision of services and reduced number of the LSC Group's fleet during the previous year. In 2014 the Company operated with a profit of 1.6 million EUR comparing to profit of 406 thousand EUR a year before. The positive result was achieved as a result of sale of real estate property located on Jēkaba street, Riga, and disposal of the investment in the medical clinic SIA "Via Una".

Total assets of LSC have not substantially changed being 61 million EUR as at 31 December 2014. The major part of assets conforms to 50.2 million EUR of investments in subsidiaries; the same as last year end.

Group performance results

The financial result of LSC Group for 2014 amounted to a loss of 31.16 million USD predominantly as a consequence of vessel impairments in the amount of 55.25 million USD. The accumulated result for the twelve months of 2014 was positively affected by income from a partial settlement in respect of the Antonio Gramsi Corporation court case in the High Court in London in the amount of 20.05 million USD, sale of real estate property and disposal of the investment in the medical clinic SIA "Via Una". The other negative factors were losses from the sale of the vessel "Riga" in the amount of 0.34 million USD as well as a re-evaluation of the investment in AS "Latvijas Naftas tranzīts" in the amount of 8.34 million USD.

The EBITDA margin as a percentage of turnover remained at a similar level to the previous year with an actual EBITDA of 39.59 million USD which was 7.74 million USD lower than the previous year.

During 2014 the LSC Group continued to improve its cash position significantly and as at 31st December 2014 the Group had cash and deposits with maturity up to twelve months in the amount of 45.58 million USD, which is 7.04 million USD more than at the beginning of 2014. This was achieved due to positive cash flow from shipping activities as well as from the sale of non-shipping assets.

At the 31st December 2014 the total value of the LSC Group assets was 421.82 million USD. The figure at 31st December 2013 was 519.63 million USD. This decrease in Group assets is mainly attributable to depreciation and impairments of the fleet. At year end the total value of the LSC Group fleet was 344.00 million USD which considerably exceeds the total value of the outstanding loan facility (215.52 million USD). The total equity value of the Group at 31st December 2014 was 163.46 million USD (31st December 2013: 218.06 million USD).

Financial risk management

One of the main risks related to the Company's operation is a reduction of number of vessels of the LSC Group's fleet, because the LSC's main source of income is provision of vessel commercial management services to the vessels of the LSC Group's fleet.

The Company's operation is exposed to various financial risks, including foreign currency risk, liquidity risk and credit risk. The Company's Management tries to minimise the potential negative impact of the financial risks on the Company's financial position.

The Company is subject to foreign currency exchange rate fluctuation risk caused by various currencies, mainly because the largest part of the Company's income is in USD, but expenses – mainly in EUR in 2014. The Company's Management is considering possibility to apply risk-reduction instruments in order to reduce the impact of the USD exchange rate fluctuations. Company's issued loans are with variable interest rate. The Company observes prudent liquidity risk management ensuring that there are sufficient resources for settlement of liabilities within the set terms.

Management report *(Continued)*

Information on Company's securities

During 2014 the price of LSC shares quoted on the NASDAQ OMX Riga experienced a decrease of 35.62%. The OMX Baltic Benchmark GI index in 2014 increased by 7.65%. There were 1,112 trades of Latvian Shipping Company's shares during 2014 involving 1 449 529 shares worth 656 886 EUR which is 40% of the total share turnover and 5% of trading volume in value terms of all the Latvian companies listed on the Baltic Main List. On 31st December 2014 the capitalization of Latvian Shipping Company shares at NASDAQ OMX Riga was 72.00 million EUR.

Post balance conditions and events

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto, except those disclosed in *Note 26* of these financial statements.

Distribution of profit suggested by the Management Board

The Management Board suggests using the profit of the reporting year to cover losses of previous periods.

Future prospects

The Company's results in 2015 will strongly depend on results of LSC Group. Although the fourth quarter of 2014 was encouraging there remains an underlying weakness to the shipping market that has been reflected in LSC Group reporting impairments to the fleet throughout 2014. This decrease in the value of the LSC Group's fleet that is determined by comparing third party shipping expert valuations with the "value in use" model is a reflection of the uncertainties that the general worldwide economic and geo-political climate has created. Economic growth drives demand for refined oil and hence increases demand, or not, for oil tankers. Two other factors have also contributed to this decrease in vessel values throughout the period in question. Firstly on the supply side we have seen an increase in the number of new eco design product tankers ordered which have now started to be delivered which might act as a drag on any future market improvement and secondly we continue to see ship owners selling their vessels at distressed levels as they cannot fulfil their debt obligations to their lending banks or to support other loss making areas of their shipping activities.

To summarise, the worldwide economic and geo-political climate will continue to have a major influence, for better or worse, on the future direction of shipping and with particular reference to LSC it will be key to see if the recent dramatic drop in the price of crude oil is a reflection of crude oversupply or more negatively a consequence of a lack of demand for refined products.

Robert Kirkup
Chairman of the Management Board of
JSC "Latvijas kuģniecība"
Riga, 12 March 2015

Statement of Management's responsibility

The following statement, which should be read in conjunction with the independent auditors' report set out on pages 35 to 36, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the separate financial statements of JSC "Latvian Shipping Company" (the "Company").

Management is responsible for the preparation of the separate financial statements that present truly and fairly the financial position of the Company as of 31 December 2014, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") as adopted by EU.

In preparing the separate financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's separate financial statements; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the separate financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

For and on behalf of the Management Board

Robert Kirkup
Chairman of the Management Board of
JSC "Latvijas kuģniecība"
Riga, 12 March 2015

Separate Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	EUR 2014	EUR 2013
Income from services	4	2 889 635	3 210 773
Cost of sales	5	(1 537 888)	(1 519 566)
Gross profit		**1 351 747**	**1 691 207**
Administrative expenses	6	(1 188 096)	(1 211 157)
Other operating income	7	830 754	185 232
Other operating expenses		(964)	-
Operating profit		**993 441**	**665 282**
Finance income	8	880 937	19 748
Finance costs	9	(2 014)	(173 859)
Profit before income tax		**1 872 364**	**511 171**
Income tax expense	10	(260 891)	(104 770)
Net profit for the year		**1 611 473**	**406 401**
Other comprehensive income/ (expenses) for the year, net of tax		-	-
Total comprehensive income for the year		**1 611 473**	**406 401**

The notes on pages 12 to 34 are integral part of these Financial Statements.

