VALMIERA GLASS®

AS Valmieras stikla šķiedra

Consolidated and separate financial statements
for the year 2014
prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union
*and Independent Auditor's Report**

** This version of financial statements 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, the original language version of financial statements takes precedence over this translation.*

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General information

NAME OF THE PARENT COMPANY	Valmieras stikla šķiedra
LEGAL STATUS	Joint stock company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, 30 September 1991
TYPE OF BUSINESS	Production of glass fibre products
ADDRESS	13 Cempu Street, Valmiera, LV- 4201, Latvia
SUBSIDIARIES	Valmiera Glass UK Ltd (100%) Sherborne, Dorset DT9 3RB United Kingdom Valmiera Glass USA Corp. (100%) 168 Willie Paul Parkway, Dublin, GA 31021, United States of America Valmiera Glass USA Trading Corp. (100%) 168 Willie Paulk Parkway, Dublin, GA 31021, United States of America
THE BOARD	Chairman of the Board : Andris Oskars Brutāns, president Members of the Board : Andre Heinz Schwiontek, Vice-president Dainis Šēnbergs Hans-Jochen Häusler Stefan Jugel Jöran Pfuhl (till 22.05.2014) Friedhelm Schwender (till 25.02.2014)
THE COUNCIL	Chairman of the Council : Jürgen Preiss-Daimler Members of the Council : Hans Peter Cordts Frank Wilhelm Behrends Guntis Strazds Jöran Pfuhl (till 31.05.2014) Aivars Lošmanis (till 31.05.2014)
REPORTING YEAR	1 January 2014 - 31 December 2014
PRIOR REPORTING YEAR	1 January 2013 - 31 December 2013
AUDITORS AND THEIR ADDRESS	Deloitte Audits Latvia SIA License No. 43 4a Gredu Str. Riga, LV-1019 Latvia Elīna Sedliņa Sworn Auditor Certificate No. 179

General information

Type of operations

During the reporting period Valmiera Glass Group consisted of AS Valmieras stikla skiedra and three subsidiaries: Valmiera Glass UK Ltd, United Kingdom, Valmiera Glass USA Corp. and Valmiera Glass USA Trading Corp. in the United States of America (further referred to as "the Group"). The Group's principal activities are glass fibre research, glass fibre product development, manufacturing and sales. The Group is positioning itself in the market as vertically integrated – from glass fibre production to coated/impregnated fabrics – different composite materials supplier for aerospace, construction and other manufacturing industries.

AS Valmieras stikla šķiedra is specialized in manufacturing of two glass fibre type products (E-glass with temperature resistance of 600°C and SiO2-glass with temperature resistance of 1000+°C). These products are used for further processing, technical (electro, heating and sound) insulation and as ready-made materials for mechanical engineering, construction etc.

Subsidiary Valmiera Glass UK Ltd produces glass fibre products for aerospace industry, insulation and architecture, while since February 2015 Valmiera Glass UK Corp. produces glass fibre products with high added value – non-woven materials. Valmiera Glass Trading USA Corp. was established with the purpose to sell products of the Group in the United States of America.

The most significant event in 2014 was establishment of subsidiaries in USA. Operation of both companies in USA will ensure closer availability of the products to clients, decrease in delivery time, increase in profitability in long run and closer working relationships with main clients. It is expected to provide new opportunities for business growth and strengthen the Group's position in the global glass fiber market.

Finished product sales

The products of AS Valmieras stikla šķiedra are sold in 39 countries, and export contributes 97% of total sales of the Company. Main export markets are countries of the European Union (72%, increase by 11% in comparison to prior year) and North America. Export markets in the Middle East and Asia region have developed substantially.

From product segment perspective, sales volumes have increased for high added value products: high SiO_2 content glass fibre products, glass fibre sieves, technical fabrics and non-woven products. On average, in 2014 these products have been sold by 16% more than in 2013. Sales volumes of other product segments have also shown stable growth.

Employees

The average number of employees of the Group in 2014 was 1098, of which the number of employees of AS Valmieras stikla sķiedra was 945. Subsidiary Valmiera Glass UK Ltd had 148 employees on average, Valmiera Glass USA Corp. – 5. Overall, the number of employees of the Group has increased in comparison to the same period last year.

Investments

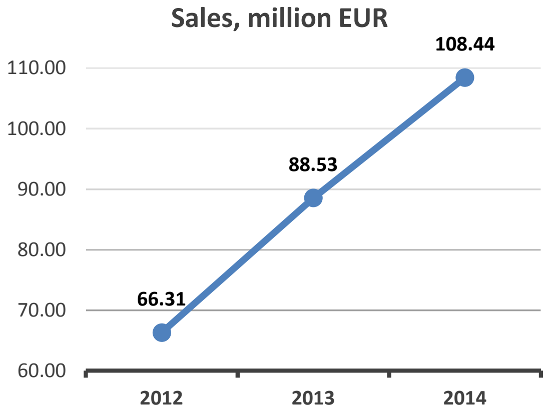
Investments in development of the Group in 2014 amounted to EUR 13.5 million, which includes purchase of new equipment, modernization of existing technical and technological solutions and new product development with the purpose to increase Group's production capacity as well as establishment of new factory in USA.

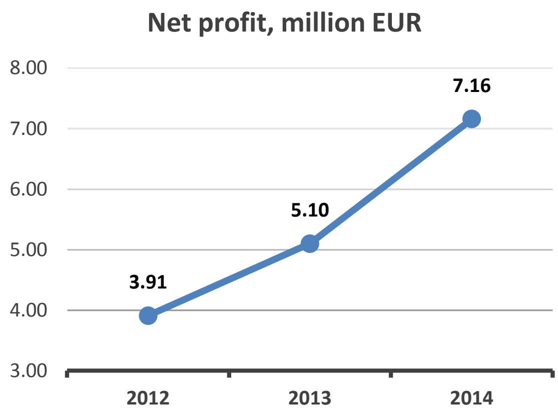
Quality management

The quality management system of AS Valmieras stikla skiedra is certified according to ISO 9001:2008 requirements. The German Quality management system certification company DQS GmbH performs re-certification every three years and annual audits of compliance with these requirements. Current quality management compliance certificate was issued on 16 March 2012.

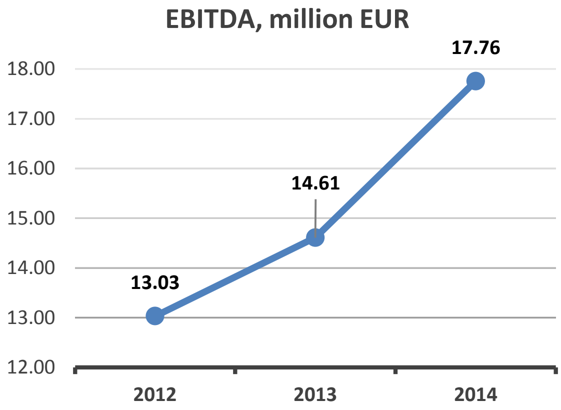
Financial results

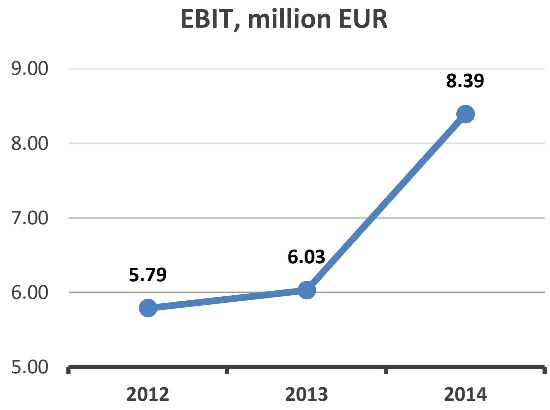
Sales of the Group in 2014 reached to EUR 108.44 million, which are the highest annual sales since AS Valmieras stikla šķiedra exists. Sales of the Group have increased by EUR 19.91 million or 23% if compared to 2013. The net profit of the Group amounted to EUR 7.16 million, which exceeds the profit of for 2013 by 40%.





The operating profit (EBITDA) for 2014 of the Group was EUR 17.76 million that is by 22% more than in 2013. Profit from operating activities (EBIT) was EUR 8.39 million, which exceeds 2013 result by 39%.





Group's return on capital employed (ROCE) has increased to 8.7% and is by 1.8 percentage points higher than the same period in 2013, while Group's operating profit margin for 2014 was 7.7%.

Considering the market development trends and the results of Valmieras stikla šķiedra and its subsidiaries the management of the Group plans that sales of Valmiera Glass Group for 2015 could reach EUR 127.7 million and Group's net profit for 2015 could amount to EUR 10.77 million.

Stock exchange market

The shares of AS Valmieras stikla šķiedra are listed on NASDAQ OMX Riga Secondary market since 24 February 1997.

From 1 January 2014 till 31 December 2014 the share price of the Company has increased by EUR 1.657 or 80.31%. The value of one share on 1 January 2014 was EUR 2.063, while until 31 December 2014 the price had grown to EUR 3.720. Profit per share in 2014 amounts to EUR 0.3176, which is the maximum profit in the history of the Company.

The share price development of AS „Valmieras stikla šķiedra" during the period from 1 January 2012 to 31 December 2014
Information from: AS „NASDAQ OMX Riga", home page www.nasdaqomxbaltic.com

The total number of traded shares of the Company in 2014 was 433 thousand amounting to EUR 1.41 million.