These Financial Statements were approved by the Management Board on 12 March 2015 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
JSC "Latvijas kuģniecība"
Riga, 12 March 2015

Separate Statement of Financial Position

as at 31 December 2014

	Note	EUR 31.12.2014.	EUR 31.12.2013.
Assets			
Non-Current Assets			
Intangible Assets	11	13 399	30 825
Property, plant and equipment	12	2 293 382	2 373 393
Investment properties	13	3 557	1 400 800
Investments in subsidiaries	14	50 180 606	50 180 606
Investments in associates	15	-	10 747
Other non-current financial assets	16	5 458 638	2 597 363
Total Non-Current Assets		**57 949 582**	**56 593 734**
Current Assets			
Inventories	17	4 260	4 402
Trade and other receivables	18	625 757	1 128 536
Cash and Cash Equivalents	19	2 378 256	1 483 520
Total Current Assets		**3 008 273**	**2 616 458**
Total Assets		**60 957 855**	**59 210 192**
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share capital		60 000 000	284 574 362
Reserve of share capital denomination		4 574 362	-
Accumulated deficit		(4 014 924)	(225 626 397)
Total Shareholders' Equity		**60 559 438**	**58 947 965**
Non-current Liabilities			
Deferred tax liabilities	10	89 949	86 442
Total non-current Liabilities		**89 949**	**86 442**
Current Liabilities			
Trade and other payables	20	308 468	175 785
Total Current Liabilities		**308 468**	**175 785**
Total Shareholders' Equity and Liabilities		**60 957 855**	**59 210 192**

The notes on pages 12 to 34 are integral part of these Financial Statements.

These Financial Statements were approved by the Management Board on 12 March 2015 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
JSC "Latvijas kuģniecība"
Riga, 12 March 2015

Separate Statement of Changes in Shareholders' Equity

for the year ended 31 December 2014

	EUR			
	Share Capital	**Reserve of share capital denomination**	**Accumulated deficit**	**Total**
At 31 December 2012	**284 574 362**	**-**	**(226 032 798)**	**58 541 564**
Total comprehensive income for the year	-	-	406 401	406 401
At 31 December 2013	**284 574 362**	-	**(225 626 397)**	**58 947 965**
Decrease of share capital	(220 000 000)	-	220 000 000	-
Reserve of share capital denomination	(4 574 362)	4 574 362	-	-
Total comprehensive income for the year	-	-	1 611 473	1 611 473
At 31 December 2014	**60 000 000**	**4 574 362**	**(4 014 924)**	**60 559 438**

As of 31 December 2014 the authorised, issued and fully paid share capital of the Company consists of 200 000 000 shares with nominal value of EUR 0.30 per share. All shares are publicly traded and listed on NASDAQ OMX Riga Official list. All shares are ordinary shares with voting rights.

On 1 January 2014 Latvia joined Euro zone therefore the denomination of the Company's bearer shares was made from LVL to EUR with the nominal value of EUR 1.40. As a result EUR 4 574 362 reserve recognised and value of the share capital was EUR 280 million.

The Company decreased its share capital in order to cover the accumulated losses of the Company in amount of EUR 220 million. The share capital before the reduction was EUR 280 million and was decreased accordingly by the accumulated losses in amount of EUR 220 million; as a result, the decreased share capital of the Company is EUR 60 million.

The Company has decreased share capital by decreasing the nominal value of the shares. The nominal value of the Company's bearer share was reduced by EUR 1.10, and after the reduction the nominal value of share is EUR 0.30. The number of the Company's bearer shares was not changed and the Company's share capital consists of 200 million bearer shares.

The notes on pages 12 to 34 are integral part of these Financial Statements.

These Financial Statements were approved by the Management Board on 12 March 2015 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
JSC "Latvijas kuģniecība"
Riga, 12 March 2015

Separate Cash Flow Statement

for the year ended 31 December 2014

	Note	EUR 2014	2013
Cash Flow from Operating Activities			
Profit before taxation		1 872 364	511 171
Adjustments for:			
Depreciation of property, plant and equipment	12	118 009	172 802
Intangible assets amortisation	11	17 426	17 884
Depreciation of investment properties	13	13 330	19 996
Income from investments in subsidiaries	7	(390 548)	(185 185)
Currency translation difference		(576 369)	118 050
Interest income	8	(244 238)	(19 748)
Interest expenses		-	327
Profit from disposal of investment properties		(416 087)	-
Loss/(profit) from disposal of fixed assets		964	(47)
Profit before adjustments for movements in net working capital		**394 851**	**635 250**
Adjustments for:			
Decrease in inventories		142	585
Decrease/ (increase) in trade and other receivables		338 107	(222 994)
Increase/(decrease) in trade and other payables		132 682	(425 191)
Gross Cash Flow generated from Operating Activities		**865 782**	**(12 350)**
Corporate income tax paid	20	(92 706)	(54 781)
Corporate income tax received		-	322 103
Net Cash Flow generated from Operating Activities		**773 076**	**254 972**
Cash Flow from Investing Activities			
Acquisition of tangible and intangible assets	12	(49 710)	(33 089)
Loans issued	16	(2 202 956)	(1 459 866)
Investments in subsidiaries		(2 073)	-
Proceeds from disposal of subsidiaries		403 367	267 763
Proceeds from sale of fixed assets		10 744	47
Proceeds from sale of investment properties		1 800 000	-
Interest received		-	3
Net Cash Flow used in Investing Activities		**(40 628)**	**(1 225 142)**
Cash Flow from Financial Activities			
Repayment of borrowings received from subsidiaries		-	(47 695)
Payment of finance lease liabilities		-	(1 453)
Interest paid		-	(3)
Net Cash Flow from Financial Activities		**-**	**(49 151)**
Result of currency exchange transactions		162 288	(118 050)
Net increase/(decrease) in Cash and Cash Equivalents		**894 736**	**(1 137 371)**
Cash and Cash Equivalents at the beginning of the year		1 483 520	2 620 891
Cash and Cash Equivalents at the end of the year	19	**2 378 256**	**1 483 520**

The notes on pages 12 to 34 are integral part of these Financial Statements.

These Financial Statements were approved by the Management Board on 12 March 2014 and signed on its behalf by

Robert Kirkup
Chairman of the Management Board of
JSC "Latvijas kuģniecība"
Riga, 12 March 2015

Notes to the Separate Financial Statements

1. General information

The principal activity of JSC "Latvijas kuģniecība" (the Company) is management of the "Latvijas kuģniecība" Group. The Company was registered at the Enterprise register on 13 September 1991 and reregistered in the Commercial register on 17 November 2004. All the shares of the Company are publicly traded and listed on the NASDAQ OMX Riga Official list.

The separate financial statements of the Company for the year ended 31 December 2014 were authorized for issue in accordance with a resolution of the Management Board on 12 March, 2014.

The members of the Management Board are as follows: Robert Kirkup (Chairman from 01.03.2014.), (Simon Richard Blaydes (Chairman until 28.02.2014.), Paul Thomas (Member) and Christopher James Kernon (Member).

The Shareholders of the Company and the Group has the right to dispute the accuracy of the financial statement line items and to postpone the approval of the financial statements in the shareholder's meeting.

2. Basis of preparation and adoption of IFRS

The annual report of the Company represents only the financial results of JSC "Latvijas kuģniecība" as holding company standing alone. The financial results of the JSC "Latvijas kuģniecība" and its subsidiaries (the "Group") are represented in the consolidated financial statements of the Group.

2.1. Statement of compliance

The separate financial statements of the Company standing alone are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by European Union (EU). The same accounting policies have been applied throughout all periods presented.

The financial statements have been prepared on a historical cost basis. The reporting period for the annual report is from 1 January 2014 till 31 December 2014 and financial statements are prepared in Euro (EUR).

2.2.Summary of significant accounting policies

a) Revenue recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from services rendered or goods delivered

Revenue from services rendered is recognised when the services is provided. Revenue from goods delivered is recognised upon delivery of goods.

Interest income

For all financial instruments measured at amortised cost interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Company's right to receive the dividend payment is established.

Notes to the Separate Financial Statements *(Continued)*

2.2. Summary of significant accounting policies *(continued)*

b) Foreign currency translation

In accordance with the requirements of the „Law on the Procedure for Introduction of Euro" all amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). The comparative figures as at 31 December 2013 have been translated from lats to euro in accordance with the rate set by the European Union Council 1 EUR = 0.702804 LVL and rounded to the nearest euro cent.

Foreign currency transactions are translated to euro using the official exchange rates of the European Central Bank prevailing at the transaction date. When the European Central Bank does not quote a particular currency, the official exchange rate against the Euro of the central bank issuing the currency is used as the basis.

Exchange rate differences resulting from the settlement of such transactions are reported in the statement of comprehensive income when they occur.

Monetary assets and liabilities denominated in foreign currencies are translated using the official exchange rate of the European Central Bank prevailing at the date of the statement of financial position or on the basis of the official exchange rate of the central bank of the country issuing the foreign currency when the European Central Bank does not quote the particular currency.

In the table below are the main foreign currency rates of European Central Bank (foreign currency against 1 EUR/ 1 LVL), which were used when preparing these financial statements of the Company:

	31.12.2014. EUR	31.12.2013. LVL
USD	1.2141	0,515

c) Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and paid vacation benefits are included in Cost of sales and Administrative expenses on an accrual basis.

The Company pays social security contributions to state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. In accordance with the Rules of the Cabinet of Ministers of Latvia Republic 73.80% (2013: 75.80%) of the social insurance contributions are used to fund the state defined contribution pension system. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by law and will have no legal or constructive obligation to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are accrued in the year in which the associated services are rendered by the employees of the Company.

d) Intangible assets

All intangible assets are recorded at historical cost net of amortization. Intangible assets include licences and software. Cost of licences includes purchase costs and costs of implementation. Amortization is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows – 33.33 % per annum. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the separate statement of comprehensive income when the asset is derecognised.

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is calculated starting with the following month after the fixed asset is put into operation or engaged in commercial activity. Each part of an item of fixed asset with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of fixed asset, it also depreciates separately.

When tangible fixed assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the separate statement of comprehensive income.

The following depreciation rates were established and applied:

	% per annum
Buildings and constructions	2 – 20
Machinery and equipment	14.29
Other fixed assets	14.29 – 50

Notes to the Separate Financial Statements *(Continued)*

2.2. Summary of significant accounting policies *(continued)*

e) Property, plant and equipment *(continued)*

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the fixed assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the separate statement of comprehensive income in the period when incurred. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, such expenses are capitalized as an additional cost of property, plant and equipment. Such costs are depreciated over the remaining useful life of the related asset. Capitalising the cost of mounted spare parts, the carrying value of the part replaced is written off to the statement of comprehensive income.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Assets under construction or in progress are not depreciated as long as the respective assets are not completed and put into operation.

f) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight line basis over the useful life of the asset using 2% per annum.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the separate statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, cost value is used, net of accumulated depreciation and accumulated impairment losses, if any. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

g) Investments in subsidiaries

Investments in subsidiary undertakings (such entities in which the Company has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations) are stated at cost. Investments in subsidiaries are valued at their initial value less impairment losses. Where events or changes in circumstances indicate that the carrying amount of investments in subsidiaries may not be recoverable, the respective investments are tested for impairment. Recoverable value of investment is determined on the basis of cash flow forecasts based on budgets and business plans prepared by the management of companies.

The Company recognises income from its investments in subsidiary only to the extent that the Company receives distributions from accumulated profits of the subsidiary or arising after the date of acquisition. Any distributions received out of pre-acquisition profits are treated as a recovery of the cost of investment.

h) Investments in associates

The Company's investment in its associates is accounted for using the equity method. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The separate statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised in the other comprehensive income of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the separate statement of other comprehensive income. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Notes to the Separate Financial Statements *(Continued)*

2.2. Summary of significant accounting policies *(continued)*

h) Investments in associates *(continued)*

After application of the equity method, the Company determines whether it is necessary to recognise impairment losses on the Company's investment in its associates.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the separate statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the separate statement of comprehensive income.

i) Inventories

Cost is determined by the first-in, first-out (FIFO) method. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. When necessary, the provisions are made for obsolete, slow-moving or damaged inventories, or their value is written-down.

j) Financial assets

Initial recognition and measurement

Financial assets of the Company have been classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Regular purchases and sales of financial assets are recognised on the trade-date.

The Company's financial assets include cash and cash equivalents, trade and other receivables, and loans.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income for cash and cash equivalents and in other operating income for other loans and receivables. The losses arising from impairment are recognised in the separate statement of comprehensive income in other operating expense.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Separate Financial Statements *(Continued)*

2.2. Summary of significant accounting policies *(continued)*

j) Financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted using the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in *Note 25*.

k) Cash and cash equivalents

Cash and cash equivalents include cash in banks.

l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

m) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of a financial liability not at fair value through profit or loss directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the separate statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the separate statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the separate statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Separate Financial Statements *(Continued)*

2.2. Summary of significant accounting policies *(continued)*

n) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income, respectively and not in the separate statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and associates the deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Separate Financial Statements *(Continued)*

2.2. Summary of significant accounting policies *(continued)*

o) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in the separate statement of comprehensive income as impairment of non-financial assets.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

p) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported values of assets, liabilities, income and expenses and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Recoverable value of investment property

To determine the recoverable value of investment properties the Company engages independent certified valuation specialists. The valuator uses valuation techniques based on a discounted cash flow model and comparable market data. The estimated recoverable value of the investment properties is the most sensitive to the estimated rent rates, discount rates as well as other assumptions applied. The key assumptions used in determining the recoverable value of the investment properties as at 31 December 2014 and 2013 is provided in *Note 13*.