Subsequent events

There have been no significant events since the end of the reporting period to the date of signing of this report that could materially affect the results of the reporting period, require adjustments to the financial statements or should be disclosed in the notes.

Andris Oskars Brutāns
The Chairman of the Board
30 March 2015

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of AS Valmieras stikla skiedra (further referred to as "the Company") is responsible for the preparation of the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (further referred to as "the Group").

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as of 31 December 2014 and the results of their operations and cash flows for the year then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements. The management also confirms that the requirements of International Financial Reporting Standards as adopted by the EU have been complied with and that the financial statements have been prepared on a going concern basis.

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

On behalf of the management

Andris Oskars Brutāns
Chairman of the Board

30 March 2015

Deloitte.

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Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Valmieras stikla šķiedra AS:

Report on the Financial Statements

We have audited the accompanying financial statements of Valmieras stikla šķiedra AS (further "the Company") and the consolidated financial statements of Valmieras stikla šķiedra AS and it's subsidiaries (further "the Group") set out on pages 9 to 49, which comprise the Company's and the Group's statement of financial position as of 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of 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 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.

Auditors' 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 about 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 referred to above give a true and fair view of the financial position of the Company and the Group as of 31 December 2014, and of their financial performance and cash flows for the year then ended in accordance with 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 4 to 6 of the accompanying annual report for the year ended 31 December 2014 and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2014.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stuģis
Member of the Board

Riga, Latvia
30 March 2015

Elīna Sedliņa
Certified auditor of Latvia
Certificate No. 179

ASSETS	Notes	Group 31.12.2014 EUR	Group 31.12.2013 EUR Adjusted	Company 31.12.2014 EUR	Company 31.12.2013 EUR Adjusted
Non-current assets					
Intangible assets					
Software licenses, patents, trademarks and other rights	4	470,179	51,435	470,179	51,435
Software in acquisition process	4	-	156,937	-	156,937
Goodwill	5	3,930,822	3,930,822	-	-
Total intangible assets		**4,401,001**	**4,139,194**	**470,179**	**208,372**
Tangible assets					
Land and buildings	6	13,899,445	11,960,567	13,067,693	11,199,683
Equipment and machinery	6	45,680,214	48,408,104	43,321,188	46,053,364
Other fixed assets	6	1,050,472	810,959	856,270	662,697
Construction in progress	6	8,058,211	3,659,184	2,787,287	3,659,184
Advance payments for fixed assets		3,960,646	764,663	3,960,646	764,662
Total tangible assets		**72,648,988**	**65,603,477**	**63,993,084**	**62,339,590**
Non-current financial investments					
Investments in subsidiaries	5	-	-	13,032,789	13,001,000
Loans to related companies	32	-	-	2,140,116	-
Receivables from related companies	32	-	-	3,471,838	-
Total non-current financial investments		**-**	**-**	**18,644,743**	**13,001,000**
Deferred tax asset	29	1,552,647	1,088,889	-	-
Total non-current assets		**78,602,636**	**70,831,560**	**83,108,006**	**75,548,962**
Current assets					
Inventories					
Raw materials	7	10,307,516	9,099,129	8,108,804	7,253,244
Work in progress		4,913,053	2,730,162	3,990,908	2,059,172
Finished goods	8	16,952,802	13,754,817	12,170,537	10,058,016
Advance payments for inventories		287,441	79,470	259,470	79,470
Total inventories		**32,460,812**	**25,663,578**	**24,529,719**	**19,449,902**
Accounts receivable					
Trade receivables	9	8,256,954	8,663,450	5,572,300	5,741,109
Receivables from related parties	32	1,488,430	1,748,600	2,566,239	2,179,733
Other receivables	10	574,147	942,704	482,319	557,434
Deferred expenses	11	433,055	214,350	276,231	214,350
Total accounts receivable		**10,752,586**	**11,569,104**	**8,897,089**	**8,692,626**
Cash and cash equivalents	12	**1,179,230**	**1,175,121**	**355,290**	**621,385**
Total current assets		**44,392,628**	**38,407,803**	**33,782,098**	**28,763,913**
TOTAL ASSETS		**122,995,264**	**109,239,363**	**116,890,104**	**104,312,875**

The accompanying notes on pages 14 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 30 March 2015 by

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014

EQUITY AND LIABILITIES	Notes	Group 31.12.2014 EUR	Group 31.12.2013 EUR Adjusted	Company 31.12.2014 EUR	Company 31.12.2013 EUR Adjusted
Equity					
Share capital	13	33,464,487	34,011,197	33,464,487	34,011,197
Foreign currency translation reserve		675,927	19,071	-	-
Other reserves		(758,258)	456,130	546,709	-
Retained earnings		18,073,541	12,926,129	17,865,702	12,845,125
Total equity		**51,455,697**	**47,412,527**	**51,876,898**	**46,856,322**
Liabilities					
Non-current liabilities					
Borrowings from credit institutions	14	28,920,370	25,714,109	28,920,370	25,714,109
Borrowings from related companies	32	-	-	2,700,000	3,000,000
Finance lease	15	191,322	130,773	191,322	130,773
Deferred tax liabilities	29	652,880	411,466	569,574	284,574
Defined benefit obligation	19	6,041,854	4,450,074	-	-
Deferred income	20	3,475,402	1,267,868	2,981,168	1,267,868
Derivative	33	1,250,139	1,625,836	1,250,139	1,625,836
Total non-current liabilities		**40,531,967**	**33,600,126**	**36,612,573**	**32,023,160**
Current liabilities					
Borrowings from credit institutions	14	16,207,310	10,986,287	16,207,310	10,986,287
Finance lease	15	119,215	73,373	119,215	73,373
Advance payments from customers		209,833	136,246	209,833	136,248
Trade payables		8,968,014	8,325,941	8,068,781	7,608,110
Loans to Related parties	32	973,697	4,688,498	1,108,121	4,499,194
Taxes and social security contributions	16	754,216	753,660	591,465	600,991
Other accounts payable	17	571,660	548,764	571,658	509,001
Accrued liabilities	18	1,936,092	1,554,155	1,347,970	854,773
Defined benefit obligation	19	1,091,283	994,370	-	-
Deferred income	20	176,280	165,416	176,280	165,416
Total current liabilities		**31,007,600**	**28,226,710**	**28,400,633**	**25,433,393**
Total liabilities		**71,539,567**	**61,826,836**	**65,013,206**	**57,456,553**
TOTAL EQUITY AND LIABILITIES		**122,995,264**	**109,239,363**	**116,890,104**	**104,312,875**

The accompanying notes on pages 14 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 30 March 2015 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR 2014

	Notes	Group 2014 EUR	Group 2013 EUR Adjusted	Company 2014 EUR	Company 2013 EUR Adjusted
Sales	21	108,441,445	87,462,927	91,700,510	83,600,087
Change in inventories		5,132,867	2,413,902	4,102,785	1,997,941
Costs capitalized to non-current assets	6	47,129	136,796	47,129	136,796
Other operating income	22	782,613	1,535,421	1,423,391	804,110
Raw materials and consumables	23	(55,921,666)	(48,052,301)	(49,920,445)	(45,716,092)
Personnel expenses	24	(20,471,791)	(15,231,761)	(15,535,601)	(13,810,600)
Depreciation and amortization	25	(9,368,841)	(8,584,144)	(8,681,960)	(8,429,966)
Other operating expenses	26	(20,252,997)	(13,873,342)	(15,053,728)	(12,881,847)
Profit from operations		**8,388,759**	**5,807,498**	**8,082,081**	**5,700,429**
Interest and similar income	27	879,351	879,280	856,155	848,904
Interest and similar expenses	28	(1,817,498)	(1,672,757)	(1,624,790)	(1,622,851)
Profit before tax		**7,450,612**	**5,014,021**	**7,313,446**	**4,926,482**
Corporate income tax	29	(295,331)	(129,287)	(285,000)	(122,752)
PROFIT FOR THE YEAR		**7,155,281**	**4,884,734**	**7,028,446**	**4,803,730**
Earnings per share	30	**0.2993**	**0.2044**	**0.2940**	**0.2010**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	19	(2,201,823)	570,163	-	-
Income tax relating to items that will not be reclassified subsequently	29	440,725	(114,033)	-	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		656,859	19,071	-	-
Other comprehensive income for the year, net of income tax		**(1,104,239)**	**475,201**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,051,042**	**5,359,935**	**7,028,446**	**4,803,730**

The accompanying notes on pages 14 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 30 March 2015 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 2014

Group

	Share capital	Foreign currency translation reserve	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2012 (previously presented)	**34,011,197**	**-**	**-**	**9,922,558**	**43,933,755**
Adjustment (Note 2)	-	-	-	(316,649)	(316,649)
31.12.2012 (after adjustment)	**34,011,197**	**-**	**-**	**9,605,909**	**43,617,106**
Current year profit	-	-	-	4,884,734	4,884,734
Payment of dividends	-	-	-	(1,564,514)	(1,564,514)
Other comprehensive income					
Remeasurement of defined benefit obligation	-	-	*570,163*	-	*570,163*
Income tax relating to defined benefit obligation	-	-	*(114,033)*	-	*(114,033)*
Exchange differences on translating foreign operations	-	*19,071*	-	-	*19,071*
31.12.2013	**34,011,197**	**19,071**	**456,130**	**12,926,129**	**47,412,527**
Current year profit	-	-	-	7,155,281	7,155,281
Payment of dividends	-	-	-	(2,007,869)	(2,007,869)
Denomination of share capital to euro	(546,710)	-	546,710	-	-
Other comprehensive income:					
Remeasurement of defined benefit obligation	-	-	(2,201,823)	-	(2,201,823)
Income tax relating to defined benefit obligation	-	-	*440,725*	-	*440,725*
Exchange differences on translating foreign operations	-	*656,856*	-	-	*656,856*
31.12.2014	**33,464,487**	**675,927**	**(758,258)**	**18,073,541**	**51,455,697**