Going Concern

The management believes that going concern basis is applicable in the preparation of these financial statements.

2.3.Changes in accounting policy and disclosures

The accounting policies applied are consistent with those of the previous financial year.

The following new and amended IFRS and interpretations became effective in 2014, but did not have significant impact on these separate financial statements, except additional disclosures:

- **IFRS 10 "Consolidated financial statements"** (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- **IFRS 11 "Joint arrangements"** (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- **IFRS 12 "Disclosures of interests in other entities"** (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10, 11 and 12 on transition guidance** (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- **IAS 27 (revised in 2011) "Separate financial statements"** (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- **IAS 28 (revised in 2011) "Associates and joint ventures"** (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

Notes to the Separate Financial Statements *(Continued)*

2.3. Changes in accounting policy and disclosures *(continued)*

- **Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 "Financial instruments: Presentation" on offsetting financial assets and financial liabilities** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 "Impairment of assets" on recoverable amount disclosures** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 39 "Financial instruments: Recognition and measurement" on novation of derivatives and hedge accounting** (effective for annual periods beginning on or after 1 January 2014);
- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

3. Standards issued but not yet effective

Certain new standards and interpretations have been published and come into force on financial periods beginning on or after 1 January 2015, and are not endorsed by the European Union:

Amendments to IAS 19 "Employee benefits plans" regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU)**.**

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU):

- IFRS 2 "Share-based payment";
- IFRS 3 "Business Combinations";
- IFRS 8 "Operating segments";
- IFRS 13 "Fair value measurement";
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets";
- Consequential amendments to IFRS 9 "Financial instruments";
- IAS 37 "Provisions, contingent liabilities and contingent assets", and
- IAS 39 "Financial instruments – Recognition and measurement".

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU):

- IFRS 1 "First time adoption";
- IFRS 3 "Business combinations";
- IFRS 13 "Fair value measurement", and
- IAS 40 "Investment property".

Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).

Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" on depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).

Amendments to IAS 16 "Property, plant and **equipment" and IAS 41 "Agriculture" regarding bearer plants** (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).

IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).

Amendments to IAS 27 "Separate financial statements" on the equity method (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).

Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).

Annual improvements 2014 (effective for annual periods beginning on or after 1 July 2016, not yet endorsed in the EU):

- IFRS 5 "Non-current assets held for sale and discontinued operations";
- IFRS 7 "Financial instruments: Disclosures" with consequential amendments to IFRS 1;
- IAS 19 "Employee benefits";
- IAS 34 "Interim financial reporting".

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU).

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Notes to the Separate Financial Statements *(Continued)*

4. Income from services

	EUR 2014	EUR 2013
Revenue from commercial management, management and IT services worldwide	2 597 551	3 020 733
Revenue from IT and other services in Latvia	102 306	96 768
Revenue from rent and management of real estate in Latvia	189 778	93 272
Total	**2 889 635**	**3 210 773**

5. Cost of sales

	EUR 2014	EUR 2013
Salaries, training and other personnel costs	(789 494)	(721 718)
Social security contributions	(154 995)	(173 219)
Professional charges and legal costs	(158 909)	(215 821)
IT and communication	(127 451)	(130 785)
Maintenance expenditure	(169 138)	(103 629)
Depreciation and amortisation	(75 579)	(85 715)
Transport and travelling expenses	(28 107)	(46 233)
Advertising and marketing	(4 642)	(7 450)
Other costs	(29 573)	(34 996)
Total	**(1 537 888)**	**(1 519 566)**

6. Administrative expenses

	EUR 2014	EUR 2013
Salaries, training, health insurance and other personnel costs	(505 846)	(458 943)
Social security contributions	(99 768)	(103 895)
Maintenance expenditure	(151 925)	(163 901)
Professional fees	(91 679)	(116 276)
Depreciation and amortisation	(73 186)	(124 967)
IT and communication	(39 478)	(42 433)
Real estate tax	(36 884)	(36 031)
Transport and travelling expenses	(25 860)	(27 390)
Advertising and marketing	(1 160)	(1 863)
Other expenses	(162 310)	(135 458)
Total	**(1 188 096)**	**(1 211 157)**

7. Other operating income

	EUR 2014	EUR 2013
Result from sale of investment property	416 087	-
Result from sale of SIA Medical Invest shares	390 548	-
Income from liabiliaties written off	20 737	-
Other income	3 382	-
Result from sale of SIA LSC Marine Training shares	-	185 185
Income on disposal of fixed assets	-	47
Total	**830 754**	**185 232**

Notes to the Separate Financial Statements *(Continued)*

8. Finance income

	EUR 2014	EUR 2013
Net profit from foreign currency rate fluctuations/ translation	636 699	-
Interest income from loans advanced to subsidiaries	244 238	19 745
Other interest income	-	3
Total	**880 937**	**19 748**

9. Finance costs

	EUR 2014	EUR 2013
Financial institutions charges	(2 014)	(2 511)
Net loss from foreign currency rate fluctuations/ translation	-	(171 021)
Interest expenses	-	(324)
Interest on lease	-	(3)
Total	**(2 014)**	**(173 859)**

10. Corporate income tax

	EUR 2014	EUR 2013
Current income tax charge	(257 384)	(97 592)
Deferred income tax	(3 507)	(7 178)
Income tax expense reported in the income statement	**(260 891)**	**(104 770)**

The Company's corporate income tax charge differs from the theoretical amount that would arise applying the tax rate of 15% to the Company's profit before tax:

	EUR 2014	EUR 2013
Profit before taxes	**1 872 364**	**511 171**
Tax calculated at tax rate of 15%	280 855	76 675
Expenses not deductible for tax purposes	42 868	54 634
Income not subject to corporate income tax	(58 582)	(26 418)
Tax discount for donations	(4 250)	(121)
Income tax expense	**260 891**	**104 770**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax in 2014 in amount of EUR 89 949 is recoverable within one year:

	EUR 31.12.2014.	EUR 31.12.2013.
Excess of tax allowances over depreciation	100 177	99 203
Temporary difference on provisions for unused vacations	(8 308)	(10 269)
Other temporary differences	(1 920)	(2 492)
Deferred tax liabilities	**89 949**	**86 442**

Notes to the Separate Financial Statements *(Continued)*

11. Intangible assets

	Software and licences EUR
Cost	
At 1 January 2013	1 087 690
Additions	27 772
Disposals/ write off	(125 594)
At 31 december 2013	**989 868**
Additions	-
Disposals/ write off	(42 784)
At 31 december 2014	**947 084**
Accumulated amortisation	
At 1 January 2013	1 066 753
Amortisation	17 884
Disposals/ write off	(125 594)
At 31 december 2013	**959 043**
Amortisation	17 426
Disposals/ write off	(42 784)
At 31 december 2014	**933 685**
Net book value:	
At 31 december 2013	**30 825**
At 31 december 2014	**13 399**

Notes to the Separate Financial Statements *(Continued)*

12. Property, plant and equipment

	EUR		
	Land, buildings and construction	**Other fixed assets**	**Total**
Cost			
At 1 January 2013	3 013 741	1 691 618	4 705 359
Additions	-	5 317	5 317
Disposals/ write off	-	(117 117)	(117 117)
At 31 december 2013	**3 013 741**	**1 579 818**	**4 593 559**
Additions	4 557	45 153	49 710
Disposals/ write off	-	(432 227)	(432 227)
At 31 december 2014	**3 018 298**	**1 192 744**	**4 211 042**
Accumulated depreciation			
At 1 January 2013	643 509	1 520 972	2 164 481
Depreciation	75 569	97 233	172 802
Disposals/ write off	-	(117 117)	(117 117)
At 31 december 2013	**719 078**	**1 501 088**	**2 220 166**
Recalculation from LVL to EUR	-	4	4
Depreciation	76 971	41 038	118 009
Disposals/ write off	-	(420 519)	(420 519)
At 31 december 2014	**796 049**	**1 121 611**	**1 917 660**
Net book value			
At 31 december 2013	**2 294 663**	**78 730**	**2 373 393**
At 31 december 2014	**2 222 249**	**71 133**	**2 293 382**

As at 31 December 2014 the fair value of real estate owned by the Company was estimated based on a certified appraiser's valuation. The market value of the real estate was determined in the amount of EUR 3 537 000 (31 December 2013: EUR 3 696 621).

For valuation purposes the appraiser used a comparable deal method.

As at 31 December 2014/2013 the real estate owned by the Company in Riga on Elizabetes street 1 is pledged on behalf of JSC Ventspils nafta.

Part of the fully depreciated Other fixed assets is still being used in operating activities of the Company. Total cost value of those Other fixed assets as at 31 December 2014 is EUR 1 031 thousand (31 December 2013: EUR 1 430 thousand).

Notes to the Separate Financial Statements *(Continued)*

13. Investment properties

	Investment properties EUR
Cost	
At 1 January 2013	3 962 554
At 31 december 2013	**3 962 554**
Disposals/ write off	(1 590 614)
At 31 december 2014	**2 371 940**
Accumulated depreciation and impairment	
At 1 January 2013	2 541 758
Depreciation	19 996
At 31 december 2013	**2 561 754**
Depreciation	13 330
Disposals/ write off	(206 701)
At 31 december 2014	**2 368 383**
Net book value	
At 31 december 2013	**1 400 800**
At 31 december 2014	**3 557**

As at 31 December 2014 the fair value of investment property owned by the Company was estimated based on a certified appraiser's valuation. The market value of the one real estate owned by the Company was determined in the amount of EUR 3 300 (31 December 2013: EUR 2 153 374 for two real estates owned by the Company).

The fair value of investment properties as at 31 December 2014, 31 December 2013 is disclosed in *Note 25*.

For valuation purposes the appraiser used a discounted cash flow method as at 31 December 2014. As at 31 December 2013 discounted cash flow method and comparable deal method were used. The valuations were done for each investment property on individual basis.

As at 31 December 2013 the investment property owned by the Company in Riga on Jekaba street 30 was pledged on behalf of JSC Ventspils nafta. In August 2014 the pledged property was sold.

In 2014, no impairment was recognised on investment properties. The valuation of the respective investment property was based on the following assumptions:

- Rent rates: EUR 1.5 per square meter (2013: EUR 1.7 per square meter);
- Occupancy: May – September (2013: May – September);
- Capitalisation rate: 11% (2013: 12%).

Notes to the Separate Financial Statements *(Continued)*

14. Information on the subsidiaries and investments in those

(a) Investments in subsidiaries

Name and address	Percentage holding %	EUR 31.12.2014.	EUR 31.12.2013.
Latmar Holdings Corporation			
80 Broad Street, Monrovia, Liberia	100	50 163 346	50 163 346
LSC Holdings Limited			
Manning House, 21 Bucks Road, Douglas, Isle of Man	100	15 538	15 538
Arctic Holding Corporation			
Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands	100	-	-
Santomar Holdings Company Ltd.			
284 Archbishop Makarios III Avenue, Fortuna Court block B, 2nd floor, 3105, Limassol, Cyprus	100	1 722	1 722
MSIA „LASCO Investment"			
Berzaunes iela 11A, Riga, LV-1039, Latvia	100	-	-
		50 180 606	**50 180 606**

According to the decision of the Court made on 3 January 2011, SIA LASCO Investment insolvency proceedings is considered to be initiated as of 17 December 2010. Accordingly it is considered that the Company has lost the control over this company at that date.

(b) Information on subsidiaries

Name and address	EUR Shareholders' Equity of the subsidiaries 31.12.2014.	EUR Shareholders' Equity of the subsidiaries 31.12.2013.	(Loss)/ Profit of the subsidiaries 2014	(Loss)/ Profit of the subsidiaries 2013
Latmar Holdings Corporation				
80 Broad Street, Monrovia, Liberia	160 660 663	151 646 692	7 863 949	(12 573 329)
LSC Holdings Limited				
Manning House, 21 Bucks Road, Douglas, Isle of Man	(23 200 699)	12 366 848	(35 579 538)	(2 820 953)
Arctic Holding Corporation				
Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands	(13 095 775)	(12 886 202)	833 786	735 582
Santomar Holdings Company Ltd.				
284 Archbishop Makarios III Avenue, Fortuna Court block B, 2nd floor, 3105, Limassol, Cyprus	28 024	24 932	-	-

Latmar Holdings Corporation (holding company) has one active company 100% owned by the Latmar Holdings Corporation registered in Latvia (technical management company).

LSC Holdings Limited (holding company) has 14 100% owned subsidiaries (active single vessel companies) registered in Marshall Islands.

Arctic Holding Corporation (holding company) has two active single vessel companies registered in Marshall Islands.

Santomar Holdings Company Ltd. is dormant investment holding company registered in Cyprus.