Company	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
31.12.2012 (previously presented)	**34,011,197**	**-**	**9,922,558**	**43,933,755**
Adjustment (See Note 2)	-	-	(316,649)	(316,649)
31.12.2012 (after adjustment)	**34,011,197**	**-**	**9,605,909**	**43,617,106**
Payment of dividends	-	-	(1,564,514)	(1,564,514)
Current year profit	-	-	4,803,730	4,803,730
31.12.2013	**34,011,197**	**-**	**12,845,125**	**46,856,322**
Payment of dividends	-	-	(2,007,869)	(2,007,869)
Current year profit	-	-	7,028,446	7,028,446
Denomination of share capital to euro	(546,710)	546,710	-	-
31.12.2014	**33,464,487**	**546,710**	**17,865,702**	**51,876,899**

The accompanying notes on pages 14 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 30 March 2015 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

STATEMENT OF CASH FLOWS
FOR THE YEAR 2014

		Group 31.12.2014 EUR	Group 31.12.2013 EUR Adjusted	Company 31.12.2014 EUR	Company 31.12.2013 EUR Adjusted
OPERATING ACTIVITIES					
Profit before tax		7,450,612	5,014,021	7,313,446	4,926,482
Adjustments:					
Change in fair value of derivative	27	(375,697)	(847,154)	(375,697)	(847,154)
Depreciation and amortization	25	9,368,841	8,584,144	8,681,960	8,437,809
Loss from disposal of fixed assets		(1,632)	1,935	(1,632)	329
Interest expenses	28	1,814,882	1,672,757	1,622,174	1,531,259
Interest income	27	(13,339)	(30,376)	(13,339)	(1,750)
Income on EU grants	22	(376,329)	(220,592)	(376,329)	(220,592)
Changes in working capital:					
Increase in inventories		(6,797,234)	(3,523,961)	(5,079,817)	(3,171,928)
Decrease / (increase) in accounts receivable		816,518	1,054,426	(3,676,301)	845,068
Increase in accounts payable		624,711	1,433,822	702,115	1,008,387
Interest received		13,339	30,376	13,339	1,750
Cash provided by operating activities		**12,524,672**	**13,169,398**	**8,809,919**	**12,509,660**
INVESTING ACTIVITIES					
Purchase of fixed and intangible assets		(16,533,309)	(12,372,386)	(10,454,411)	(10,794,615)
Acquisition of subsidiary		(3,000,000)	(4,395,452)	(3,000,000)	(6,000,000)
Loans to related parties		-	-	(2,140,116)	-
Income from sales of fixed assets		4,959	-	4,959	427
Net cash used in investing activities		**(19,528,350)**	**(16,767,838)**	**(15,589,568)**	**(16,794,188)**
FINANCING ACTIVITIES					
Loans received		12,031,276	11,504,577	12,031,276	11,504,277
Loans paid		(6,665,373)	(5,421,488)	(6,665,373)	(5,421,188)
Change in credit line		3,061,381	845,127	3,061,381	845,127
Dividends paid		(2,007,869)	(1,564,515)	(2,007,869)	(1,564,514)
Finance lease paid		(221,879)	(201,566)	(221,879)	(160,815)
Received EU and state grants		2,594,729	989,114	2,100,496	989,114
Interest paid		(1,784,478)	(1,617,331)	(1,784,478)	(1,525,731)
Net cash provided by financing activities		**7,007,787**	**4,533,918**	**6,513,554**	**4,666,270**
Net increase / (decrease) in cash and cash equivalents		4,109	935,478	(266,095)	381,742
Cash and cash equivalents at the beginning of the year		1,175,121	239,643	621,385	239,643
Cash and cash equivalents at the end of the year	12	**1,179,230**	**1,175,121**	**355,290**	**621,385**

The accompanying notes on pages 14 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 30 March 2015 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

1. GENERAL INFORMATION

AS Valmieras stikla šķiedra is registered as a joint stock company in the Commercial Register of the Republic of Latvia. The principal activity of the Group is production and trade of fibreglass and fibreglass products.

The Group consists of parent company AS Valmieras stikla šķiedra and its 100% owned subsidiaries Valmiera Glass UK (previously – P-D Integrlas Technologies Ltd.), Valmiera Glass USA Corporation and Valmiera Glass USA Trading Corporation. The principal activity of the Group is production and trade of fibreglass and fibreglass products.

AS Valmieras stikla šķiedra controls subsidiary Valmiera Glass UK since 4 October 2013. The comparative consolidated statement of profit and loss, statement of cash flows for 2013 and related notes includes the data of subsidiary for the period from 1 October 2013 to 31 December 2013 and are therefore not fully comparable with current year information.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (the EU) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 32 "Financial instruments: presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 "Impairment of assets"** - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **IFRIC 21 "Levies**" adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Change in accounting policies

The accounting policies of the Group have not changed in 2014, except for more accurate treatment of moment of transfer of risks and rewards for revenue recognition from deliveries to foreign countries. The new accounting policy is applied retrospectively and has the following impact on the comparative data for 2013:

Group	**Reported in 2013 before adjustment EUR**	**Adjustment amount EUR**	**2013 after adjustment EUR**
Statement of profit and loss for 2013			
Sales	88,532,563	(1,069,636)	87,462,927
Change in inventories	1,562,995	850,907	2,413,902
Profit for the year	**5,103,463**	(218,729)	**4,884,734**
Statement of financial position 31.12.2013			
Assets			
Current assets			
Inventories	24,073,825	1,589,753	25,663,578
Trade receivables	12,537,181	(2,125,131)	10,412,050
Total current assets	*38,943,181*	*(535,378)*	*38,407,803*
Total assets	**109,774,741**	**(535,378)**	**109,239,363**
Equity and liabilities			
Equity			
Retained earnings	13,461,507	(535,378)	12,926,129
Total equity	*47,947,905*	*(535,378)*	*47,412,527*
Total equity and liabilities	**109,774,741**	**(535,378)**	**109,239,363**
Statement of changes in equity for 2013			
Retained earnings 31.12.2012.	9,922,558	(316,649)	9,605,909
Profit for 2013	5,103,463	(218,729)	4,884,734

Group	Reported in 2013 before adjustment	Adjustment amount	2013 after adjustment
	EUR	EUR	EUR
Statement of cash flows for 2013			
Profit before tax	5,232,750	(218,729)	5,014,021
Increase in inventories	(2,673,054)	(850,907)	(3,523,961)
Increase in receivables	(15,210)	1,069,636	1,054,426

Company	Reported in 2013 before adjustment	Adjustment amount	2013 after adjustment
	EUR	EUR	EUR
Statement of profit and loss for 2013			
Sales	84,669,723	(1,069,636)	83,600,087
Change in inventories	1,147,034	850,907	1,997,941
Profit for the year	**5,022,459**	(218,729)	**4,803,730**
Statement of financial position 31.12.2013			
Assets			
Current assets			
Inventories	17,860,149	1,589,754	19,449,902
Trade receivables	10,045,973	(2,125,131)	7,920,842
Total current assets	*29,299,291*	*(535,378)*	*28,763,913*
Total assets	**104,848,253**	**(535,378)**	**104,312,875**
Equity and liabilities			
Equity			
Retained earnings	13,380,503	(535,378)	12,845,125
Total equity	*47,391,700*	*(535,378)*	*46,856,322*
Total equity and liabilities	**104,848,253**	**(535,378)**	**104,312,875**
Statement of changes in equity for 2013			
Retained earnings 31.12.2012.	9,922,558	(316,649)	9,605,909
Profit for 2013	5,103,463	(218,729)	4,884,734
Statement of cash flows for 2013			
Profit before tax	5,145,211	(218,729)	4,926,482
Increase in inventories	(2,321,021)	(850,907)	(3,171,928)
Increase in receivables	(224,568)	1,069,636	845,068

3. ACCOUNTING POLICIES

Foreign currencies

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company’s functional and presentation currency. The functional currencies of subsidiaries are GBP and USD.

In preparing the financial statements of each individual group entity, transactions in currencies other than the company’s functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries are translated into EUR using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in in equity as Foreign currency translation reserves.

Until 1 January 2014, when Latvia joined the Eurozone and the Latvian Lat was replaced by the EUR, the Company carried out its accounting records and prepared its financial statements in the Latvian Lat. Since that date, the Company's accounting records have been carried out in the EUR. The conversion to the EUR was done using the official exchange rate set by the Bank of Latvia – 1 EUR/0.702804 Latvian Lat. Until 1 January 2014, all transactions denominated in foreign currencies were translated into the Latvian Lat at the Bank of Latvia official rate. Starting from 1 January 2014, all transactions denominated in foreign currencies are translated into the EUR at the European Central Bank rate. The applied exchange rates to 1 EUR are as follows:

	31.12.2014	**31.12.2013**
GBP	0.77890	0.8282
RUB	72.337	45.052
SEK	9.393	8.730
USD	1.214	1.365

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries. Control is achieved when the Group has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses, including acquisitions under common control in situations the common control transaction has commercial substance, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Investments in subsidiaries

Investments in subsidiaries in the Company's separate financial statements are recognized at cost less impairment losses. If the recoverable amount of an investment is lower than its carrying amount, due to circumstances not considered to be temporary, the investment value is written down to its recoverable amount.