Notes to the Separate Financial Statements *(Continued)*

15. Investments in associates

Name and address	Percentage holding, 31.12.2014.	Percentage holding, 31.12.2013.	EUR Investment Value, net 31.12.2014.	EUR Investment Value, net 01.01.2013.
SIA „Via Una"				
Katrinas dambis 10, Riga, LV-1045, Latvia	-	45.45%	-	10 747
SIA „Futbola klubs „Ventspils""				
Dzintaru iela 54, Ventspils, LV-3602, Latvia	23.06%	23.06%	-	-
			-	**10 747**

The investment in the shares of "Futbola klubs "Ventspils"" SIA has been fully impaired as at 31 December 2014 and as at 31 December 2013.

The subsidiary company SIA "Medical Invest" was established in 2014 by investing 45.45% of medical clinic SIA "Via Una" with following sale of investment in November 2014.

	EUR			
	Shareholders' Equity of the associate		Loss of the associate	
Name and address	31.12.2014.	31.12.2013.	2014	2013
SIA „Via Una"				
Katrinas dambis 10, Riga, LV-1045, Latvia	-	(16 888)	-	(61 859)
SIA „Futbola klubs „Ventspils"" *				
Dzintaru iela 54, Ventspils, LV-3602, Latvia	-	(38 914)	-	(147 889)

* As at date of signing these separate financial statements, the Company did not have financial operational information about SIA "Futbola klubs "Ventspils"" as at 31 December 2014 and for the year then ended.

16. Other non-current financial assets

	EUR 31.12.2014.	EUR 31.12.2013.
Latmar Holdings Corporation	5 348 433	2 597 363
Arctic Holding Corporatiom	110 205	-
Total	**5 458 638**	**2 597 363**

Other financial assetsas at 31 December 2014 represents loans issued to related party Latmar Holdings Corporation and bears an interest at a margins from 5.88% to 8.23% linked to 3m USD LIBOR and 6.15% linked to 3m EURIBOR with a repayment term in December 2017. During 2014 two loans were issued to Latmar Holdings Corporation; USD 700 000 (EUR 510 093 equivalent) and EUR 1 600 000.

During 2014 the loan to Arctic Holding Corporation was issued in amount of USD 127 000 (EUR 92 863 equivalent) and bears an interest at a margin of 8.23% linked to 3m USD LIBOR with repayment term in July 2016.

Information on transactions with related parties see in *Note 24*.

17. Inventories

The inventories as at 31 December 2014 represents other materials and inventories (including fuel) in the amount of EUR 4 260 (2013: EUR 4 402).

Notes to the Separate Financial Statements *(Continued)*

18. Trade and other receivables

	EUR 31.12.2014.	EUR 31.12.2013.
Trade receivables, gross	178 811	262 580
Provision for doubtful debts	(7 587)	(60 296)
Amounts due from related companies	364 513	736 754
Deferred expenses	41 114	48 433
Overpaid taxes *(see Note 20)*	-	92 682
Other receivables, net	48 906	48 383
Total	**625 757**	**1 128 536**

The analysis of credit quality of financial assets represented below:

	Total EUR	Neither past due nor impaired EUR	Past due: up to 90 days EUR	Past due: 91 to 180 days EUR	Past due: 181 to 365 days EUR	Past due: More than 365 days EUR	Impaired EUR
At 31 December 2014	592 230	457 134	127 484	-	-	25	7 587
At 31 December 2013	1 047 717	455 859	35 532	49 497	46 343	400 190	60 296

Analysis of credit quality of financial assets does not include deferred expenses and tax receivable.
The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates.

Counterparties

	EUR 31.12.2014.	EUR 31.12.2013.
Group 1	457 134	455 859
Group 2	127 509	531 562
Kopā	**584 643**	**987 421**

Group 1 – existing customers with no defaults in the past.
Group 2 – existing customers with some defaults in the past. All defaults are fully recoverable in accordance to management assessment.

Carrying value of the trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. As at 31 December 2014 the Company holds first commercial pledge as a security of trade receivables in amount of EUR 155 373.

Changes in provisions for doubtful debts:

	EUR 2014	EUR 2013
At 1 January	60 296	60 296
Increase due to restatement	7 587	-
Decrease due to write off	(60 296)	-
At 31 December	**7 587**	**60 296**

Notes to the Separate Financial Statements *(Continued)*

18. Trade and other receivables *(continued)*

Amounts due from related companies

	EUR	
	31.12.2014.	**31.12.2013.**
SIA "Vitol Baltics"	49 955	
AS "Ventspils nafta"	28 894	-
SIA „LSC Shipmanagement”	19 183	16 468
Smiltene Navigation Inc.	17 940	11 379
Saulkrasti Navigation Inc.	17 890	11 185
Straupe Navigation Inc.	17 749	11 715
Kazdanga Navigation Inc.	17 668	11 043
Kabile Navigation Inc.	17 639	11 185
Stende Navigation Inc.	17 479	11 986
Kursa Navigation Inc.	17 455	11 882
Kandava Navigation Inc.	17 331	11 737
Sigulda Navigation Inc.	17 264	11 043
Salacgriva Navigation Inc.	17 204	11 521
Saldus Navigation Inc.	17 184	11 043
Sabile Navigation Inc.	17 173	11 663
Skrunda Navigation Inc.	17 173	11 043
Sloka Navigation Inc.	17 173	11 043
Latmar Holdings Corporation	10 017	544
SIA "LatRosTrans"	5 238	-
Mansel Ltd.	3 052	6 840
Brasla Shipping Corporation	1 767	7 238
Imula Shipping Corporation	1 629	7 030
SIA "Skonto Nafta"	228	-
SIA "Nafta Invest"	228	-
Kuldiga Navigation Inc.	-	10 919
Limetree Shipping Co. Ltd.	-	528 088
Kolka Navigation Inc.	-	159
Kopā	**364 513**	**736 754**

Information on transactions with related parties see *Note 24*.

19. Cash and Cash Equivalents

	EUR	
	31.12.2014.	**31.12.2013.**
Cash in banks	2 378 256	1 483 520
Total	**2 378 256**	**1 483 520**

Credit quality of cash according to Fitch’s is F1 (indicates the strongest intrinsic capacity for timely payment of financial commitments).

Notes to the Separate Financial Statements *(Continued)*

20. Trade and other payables

	EUR 31.12.2014.	EUR 31.12.2013.
Trade payables	57 674	58 775
Amounts due to related companies	2 618	10 733
Taxes and social security contribution	123 423	-
Other accounts payable	56 568	21 211
Accrued liabilities	68 185	85 066
Total	**308 468**	**175 785**

Amounts due to related parties

	EUR 31.12.2014.	EUR 31.12.2013.
AS "Ventspils nafta"	2 618	10 733
	2 618	**10 733**

Information on transactions with related parties see in *Note 24*.

Taxes and social security contributions

	Income tax	Value added tax	Real estate tax	Social security contribution	Personal income tax	State business risk duty	Total
	EUR						
Overpaid 31.12.2013.	**87 822**	**4 192**	**-**	**100**	**568**	**-**	**92 682**
Charge	(257 384)	66 866	(36 884)	(372 520)	(269 632)	(126)	(869 680)
Reimbursed	-	(76 597)	-	-	-	-	(76 597)
Penalties	-	(1)	-	-	-	-	(1)
Transfered	-	1	-	(1)	-	-	-
Set off	-	-	-	408	-	-	408
Paid	92 706	3 879	36 884	350 313	245 866	117	729 765
(Payable) 31.12.2014.	**(76 856)**	**(1 660)**	**-**	**(21 700)**	**(23 198)**	**(9)**	**(123 423)**

The overpaid tax positions are represented in Statement of financial position line „Trade and other receivables”. *(See Note 18).*

Other accounts payable

	EUR 31.12.2014.	EUR 31.12.2013.
Salaries	52 161	18 110
Other payables	4 407	3 101
Total	**56 568**	**21 211**

Notes to the Separate Financial Statements *(Continued)*

20.Trade and other payables *(continued)*

Accrued liabilities

	EUR			
	Accruals for employee vacations	**Accruals for other expenses**	**Other accruals**	**Total**
31.12.2013.	**68 458**	**15 171**	**1 437**	**85 066**
Increase	-	12 800	(997)	11 803
Decrease	(13 073)	(15 171)	(440)	(28 684)
31.12.2014.	**55 385**	**12 800**	**-**	**68 185**

21. Fees paid to external auditors

	EUR	
	2014	**2013**
Audit of the financial statements	27 800	21 329
Total	**27 800**	**21 329**

22. Off balance sheet liabilities

Guarantees issued

In 2004, the Group entered into two long term loan agreements - one for the maximum amount of USD 360 million with the purpose of financing the construction of 14 newbuildings and another for the maximum amount of USD 75 million to finance the purchase of 3 modern second-hand vessels, all forming the LSC Holdings fleet. The USD 75 million loan facility was fully repaid in 2013 as a result of the sale of the vessels financed through the facility – m.t. Kolka, m.t. Kaltene and m.t. Kuldiga. The USD 360 million loan has been advanced to single vessel companies, 100% subsidiaries of LSC Holdings Limited. As security for the loan, the lenders hold first preferred mortgages over the financed vessels together with common assignments and pledges. The debt is also secured by two corporate guarantees issued in the normal course of business – one by LSC Holdings Limited and one by JSC Latvian Shipping Company. The guarantees require the Group to maintain specified financial ratios and satisfy financial covenants.

In 2011, the Group signed a long term loan agreement for the maximum amount of USD 48.6 million in order to finance the construction of 2 newbuildings, forming the Arctic Holding fleet. The loan has been advanced to single vessel companies, 100% subsidiaries of Arctic Holding Corporation. As security for the loan agreement, the lenders hold first preferred mortgages over the financed vessels together with common assignments and pledges. Pursuant to the terms and conditions of the loan agreement, there is a bareboat charter guarantee issued by the bareboat charterer in favour of each borrower guaranteeing the performance of the bareboat charterer’s obligations under the bareboat charter party entered into by each borrower for a minimum period of 5 year and 30 days as per the loan agreement.

In 2013, as a result of the acquisition of Riga Maritime LLC on 18 December 2013, the Group acquired a loan agreement with DVB Bank SE with an outstanding balance of USD 11.2 million. The loan was fully repaid in 2014 as a result of the sale of the vessel (m.t. Riga) securing the loan.

Legal cases

The entities within LSC Group have been involved in several court cases as defendant, mainly in Latvia and England. According to the Managements assessment it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Contingent liabilities

The tax authorities have the right to inspect the tax computations for the last three taxation years. Potentially the tax computations of unaudited taxes may be reassessed by the tax authorities. The Company’s management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Notes to the Separate Financial Statements *(Continued)*

23. Employment costs and staff numbers

	EUR 2014	EUR 2013
Salaries, included in		
- cost of sales	789 494	718 572
- administrative expenses	482 908	431 223
Social security contributions included in		
- cost of sales	154 995	173 219
- administrative expenses	99 768	103 895
Other staff costs		
- cost of sales	-	3 146
- administrative expenses	22 938	27 720
Total	**1 550 103**	**1 457 775**

The average number of the Company's employees during 2014 was 30 (2013: 32).

24. Transactions with related parties

Parties are considered to be related if one party can and does influence on another party's financial and operating decisions. The related parties include the subsidiaries of the Company, subsidiaries of those subsidiaries owned by the Company, Company's management and shareholders which own significant portion of the Company's share capital and has *de facto* control. Services received and rendered with related parties are carried out on the arm's length terms and conditions.

a) Compensation of the Management Board and Supervisory Council

Management Board remuneration for 2014 was EUR 102 000 (2013: EUR 102 447), social security contributions amounted to EUR 15 003 (2013: EUR 24 679). There were no remuneration paid for Supervisory Council members in 2014 and 2013, accordingly no social security contributions paid.

During 2014 no loans or guarantees were issued to the members of Supervisory Council and Management Board.

b) Interests of the members of the Supervisory Council and the Management Board

Information on members of the Supervisory Council or Management Board owned shares of the Parent company or its subsidiaries are disclosed on pages 8 to 13 of LSC consolidated financial report. Detailed information about shareholdings of the members of the Supervisory Council and the Management Board as well as on their positions in other companies is available in the Parent company's office upon request.

To the best of the Company's knowledge no member of the Supervisory Council has more than 5% of direct ownership in any of LSC Group's business partners, suppliers, clients or related companies.

No member of the Management Board has more than 5% of direct ownership in any of LSC Group's business partners, suppliers, clients or related companies.

c) Transactions with subsidiaries and subsidiaries owned by those subsidiaries

In the process of normal course of business the Company provides and receives services from related parties - subsidiaries and subsidiaries owned by those subsidiaries. Due to the Company policies in providing and receiving the services within the Group, a pricing policy is the same as would be applied to knowledgeable, willing parties in an arms' length transactions.

The income and expenses related to the transactions with subsidiaries and subsidiaries owned by those subsidiaries were as follows:

	EUR 2014	EUR 2013
Income from commercial management, management and IT services worldwide	2 551 328	2 946 796
Income from the goods sold and services rendered	185 743	188 808
Interest income on loans to subsidiaries	244 238	19 745
Total	**2 981 309**	**3 155 349**
Interest expenses	-	(324)
Total	**-**	**(324)**

Notes to the Separate Financial Statements *(Continued)*

24. Transactions with related parties *(continued)*

d) Transactions with Shareholders and other related parties

In 2014 the Company has received services from related party – JSC "Ventspils nafta" in amount of EUR 10 403 (2013: EUR 58 091).