Intangible assets

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is recognized.

Other intangible assets
Software licences and patents are stated at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation of the assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. Generally the software licences and patents are amortised over a period of 3 to 10 years.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition.

Precious metal plates, which are used in manufacturing, are classified as fixed assets and depreciated using units of production method based on actual intensity of use. For other fixed assets depreciation is calculated using the straight-line method applying the following annual depreciation rates:

	Annual rate
Buildings	4-6.7%
Equipment and machinery	6.7-25%
Other fixed assets	10-40%

Land is not depreciated.

The estimated annual depreciation rates and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate recoverable amount of an individual asset, the Group estimates the value of cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of sale and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

If necessary, allowance is made for obsolete, slow moving and defective stock.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognized in the statement of profit and loss on an accrual basis of accounting using the effective interest rate method.

Segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item Personnel Expenses and Interest expense/ income. Remeasurement is recognized in equity.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available for sale financial assets and loans and receivables. This classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash and other similar items) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables
The Group assesses, at each balance sheet date, whether there is objective evidence that a loan or trade receivable is impaired.

The Group assesses each loans and trade receivable on an individual basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated present value of future cash flows discounted with original effective interest rate.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss
The Group enters into certain derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. Interest rate swaps involve the exchange of fixed and floating interest payments. The notional amount on which the interest payments are based is not exchanged.

Foreign exchange contracts (forwards) are contracts for the future receipt or delivery of foreign currency at previously agreed-upon terms.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. The Group does not hold derivative financial instruments which were designated and effective as hedging instruments.

O*ther financial liabilities*
Other financial liabilities of the Group comprise of borrowings, trade and other payables. These financial liabilities are initially measured at fair value less transaction costs, and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Taxation

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rate that have been enacted for the reporting year.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The deferred tax liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. Where a deferred tax asset arises, this is only recognized in the financial statements where its recoverability can be estimated with reasonable certainty.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

If the Group is a lessee in a finance lease arrangement, it recognises in the statement of financial position the assets as an item of property, plant and equipment and a lease liability measured as the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the balance of liability outstanding. The interest element of the lease payment is charged to the profit or loss over the lease period. The item of property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Total payments made under operating leases are charged to the profit and loss statement on a straight–line basis over the period of the lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions with initial term which does not exceed 90 days.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Emission rights

The Group is a participant of the EU CO_2 emission allowance trading scheme and receives an allocation of allowances for emission of greenhouse gas from the Latvian authorities. The Group records emission allowances received at cost, if any. If the actual emission exceeds the amount of allowance, the shortfall is recognized in current liabilities and profit and loss statement. Liabilities are measured based on additional allowances required and estimated purchase cost.

Use of estimates and critical accounting judgments

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and off statements of financial position items, as well as reported revenues and expenses. Actual results could differ from those estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

Recoverable amount of goodwill
Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Determining whether goodwill is impaired requires the management to estimate the future cash flows expected to arise from the cash-generating unit. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Useful lives of property, plant and equipment
Useful lives of property, plant and equipment are assessed at each balance sheet date and changed, if necessary, to reflect the Group’s management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.

The carrying amounts of property, plant and equipment
The Group's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Group's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Group's planned level of activities and the estimated market value of the assets, the Group's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2014.

Net realisable value of inventories
The Group's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories then an allowance is recorded. The Group's management has evaluated the net realisable value of inventories and considers that it is not necessary to make an additional significant allowance as of 31 December 2014.

Recoverability of deferred tax assets on tax loss carried forward
The Group assesses the availability of taxable profits during the period when tax losses carried forward can be used (see Note 29). The Group reviews the deferred tax asset at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available during the period when tax loss can be carried forward to use the deferred tax asset.

Allowance for doubtful trade receivables
The Group's management evaluates the carrying amount of trade receivable on individual basis and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Group's management has evaluated the trade receivables and considers that allowances provided are sufficient to cover the impairment loss as of 31 December 2014.

Defined benefit pension plans
The Group's management determines net deficit in defined benefit pension plan based on an assessment carried out by independent actuary. The most significant assumptions used in this assessment are the expected return on pension plan assets, pension growth rate and the discount rate.

4. OTHER INTANGIBLE ASSETS

Group

	Software licenses, patents, trademarks and other rights	Software in acquisition process	Total
	EUR	EUR	EUR
HISTORICAL COST			
31.12.2012	**232,961**	**156,937**	**389,898**
Additions	37,926	-	37,926
31.12.2013	**270,887**	**156,937**	**427,824**
Additions	313,020	-	313,020
Transfers	156,937	(156,937)	-
Disposals	(428)		(428)
31.12.2014	**740,416**	**-**	**740,416**
ACCUMULATED AMORTISATION			
31.12.2012	**209,576**	**-**	**209,576**
Charge for the year	9,876	-	9,876
31.12.2013	**219,452**	**-**	**219,452**
Charge for the year	51,213	-	51,213
Disposals	(428)	-	(428)
31.12.2014	**270,237**	**-**	**270,237**
NET CARRYING AMOUNT			
31.12.2013	**51,435**	**156,937**	**208,372**
31.12.2014	**470,179**	**-**	**470,179**

5. INVESTMENTS IN SUBSIDIARIES AND GOODWILL

The Company is the sole shareholder in the following companies:

	31.12.2014	31.12.2013
	EUR	EUR
Valmiera Glass UK Limited	13,001,000	13,001,000
Valmiera Glass USA Corporation	15,895	-
Valmiera Glass Trading USA Corporation	15,894	-
Total	**13,032,789**	**13,001,000**

The Company established subsidiaries Valmiera Glass USA Corporation and Valmiera Glass Trading USA Corporation on 9 April 2014.

The Company acquired 100% of shares of subsidiary Valmiera Glass UK Limited (formerly named P-D Interglas Technologies Limited) from related party on 4 October 2013. Total cost of acquisition amounted to EUR 13,001,000, which consisted of consideration transferrable to the seller in amount of EUR 10,001,000 and loan issued by the subsidiary to its previous shareholder in amount of EUR 3,000,000, which was assigned to AS Valmieras Stikla Skiedra as a part of the acquisition transaction.

Assets acquired and liabilities recognised at the date of acquisition, and resulting goodwill are as follows:

	EUR
Current assets	
Cash and cash equivalents	1,604,548
Trade and other receivables	6,263,881
Inventories	5,861,643
Non-current assets	
Plant and equipment	2,337,567
Deferred tax asset	1,190,447
Current liabilities	
Trade and other liabilities	(2,235,674)
Defined benefit obligations	(5,952,234)
Fair value of identifiable net assets acquired	**9,070,178**
Consideration	**13,001,000**
Goodwill arising on acquisition	**3,930,822**

Goodwill arose in the acquisition of Valmiera Glass UK Ltd because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These and other benefits resulting from the acquisition are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The recoverable amount of the goodwill was determined by the management based on a value in use calculation which uses cash flow projections based on approved financial budget of the subsidiary. No impairment has been identified based on these calculations. The key assumptions used in these calculations are related to estimated revenue and gross margin growth.

6. TANGIBLE FIXED ASSETS

Group	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
HISTORICAL COST						
31.12.2012	**345,802**	**22,565,602**	**88,799,187**	**3,269,057**	**2,037,790**	**117,017,438**
Additions	-	-	35,590,	23,443	10,781,611	10,840,644
Acquisition through business combination	-	3,704,642	13,154,208	1,096,238	-	17,955,088
Disposals	-	(42,168)	(1,080,718)	(228,471)	-	(1,351,357)
Transfers	29,630	777,621	7,846,062	506,904	(9,160,217)	
31.12.2013	**375,432**	**27,005,697**	**108,754,329**	**4,667,171**	**3,659,184**	**144,461,813**
Additions	-	147,411	594,679	89,311	12,352,525	13,183,926
Disposals	-	-	(648,727)	(76,673)	-	(725,400)
Transfers	250,606	3,058,922	4,135,514	508,456	(7,953,498)	-
31.12.2014	**626,038**	**30,212,030**	**112,835,795**	**5,188,265**	**8,058,211**	**156,920,339**
ACCUMULATED DEPRECIATION						
31.12.2012	**-**	**11,201,965**	**43,702,302**	**2,898,433**	**-**	**57,802,700**
Acquisition through business combination	-	2,866,233	10,685,835	959,635	-	14,511,703
Charge for the year	-	1,393,942	6,954,348	225,976	-	**8,574,266**
Disposals	-	(41,578)	(996,260)	(227,832)	-	**(1,265,670)**
31.12.2013	**-**	**15,420,562**	**60,346,225**	**3,856,212**	**-**	**79,622,999**
Charge for the year	-	1,518,061	7,441,356	358,212	-	9,317,629
Disposals	-	-	(632,000)	(76,631)	-	(708,631)
31.12.2014	**-**	**16,938,623**	**67,155,581**	**4,137,793**	**-**	**88,231,997**
NET CARRYING AMOUNT						
31.12.2013	**375,432**	**11,585,135**	**48,408,104**	**810,959**	**3,659,184**	**64,838,814**
31.12.2014	**626,038**	**13,273,407**	**45,680,214**	**1,050,472**	**8,058,211**	**68,688,342**

Company	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
HISTORICAL COST						
31.12.2012	**345,802**	**22,565,602**	**88,799,187**	**3,269,058**	**2,037,790**	**117,017,439**
Additions	-	-	35,590	-	10,781,611	**10,817,201**
Disposals	-	(42,168)	(1,079,721)	(228,471)	-	**(1,350,360)**
Transfers	29,630	777,621	7,846,062	506,904	(9,160,217)	**-**
31.12.2013	**375,432**	**23,301,055**	**95,601,118**	**3,547,491**	**3,659,184**	**126,484,280**
Additions	-	-	8,506	-	7,081,601	7,090,107
Disposals	-	-	(599,898)	(48,133)	-	(648,031)
Transfers	253	3,309,275	4,135,514	508,456	(7,953,498)	-
31.12.2014	**375,685**	**26,610,330**	**99,145,240**	**4,007,814**	**2,787,287**	**132,926,356**
ACCUMULATED DEPRECIATION						
31.12.2012	**-**	**11,201,965**	**43,702,302**	**2,898,434**	**-**	**57,802,701**
Charge for the year	-	1,316,417	6,889,478	214,193	-	**8,420,088**
Disposals	-	(41,578)	(1,044,026)	(227,833)	-	**(1,313,437)**
31.12.2013	**-**	**12,476,804**	**49,547,754**	**2,884,794**	**-**	**64,909,352**
Charge for the year	-	1,441,518	6,874,388	314,841	-	8,630,747
Disposals	-	-	(598,090)	(48,091)	-	(646,181)
31.12.2014	**-**	**13,918,322**	**55,824,052**	**3,151,544**	**-**	**72,893,918**
NET CARRYING AMOUNT						
31.12.2013	**375,432**	**10,824,251**	**46,053,364**	**662,697**	**3,659,184**	**61,574,928**
31.12.2014	**375,685**	**12,692,008**	**43,321,188**	**856,270**	**2,787,287**	**60,032,438**

The Group has pledged tangible fixed assets with a total carrying amount as of 31 December 2014 of EUR 59,704,514 (2013: EUR 61,783,300) as a security for borrowings, see Note 14.

A number of fixed assets that have been fully depreciated are still used in operations. The total acquisition cost of these assets as at 31 December 2014 amounted to EUR 29,546,680 (2013: EUR 25,279,348).

Equipment and machinery includes precious metal plates that are used in production, with net carrying amount as of 31 December 2014 of EUR 7,938,942 (2013: EUR 8,157,064). According to the metal prices quoted in London Stock Exchange as at 31 December 2014 the market price of the precious metals was EUR 12,538,415 (2013: EUR 12,611,330). The average technical depletion of the plates in 2014 was 2.26% (2013: 3.56%).

The additions to property, plant and equipment include capitalised direct expenses related with development of fixed assets incurred on qualifying capital expenditure projects and capitalised based on the labour hours spent on those projects. The total amount of expenses capitalised to property, plant and equipment was EUR 47,129 during 2014 (2013: EUR 136,796).

The Group did not incur borrowing costs eligible for capitalisation during 2014 and 2013.

7. RAW MATERIALS

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Raw materials	10,424,257	9,170,273	8,225,545	7,324,388
Allowance for slow moving inventories	(116,741)	(71,144)	(116,741)	(71,144)
Total	**10,307,516**	**9,099,129**	**8,108,804**	**7,253,244**

	Group EUR	Company EUR
Allowances 31 December 2012	**71,144**	**71,144**
Allowances 31 December 2013	**71,144**	**71,144**
Used/sold	(9,403)	(9,403)
Additional allowances provided	55,000	55,000
Allowances 31 December 2014	**116,741**	**116,741**

8. FINISHED GOODS

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Finished goods	17,143,126	13,911,187	12,345,268	10,198,793
Allowance for excess of net realizable value over cost	(190,324)	(156,370)	(174,731)	(140,777)
Total	**16,952,802**	**13,754,817**	**12,170,537**	**10,058,016**

	Group EUR	Company EUR
Allowances 31 December 2012	**79,053**	**79,053**
Additional allowances provided	77,317	61,724
Allowances 31 December 2013	**156,370**	**140,777**
Additional allowances provided	33,954	33,954
Allowances 31 December 2014	**190,324**	**174,731**

9. TRADE RECEIVABLES

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Trade receivables	8,518,629	8,777,549	5,746,570	5,828,819
Allowances for doubtful receivables	(261,675)	(114,099)	(174,270)	(87,710)
Total	**8,256,954**	**8,663,450**	**5,572,300**	**5,741,109**

Age of receivables that are past due but not impaired:

Days past due	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
61-90 days	94,606	361,029	10,017	179,702
Over 90 days	477,029	321,365	104,153	193,435
Total	**571,635**	**682,394**	**114,170**	**373,137**

10. OTHER RECEIVABLES

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
VAT overpayment (see Note 16)	469,156	712,335	469,156	526,134
Other receivables	134,464	260,995	42,635	61,926
Allowance for doubtful receivables	(29,473)	(30,626)	(29,473)	(30,626)
Total	**574,147**	**942,704**	**482,319**	**557,434**

Change in allowance for doubtful trade and other receivables:

	Group EUR	Company EUR
Allowance as of 31 December 2012	**122,602**	**122,602**
Decrease due to collection (see Note 22	(5,689)	(5,689)
Additional allowance provided (see Note 26)	27,812	1,423
Allowance as of 31 December 2013	**144,725**	**118,336**
Decrease due to collection (see Note 22)	(8,529)	(8,529)
Additional allowance provided (see Note 26)	154,952	93,936
Allowance as of 31 December 2014	**291,148**	**203,743**

11. DEFERRED EXPENSES

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Precious metal plates reprocessing expenses	39,613	68,178	39,613	68,178
Insurance expenses	89,199	105,334	89,199	105,334
Other deferred expenses	304,243	40,838	147,419	40,838
Total	**433,055**	**214,350**	**276,231**	**214,350**

12. CASH AND CASH EQUIVALENTS

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Cash in bank	1,179,230	1,175,121	355,290	621,385
Total	**1,179,230**	**1,175,121**	**355,290**	**621,835**

13. SHARE CAPITAL

The registered share capital of Parent company as of 31 December 2013 was LVL 23,903,205 (EUR 34,011,197). In 2014 the share capital was denominated from Latvian lats to euro. Nominal value per share was determined EUR 1.40 and total value of share capital was determined EUR 33,464,487. Positive difference arising from the denomination in amount of EUR 546,709 was transferred to reserves of the Company. The share capital as of 31 December 2014 and 2013 consists of 11,494,250 publicly listed bearer shares and 12,408,955 private placement ordinary shares, all with equal rights.

As of 31 December 2014 and 2013 the shareholders of the Parent company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	31.12.2014	**31.12.2013**
P-D Glasseiden Oschatz GmbH	26.1%	26.1%
Vitrulan International GmbH	36.2%	36.2%
P-D Management Industries –Technologies GmbH	23.9%	23.9%
Beatrix Preiss – Daimler	5.1%	4.5 %
VAS VSAA	2.4%	2.4 %
Other	6.3%	6.9 %
Total	**100.0%**	**100.0%**

The Group is ultimately controlled by Jürgen Preiss-Daimler and Beatrix Preiss-Daimler. Vitrulan International GmbH has a significant influence over the Company. The ultimate beneficial owner of Virtulan International GmbH is Hans Peter Cordts.

14. BORROWINGS FROM CREDIT INSTITUTIONS

	Group 31.12.2014 EUR	**Group 31.12.2013 EUR**	**Company 31.12.2014 EUR**	**Company 31.12.2013 EUR**
Non-current part:				
Loan due within 2 to 5 years	28,920,370	25,714,109	28,920,370	25,714,109
Loan due after more than 5 years	-	-	-	-
Total non-current part	**28,920,370**	**25,714,109**	**28,920,370**	**25,714,109**
Current part:				
Credit line	9,333,537	6,272,154	9,333,537	6,272,154
Loan	6,873,773	4,714,133	6,873,773	4,714,133
Total current part	**16,207,310**	**10,986,287**	**16,207,310**	**10,986,287**
Total	**45,127,680**	**36,700,396**	**45,127,680**	**36,700,396**

Credit lines	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
On 2 April 2001 the Company signed a credit line agreement with AS Swedbank to increase working capital. As of 31 December 2014 and 2013 the credit line limit available was EUR 7,000,000. The interest rate of the credit line is 3 month EURIBOR +1.85% for used amount and 0.5% for unused amount. The maturity date of the credit line is 15 August 2015.	6,738,007	5,788,525	6,738,007	5,788,525
On 28 February 2012 the Company signed a credit line agreement with AS SEB banka to obtain financing for increase in working capital. As of 31 December 2014 and 2013 the credit line limit available was EUR 1,000,000. The interest rate for the credit line is 3 month EURIBOR + 1.4%. Maturity date of the credit line is 12 February 2016.	788,637	483,629	788,637	483,629
On 9 September 2014 the Company signed a credit line agreement with AS Danskebank to obtain financing for increase in working capital. As of 31 December 2014 the credit line limit available was EUR 2,000,000. The interest rate for the credit line is 1 month EURIBOR + 1.3% for used amount. Maturity date of the credit line is 8 September 2015.	1,806,893	-	1,806,893	-
On 3 March 2014 the Group signed a credit line agreement with AS SEB banka to obtain financing for increase in working capital. As of 31 December 2014 the credit line limit available was GBP 500,000 (EUR 641,931). The interest rate for the credit line is 1 month EURIBOR + 0.3% for used amount. Maturity date of the credit line is 30 April 2016.				
Total credit lines	**9,333,537**	**6,272,154**	**9,333,537**	**6,272,154**

The credit lines are secured by the inventories of the Company with the carrying amount as of 31 December 2014 of EUR 24,270,249 (2013: EUR 19,370,432).