In 2014 income from services provided to other related parties amounted to EUR 136 910 (2013: EUR 73 937) and income from the goods sold to other related parties amounted to EUR 16 255.

The related parties include the significant shareholders of the Company's major shareholder and parties related to these entities.

See also Notes 16, 18 and 20 for outstanding balances of related parties.

25. Financial instruments and financial risk management

The Company's most important financial instruments are cash and cash equivalents and loans granted. The main objective of the above financial instrument is to finance the Company's business activities. The Company also deals with a number of other instruments, like trade and other receivables and trade and other payables that arise directly from its business activities.

Fair value

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, other non-current financial assets, and trade and other payables. The main purpose of these financial instruments which mainly arise directly from operations is to raise finance for the Company's operations

Fair value of assets and liabilities

The carrying amounts and fair values of the Company's assets and liabilities by categories are as follows:

	EUR		EUR	
	31.12.2014. Carrying amount	31.12.2013. Carrying amount	31.12.2014. Fair value	31.12.2013. Fair value
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	3 557	1 400 800	3 300	2 153 374
Other non-current financial assets	5 458 638	2 597 363	5 458 638	3 148 157
Trade and other receivables	584 643	1 080 103	584 643	1 080 103
Cash and cash equivalents	2 378 256	1 483 520	2 378 256	1 483 520
Total assets	**8 425 094**	**6 561 786**	**8 424 837**	**7 865 154**
Liabilities at amortized cost				
Trade and other payables	256 307	157 675	256 307	157 675
Total liabilities	**256 307**	**157 675**	**256 307**	**157 675**

Hierarchy of input data for determining the fair value of assets and liabilities

The Company use the following hierarchy of three levels of input data for determining and disclosing the fair value of financial assets and liabilities.

Level 1: Quoted prices in active markets;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;

Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 1 contains cash and cash equivalents. Cash and cash equivalents are assets with short term maturity (less than 3 month), as a result the Company assumes that the fair value of those assets approximates to their carrying amount.

There are no financial assets or financial liabilities, which are included in Level 2.

Level 3 contains investment properties, trade and other receivables, other financial assets, loans issued and trade and other payables. Assets and liabilities mentioned before, except for loan issued to related party, are assets/ liabilities with short term remaining maturity (less than 1 year). As a result the Company assumes that the fair value of those assets and liabilities approximates to their carrying amount.

Notes to the Separate Financial Statements *(Continued)*

25. Financial instruments and financial risk management *(continued)*

Fair value*(continued)*

Fair value of the investment property is determined according to the valuations performed by independent and certified real estate valuators.

Loan issued to related party is at arm's length and carry margin plus USD LIBOR rate or EURIBOR rate; therefore the Company assumes that the carrying value of the loan approximates its fair value.

The Company's assets and liabilities according to the hierarchy of input data for determining fair value (disclosed in the carrying value):

	31.12.2014.			
	EUR Level 1	EUR Level 2	EUR Level 3	EUR Total
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	-	-	3 557	3 557
Other non-current financial assets			5 458 638	5 458 638
Trade and other receivables	-	-	584 643	584 643
Cash and cash equivalents	2 378 256	-	-	2 378 256
Total assets	**2 378 256**	**-**	**6 046 838**	**8 425 094**
Liabilities at amortized cost				
Trade and other payables	-	-	256 307	256 307
Total liabilities	**-**	**-**	**256 307**	**256 307**

	31.12.2013.			
	EUR Level 1	EUR Level 2	EUR Level 3	EUR Total
Assets at amortized cost/ cost less accumulated depreciation and impairment				
Investment properties	-	-	1 400 800	1 400 800
Other non-current financial assets	-	-	2 597 363	2 597 363
Trade and other receivables	-	-	1 080 103	1 080 103
Cash and cash equivalents	1 483 520	-	-	1 483 520
Total assets	**1 483 520**	**-**	**5 078 266**	**6 561 786**
Liabilities at amortized cost				
Trade and other payables	-	-	157 675	157 675
Total liabilities	**-**	**-**	**157 675**	**157 675**

There have been no transfers (in or out) from Level 3 during 2014 and 2013.

The Company has a policy of regularly reviewing its approach to risk management. The main financial risks arising from the Company's financial instruments are credit risk, liquidity risk and foreign currency risk. The Management Board reviews and agrees policies for managing each of these risks which are summarised below.

Notes to the Separate Financial Statements *(Continued)*

25. Financial instruments and financial risk management *(continued)*

Financial risks

The main financial risks arising from the Company's financial instruments are foreign currency risk, liquidity risk and credit risk.

Foreign currency risk

The main financial risk arising from the Company's financial instruments is foreign currency risk. The Company is exposed to foreign currency risk through cash, loans issued, borrowings, trade and other receivables and trade and other payables.

	31.12.2014.	**31.12.2013.**
Financial assets USD	7 652 802	6 684 345
Financial liabilities USD	-	(10 848)
Net financial position, USD	**7 652 802**	**6 673 497**
Net financial position, EUR	**6 303 272**	**4 890 198**

Liquidity risk

The Company's liquidity risk policy is based on a conservative approach whose main objective is to ensure the safeguarding of cash flows generated from operations and investments.

To ensure liquidity the Group's dividend policy entitles the Company as a parent of the Group to receive dividends from its subsidiaries, thereby part of accrued free financial resources in subsidiaries are used to improve cash flow of the Company.

Credit risk

The Company is exposed to credit risk through its trade and other receivables. The Company manages its credit risk by continuously assessing the credit history. Stable credit institutions with the possible highest ratings are used for placement of free cash. In addition, receivable balances are monitored on an on-going basis to ensure that the Company's exposure to bad debts is minimised.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders investments value. The Company monitors the structure of its capital and adjusts it if required by changes in economic conditions.

26. Events after the reporting period

The shares in "Futbola klubs "Ventspils" were disposed in January 2015.

As of the last day of the reporting year until the date of signing these separate financial statements there have been no other events requiring adjustment of or disclosure in the separate financial statements or notes thereto.

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "Latvian Shipping Company"

Report on the Financial Statements

We have audited the accompanying financial statements of JSC "Latvian Shipping Company" set out on pages 8 to 34 of the accompanying annual report, which comprise the statement of financial position as of 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of JSC "Latvian Shipping Company" as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for 2014 set out on pages 5 to 6 of the accompanying annual report for 2014 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2014.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Member of the Board

Riga, Latvia
18 March 2015

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.