As of 31 December 2014 the amount of available and not yet withdrawn credit lines was EUR 1,950,325 (2013: EUR 1,727,846).

On 12 December 2014 the Company has signed credit line agreement with AS SEB banka to refinance the credit line from AS Swedbank based on agreement from 2 April 2001. Creid line limit as of 31 December 2014 was EUR 7,000,000. The interest rate of the credit line was 3 month EURIBOR + 1.5 for used amount. Credit lines maturity is 11 December of 2015.

The Group has also signed several loan agreements with credit institutions:

Date of agreement	Principal amount EUR	Annual interest rate	Maturity	Unpaid amount Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
05.06.2005	36,000,000	3 months EURIBOR +1.39%***	30.12.2018*	14,926,764	17,560,914	14,926,764	17,560,914
16.04.2008	5,000,000	3 months EURIBOR + 1.34%***	10.04.2016	952,368	1,666,656	952,368	1,666,656
06.11.2012	945,000	3 months EURIBOR +1.894%***	06.11.2016	543,120	826,800	543,120	826,800
06.11.2012	385,000	3 months EURIBOR +1.894%***	06.11.2017	223,740	302,700	223,740	302,700
20.12.2012	7,000,000	3 months EURIBOR +2.164%***	20.12.2017	5,263,341	5,571,173	5,263,341	5,571,173
30.09.2013	7,500,000	3 months EURIBOR + 2.500%	02.12.2019	7,375,000	4,500,000	7,375,000	4,500,000
30.12.2013	2,500,000	3 months EURIBOR +2.300%	03.12.2018	1,994,038	-	1,994,038	-
04.08.2014	1,700,000	3 months EURIBOR +2.300%***	04.08.2017	1,105,000	-	1,105,000	-
09.09.2014	1,920,000	3 months EURIBOR +2.150%	30.09.2018	1,880,000	-	1,880,000	-
09.09.2014	2,682,756	3 months LIBOR +2.200%**	30.09.2018	1,565,273	-	1,565,273	-
12.12.2014	24,700,000	3 months EURIBOR +1.500%***	11.12.2019	(34,500)	-	(34,500)	-
			Total	**35,794,144**	**30,428,243**	**35,794,144**	**30,428,243**

* The Group has signed an interest rate swap contract for the loan. As of 31 December 2014, the fair value of interest swap agreement amounts to a liability of EUR 1,250,139 (2013: EUR 1,625,836), which is presented as Derivative financial instrument in these financial statements.

** The loan was received in USD, principal amount is USD 3,257,134 (2013: EUR 2,682,756). As of 31 December 2014 unpaid amount of the loan was USD 1,900,398 (EUR 1,565,273).

*** On 12 December 2014 the Company has signed loan agreement with AS SEB banka to fully refinance borrowings from Swedbank AS. The borrowings were actually repaid to Swedbank AS on 12 January 2015.

The loans are secured by the assets of the Group with the carrying amount as of 31 December 2014 of EUR 102,729,942 (2013: EUR 97,811,186).

15. FINANCE LEASE

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Non-current	191,322	130,773	191,322	130,773
Current	119,215	73,373	119,215	73,373
Total	**310,537**	**204,146**	**310,537**	**204,146**

The interest rate for the lease is variable 3 month EURIBOR and fixed rate 1.894%-2.65%.
Net carrying amount of fixed assets purchased based on finance lease agreements as of 31 December 2014 amounted to EUR 353,636 (2013:EUR 333,210).

16. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

Group	**31.12.2014 EUR**	**31.12.2013 EUR**
Republic of Latvia (Company)		
Natural resource tax	7,784	9,106
Social security contributions	360,951	382,598
Personal income tax	222,380	208,944
Enterprise risk duty	350	343
United Kingdom:		
Corporate income tax	-	50,946
Other tax	162,751	101,723
Total	**754,216**	**753,660**

Company	**31.12.2013**						**31.12.2014**	
	Over-payment	**Liabilities**	**Calculated**	**Transfer**	**Refund**	**Paid**	**Over-payment**	**Liabilities**
Natural resource tax	-	9,106	30,789	-	-	32,111	-	7,784
Property tax	-	-	72,712	-	-	72,712	-	-
Social insurance contributions	-	382,598	3,914,209	3,908,375	-	27,481	-	360,951
Personal income tax	-	208,944	2,395,528	-	-	2,382,092	-	222,380
Risk duty	-	343	4,213	-	-	4,205	-	350
Value added tax	526,134	-	(4,786,740)	(3,908,375)	935,343	-	469,156	-
Total	**526,134**	**600,991**	**1,630,711**	**-**	**935,343**	**2,518,601**	**469,156**	**591,465**

17. OTHER ACCOUNTS PAYABLE

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Salary	562,820	500,548	562,820	500,548
Other	8,840	48,216	8,838	8,453
Total	**571,658**	**548,764**	**571,658**	**509,001**

18. ACCRUED LIABILITIES

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Accrual for vacations	100,835	79,829	100,835	79,829
Accruals for remuneration of management	380,193	343,589	380,193	343,589
Accruals for client bonuses	716,058	385,254	716,058	385,254
Other	739,006	745,483	150,884	46,101
Total	**1,936,092**	**1,554,155**	**1,347,970**	**854,773**

19. RETIREMENT BENEFIT OBLIGATION

Subsidiary of the Group Valmiera Glass UK Ltd operates a defined benefit pension scheme for certain employees and for eligible employees, a scheme providing benefits based on final pensionable pay.

On 27 May 2003, normal contributions to the defined benefit pension scheme were discontinued and members' benefits ceased to accrue for additional periods of service after 27 May 2003. The scheme will continue to fund benefits accrued up to 27 May 2003.

The assets of the pension schemes are held separately from those of Valmiera Glass UK Ltd being invested by independent investment managers.

The valuation of retirement benefit obligation has been prepared by a qualified actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on scheme assets, the rate of increase of pensions in payment (in turn related to the increase in price inflation) and the discount rate. The principal assumptions at 31 December 2014 and 2013 were:

% p.a.	**2014** % per Year	**2013** % per Year
Discount rate	3.50	4.60
Long-term rate of return on assets	3.50	5.00
Price inflation - RPI	3.15	3.50
Price inflation – CPI	2.35	2.70
Rate of increase in pensions' payment		
Fixed	5.00	5.00
RPI (max 5%)	3.10	3.40
CPI (max 5%)	2.05	2.30

The fair value of the scheme assets, the present value of liabilities and expected rates of return assumed for each class at each balance sheet date are as follows:

	31.12.2014 EUR	31.12.2013 EUR
Shares/equity	4,760,560	4,279,748
Corporate bonds	7,181,923	5,655,553
Index-linked assets	1,846,193	1,354,214
Cash and cash equivalents	123,251	277,080
Total pension plan assets	**13,911,927**	**11,566,595**
Present value of pension plan liabilities	**(21,045,064)**	**(17,011,039)**
Net pension plan liabilities	**(7,133,137)**	**(5,444,444)**
Current portion	1,091,283	994,370
Non-current portion	6,041,854	4,450,074

Changes in the value of Pension Plan which were recognized during the reporting period:

	2014 EUR	2013 EUR
Changes recognized as Reserves	(2,201,823)	570,163
Interest costs recognized in statement of profit and loss	(188,557)	(62,373)
Total	**(2,390,380)**	**507,790**

20. DEFERRED INCOME

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
EU grants	2,981,168	1,267,868	2,981,168	1,267,868
USA grants	494,234	-	-	-
Total non-current	**3,475,402**	**1,267,868**	**2,981,168**	**1,267,868**
EU grants (current)	176,280	165,416	176,280	165,416
Total	**3,651,682**	**1,433,284**	**3,157,448**	**1,433,284**

In July 2014 the Group entered into a Memorandum of Understanding („MOU”) with the City of Dublin and County of Laurens Development Authority (USA), whereby the Authority agreed to provide certain inducements if the Group locates its manufacturing facility in Laurens County. As of 31 December 2014 the Group had received grant in amount of USD 600,000 (EUR 494,234) for the financing of the facility. Based on grant terms, the Group shall ensure creation of 150 jobs in USA facility until 31 December 2019. If the requirements for the grant will not be fulfilled, the grant shall be refunded.

As of 31 December 2014 the Group has complied with the requirements of the agreements related to EU financing.

21. SALES AND BUSINESS SEGMENTS

Based on the type of its products the Group may be divided into two main divisions – glass fibre fabrics and non-woven products business structure. Those divisions serve as the basis to report the primary segments of the Group – business segments.

Group

EUR	Glass fibre fabrics		Glass fibre non-woven products		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Sales	**69,289,935**	**60,425,710**	**39,151,510**	**27,037,217**	**108,441,445**	**87,462,927**
Segment operating expenses	(56,096,342)	(46,757,408)	(27,705,148)	(18,176,471)	(83,801,490)	(64,933,879)
Unallocated expenses					(16,251,196)	(16,721,550)
Operating profit					**8,388,759**	**5,807,498**
Interest income					879,351	879,280
Interest expenses					(1,817,498)	(1,672,757)
Profit before taxation					**7,450,612**	**5,014,021**
Income tax expense					(295,331)	(129,287)
Profit for the year					**7,155,281**	**4,884,734**

Statement of financial position
31.12.2014

EUR	Glass fibre fabrics	Glass fibre non-woven products	Total
Assets			
Segment assets	27,588,336	45,352,888	**72,941,224**
Unallocated assets			50,054,040
Total assets			**122,995,264**
Equity and liabilities			
Segment liabilities	24,869,669	31,188,999	**56,058,668**
Unallocated liabilities and equity			66,936,596
Total equity and liabilities			**122,995,264**

Other information

2014, EUR	Glass fibre fabrics	Glass fibre non-woven products	Other	Total
Acquisition of fixed and intangible assets	4,648,720	6,802,046	2,046,180	**13,496,946**
Depreciation and amortization	2,325,716	5,953,043	1,090,082	**9,368,841**

Company EUR	Glass fibre fabrics 2014	Glass fibre fabrics 2013	Glass fibre non-woven products 2014	Glass fibre non-woven products 2013	Total 2014	Total 2013
Sales	**52,549,000**	**56,002,285**	**39,151,510**	**27,597,802**	**91,700,510**	**83,600,087**
Segment operating expenses	(39,902,000)	(42,526,941)	(27,488,429)	(18,651,167)	(67,390,429)	(61,178,108)
Unallocated expenses					(16,228,000)	(16,721,550)
Operating profit					**8,082,081**	**5,700,429**
Interest income					856,155	848,904
Interest expenses					(1,624,790)	(1,622,851)
Profit before taxation					**7,313,446**	**4,926,482**
Income tax expense					(285,000)	(122,752)
Profit for the year					**7,028,446**	**4,803,730**

Statement of financial position 31.12.2014

EUR	Glass fibre fabrics	Glass fibre non-woven products	Total
Assets			
Segment assets	22,056,132	45,535,305	**67,591,437**
Unallocated assets			49,298,667
Total assets			**116,890,104**
Equity and liabilities			
Segment liabilities	19,337,465	31,371,416	**50,708,881**
Unallocated liabilities and equity			66,181,223
Total equity and liabilities			**116,890,104**

Other information

2014, EUR	Glass fibre fabrics	Glass fibre non-woven products	Other	Total
Acquisition of fixed and intangible assets	4,054,041	1,523,011	1,826,075	**7,403,127**
Depreciation and amortization	1,662,105	5,952,945	1,066,910	**8,681,960**

Net sales by geographical area:

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
European Union	84,409,911	63,219,035	70,239,700	56,712,382
North America	12,406,680	11,224,876	12,247,400	11,100,852
CIS	5,899,600	7,272,175	5,899,600	7,222,566
Other Countries	5,725,254	5,746,841	3,313,810	8,564,287
Total	**108,441,445**	**87,462,927**	**91,700,510**	**83,600,087**

22. OTHER OPERATING INCOME

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Sale of raw materials	239,310	150,836	239,310	150,836
Profit from sales of fixed assets	1,632	-	1,632	-
Insurance indemnification	12,967	3,107	12,967	3,107
Income from rent of premises	15,845	19,466	15,845	19,466
Received bad debts (see Note 10)	8,529	5,689	8,529	5,689
Income from EU funding	376,329	220,592	376,329	220,592
Other	128,001	1,135,731	768,779	404,420
Total	**782,613**	**1,535,421**	**1,423,391**	**804,110**

23. RAW MATERIALS AND COSUMABLES

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Raw materials	38,343,327	31,713,850	33,493,348	29,687,671
Natural gas	5,168,059	5,099,217	4,663,241	4,962,411
Electricity	7,255,201	6,450,685	6,608,777	6,290,087
Oxygen	828,404	816,485	828,404	816,485
Precious metal plates processing costs	592,686	633,791	592,686	633,791
Other	3,733,989	3,338,273	3,733,989	3,325,647
Total	**55,921,666**	**48,052,301**	**49,920,445**	**45,716,092**

24. PERSONNEL EXPENSES

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Salaries	15,529,674	10,938,473	11,292,129	9,942,766
Social security contributions	3,067,961	2,535,061	2,644,646	2,448,219
Illness and vacation expenses	1,072,102	959,434	1,072,102	959,434
Accruals for remuneration of Board and Council	380,194	343,589	380,194	343,589
Insurance of employees	106,404	83,686	68,543	63,463
Other	315,456	371,518	77,987	53,129
Total	**20,471,791**	**15,231,761**	**15,535,601**	**13,810,600**

	Group 2014	Group 2013	Company 2014	Company 2013
Average number of employees	1 098	1 045	945	915

25. DEPRECIATION AND AMORTISATION

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Fixed asset depreciation based on straight line method	9,089,482	8,219,021	8,402,601	8,064,843
Depreciation of precious metal plates	228,146	355,245	228,146	355,245
Intangible asset amortization (see Note 4)	51,213	9,878	51,213	9,878
Total	**9,368,841**	**8,584,144**	**8,681,960**	**8,429,966**

26. OTHER OPERATING EXPENSES

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Transportation	7,177,255	6,022,635	6,454,334	5,862,037
Sales commission	1,591,382	1,308,444	1,430,014	1,296,548
Service costs	2,569,157	1,568,574	1,658,538	1,440,096
Spare parts	1,341,141	846,338	1,014,552	846,338
Repair expenses	986,820	766,468	894,607	737,917
Business trips	1,040,322	736,348	723,373	567,423
Training and qualification of employees	583,324	100,512	583,324	100,512
Insurance	659,448	317,625	412,257	309,298
Leasing	714,566	506,878	516,534	460,483
Research and development expenses	367,174	226,447	309,600	226,447
Property tax	187,449	70,717	72,712	70,717
Communication	169,845	108,017	126,566	108,017
Selling expenses	126,983	189,610	57,526	162,249
Office expenses	394,103	219,390	143,267	115,894
Labour safety and specific clothing	97,347	77,855	50,085	77,855
Audit and similar fees*	71,867	72,181	34,691	35,004
Allowance for doubtful receivables (Note 10)	154,952	27,812	93,936	1,423
Other	2,019,862	707,491	477,812	463,589
Total	**20,252,997**	**13,873,342**	**15,053,728**	**12,881,847**

* Deloitte has performed audit of separate financial statements of the Company, audit of subsidiary and consolidated financial statements. Total fees for the audit for 2014 were EUR 71,867 (2013: EUR 72,181).

27. INTEREST AND SIMILAR INCOME

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Profit from foreign currency exchange rate fluctuations	490,315	-	467,119	-
Interest income	13,339	32,126	13,339	1,750
Net gain on changes in fair value of derivative	375,697	847,154	375,697	847,154
Total	**879,351**	**879,280**	**856,155**	**848,904**

28. INTEREST AND SIMILAR EXPENSES

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Net loss on foreign currency exchange rate fluctuations	-	84,758	-	84,758
Interest expense	1,814,882	1,581,165	1,622,174	1,531,259
Other	2,616	6,834	2,616	6,834
Total	**1,817,498**	**1,672,757**	**1,624,790**	**1,622,851**

29. CORPORATE INCOME AND DEFERRED TAX

29 (a) Corporate income tax components:

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Corporate income tax and deferred tax recognized in profit or loss:				
Corporate income tax	3,170	71,565	-	-
Deferred tax	292,161	57,722	285,000	122,752
Total recognized in profit or loss	**295,331**	**129,287**	**285,000**	**122,752**
Changes in deferred tax recognized in reserves	**(440,725)**	**114,033**	**-**	**-**
Total	**(145,394)**	**243,320**	**285,000**	**122,752**

29 (b) Reconciliation of accounting profit to tax charges:

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Profit before tax	7,450,612	5,014,021	7,313,446	4,926,482
Expected tax charge, applying parent company tax rate of 15%	(1,117,592)	(752,103)	(1,097,017)	(738,972)
Tax effect of tax rate in United Kingdom 21.49% (2013: 23.25%)	(25,321)	(14,424)	-	-
Tax effect of non-deductible items	(84,635)	(64,160)	(53,188)	(85,180)
Tax credit received for new technological equipment*	348,585	497,279	348,585	497,279
Non-taxable income and tax credits	124,646	12,833	57,634	12,833
Discount for investments in 2014	373,255	-	373,255	-
Change in unrecognized deferred tax asset	(23,626)	224,098	(23,626)	224,098
Other	109,357	(32,810)	109,357	(32,810)
Corporate income tax and deferred tax	**(295,331)**	**(129,287)**	**(285,000)**	**(122,752)**
Effective tax rate	**3%**	**4%**	**4%**	**2%**

* The tax base of new technological equipment purchased by the Company in 2014 and 2013 is calculated by multiplying the acquisition cost with a coefficient of 1.5. Total amount of related tax credit not used as of 31 December 2014 is EUR 522,877 (2013: EUR 745,918). If the equipment is disposed within 5 years from acquisition, taxable income in the year of disposal should be increased by the amount of credit previously recognized.

29 (c) Deferred taxes as of end of the year:

Deferred tax on amounts recognized in profit and loss:

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Deferred tax liabilities:				
Temporary difference on depreciation of fixed assets				
Change in fair value of derivative	5,404,500	5,193,360	5,133,067	5,029,648
Total deferred tax liabilities	-	127,072	-	127,072
	5,404,500	**5,320,432**	**5,133,067**	**5,156,720**
Deferred tax assets:				
Temporary difference on accruals	(195,319)	(165,036)	(195,279)	(128,216)
Allowance for inventories	(43,721)	(31,788)	(43,721)	(31,788)
Tax loss carry forward*	(2,761,744)	(4,488,044)	(2,447,637)	(4,488,044)
Tax discount on investments (maturity – 2016)	(1,771,538)	(1,771,538)	(1,771,538)	(1,771,538)
Tax discount on investments (maturity – 2031)	(373,255)	-	(373,255)	-
Temporary difference on retirement benefit	(1,426,627)	(1,088,889)	-	-
Total deferred tax assets	**(6,572,204)**	**(7,545,295)**	**(4,831,430)**	**(6,419,586)**
Net deferred tax (asset) / liability	**(1,167,704)**	**(2,224,863)**	**301,637**	**(1,262,866)**
Unrecognized deferred tax assets**	267,937	1,547,440	267,937	1,547,440
Net recognized deferred tax (asset) / liability	**(899,767)**	**(677,423)**	**569,574**	**284,574**
Deferred tax assets presented in assets of statement of financial position	**(1,552,647)**	**(1,088,889)**	**-**	**-**
Deferred tax liabilities presented in liabilities of statement of financial position	**652,880**	**411,466**	**569,574**	**284,574**

* Deferred tax assets on tax losses can be used as follows:

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Year of expiry				
2014	-	2,040,407	-	2,040,407
2015	1,272,216	1,272,216	1,272,216	1,272,216
Unlimited	1,489,528	1,175,421	1,175,421	1,175,421
Total	**2,761,744**	**4,488,044**	**2,447,637**	**4,488,044**

** Deferred tax assets on tax loss expiring in 2015 and discounts expiring in 2016 are recognized only to the extent of the Group’s ability to use related deferred tax assets, based on approved budgets and estimates of taxable income of the Group.

30. EARNINGS AND DIVIDEND PER SHARE

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Profit for the year	7,155,281	4,884,734	7,028,446	4,803,730
Average number of shares outstanding	23,903,205	23,903,205	23,903,205	23,903,205
Earnings per share	**0.2993**	**0.2044**	**0.2940**	**0.2010**
Dividends paid	2,007,869	1,564,514	2,007,869	1,564,514
Dividends per share	**0.0840**	**0.0655**	**0.0840**	**0.0655**

31. MANAGEMENT REMUNERATION

	Group 2014 EUR	Group 2013 EUR	Company 2014 EUR	Company 2013 EUR
Members of the Council:				
Compensation	358,738	225,437	358,738	225,437
Social security payments	20,300	23,244	20,300	23,244
Members of the Board:				
Compensation	532,357	471,641	532,357	471,641
Social security payments	11,999	47,749	11,999	47,749
Other management:				
Salary	775,923	537,401	656,638	502,339
Social security payments	93,485	115,931	93,485	115,931
Total	**1,792,802**	**1,421,403**	**1,673,517**	**1,386,341**

In 2014 and 2013 the Group has not granted or received any loans from the members of Council, Board or other management.

32. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

32 (a) Loans to related companies

The Company has provided credit line for its subsidiary Valmiera Glass USA Corporation for financing its working capital. Used amount of the credit line as of 31 December 2014 was EUR 2,140,116 (USD 2,598,315). Interest rate on the credit line is 1 month LIBOR +1.8% per year and it is not secured.

32 (b) Borrowings from related companies

As a part of acquisition of the subsidiary Valmiera Glass UK Ltd, the Company took over the loan issued by the subsidiary to its previous shareholder in amount of EUR 3,000,000. The unpaid amount of the loan as of 31 December 2014 was EUR 2,700,000 (2013: EUR 3,000,000). The interest rate of the loan is 4% p.a. and it is not secured.

32 (c) Receivables from and payables to related parties

Group	**31.12.2014 Receivables EUR**	**31.12.2014 Payables EUR**	**31.12.2013 Receivables EUR**	**31.12.2013 Payables EUR**
Controlling parties				
P-D Glasseiden Oschatz GmbH	633,848	328,601	1,019,916	339,305
P-D Management Industries –Technologies	-	151,990	-	4,081,336
Entities controlled by the parties controlling the Group				
P-D Preiss –Daimler Consulting	-	66,250	-	3,684
P-D Tatneft Fiberglas Alabuga	425,712	365,446	179,473	-
P-D Industriegesellschaft GmbH Bratendorf	95,267	-	69,991	83,621
P-D Interglas Technologies GmbH	133,627	19,655	21,187	-
P-D Refractories GmbH	-	41,205	258,411	11,931
Preiss-Daimler FibreGlass AB	30,304	-	-	-
Entities controlled by the party with significant influence over the Group				
VITRULAN Textile Glass GmbH	83,267	-	31,251	164,956
Vitrulan International GmbH	-	-	-	2,961
VITRULAN Technical Textiles GmbH	86,405	550	168,371	704
Total	**1,488,430**	**973,697**	**1,748,600**	**4,688,498**

Company	**31.12.2014 Receivables EUR**	**31.12.2014 Payables EUR**	**31.12.2013 Receivables EUR**	**31.12.2013 Payables EUR**
Controlling parties				
P-D Glasseiden Oschatz GmbH	633,355	127,632	1,014,273	200,676
P-D Management Industries –Technologies	-	98,323	-	4,042,592
Entities controlled by the parties controlling the Company				
P-D Preiss –Daimler Consulting	-	66,250	-	3,684
P-D Tatneft Fiberglas Alabuga	425,712	365,446	179,473	-
P-D Industriegesellschaft GmbH Bratendorf	95,267	-	69,991	83,621
P-D Interglas Technologies GmbH	21,289	10,341	21,187	-
P-D Refractories GmbH	-	41,205	-	-
Preiss-Daimler FibreGlass AB	30,304	-	-	-
Entities controlled by the party with significant influence over the Company				
VITRULAN Textile Glass GmbH	83,267	-	31,250	164,956
VITRULAN Technical Textiles GmbH	86,405	550	168,371	704
Subsidiaries				
Valmiera Glass UK Limited	986,543	365,428	695,188	2,961
Valmiera Glass USA Corp.				
Non-current portion	3,471,838	-	-	-
Current portion	204,097	16,473	-	-
Valmiera Glass Trading USA Corp	-	16,473	-	-
Total	**6,038,077**	**1,108,121**	**2,179,733**	**4,499,194**

The Company has not recognized any allowances in respect of receivables from related parties.

32 (d) Transactions with related parties

Group	2014 EUR	2013 EUR
Sale of goods	18,017,131	25,462,403
Services provided	36,363	41,512
Purchase of fixed assets	(738,203)	(305,715)
Purchase of goods	(1,586,107)	(1,571,732)
Sales commission	(1,480,872)	(1,296,548)
Services received	(878,124)	(906,234)

Transactions with related parties

Company	2014 EUR	2013 EUR
Subsidiaries		
Sale of goods	3,302,589	2,116,645
Purchase of goods	(967,902)	(54,059)
Services provided	640,778	289,724
Services received	(116,786)	(30,667)
Other related parties		
Sale of goods	16,711,688	24,154,139
Services provided	36,363	42,512
Purchase of fixed assets	(172,866)	(305,715)
Purchase of goods	(1,586,107)	(1,625,790)
Sales commission	(1,430,014)	(1,296,548)
Services received	(602,591)	(1,027,315)

33. FINANCIAL RISK MANAGEMENT

Main financial instruments of the Group are loans, finance lease, cash and its equivalents. The primary objective of these financial instruments is to ensure the necessary financing for the Group. The Group also has other financial instruments, which arises due to its operating activities, i.e., trade receivables and payables. The Group also uses derivative financial instruments to minimize interest and foreign currency rate risks.

Main financial risks which arise as a result of use of the financial instruments are interest, currency, credit and liquidity risks.

Market risks

Interest rate risk

The Group has loans with variable EURIBOR and LIBOR interest rate from credit institutions. Therefore it is exposed to any changes in interest rates.

The Group has signed an interest rate swap contract for one of its loans to minimize the risks associated with variable interest rate fluctuations. Based on the contract, the Group has agreed to exchange the floating 3 month EURIBOR interest payments and fixed payments calculated on agreed notional principal amount. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period. The contract expires on 31 December 2018. As of 31 December 2014, total notional amount of interest rate swap contract is EUR 14,048,775 (2013: EUR 17,560,971). The fair value of financial instrument as of 31 December 2014 is liability in the amount of EUR 1,250,139 (2013: EUR 1,625,836).

Foreign currency risk
The Group operates internationally and performs transactions in EUR, USD and GBP. Group is mainly is exposed to foreign currency risk arising from USD and GBP fluctuations. Approximately 16% of total sales in 2014 resulted from contracts denominated in USD (2013: 14%).

The financial assets and liabilities of the Group, which are exposed to currency risk, are loans, cash and cash equivalents, trade receivables and payables.

The above net position in USD and GBP is directly exposed and has direct sensitivity to a reasonably possible change in the exchange rate thus resulting in direct effect to Company's profit before tax. To reduce potential adverse effects of foreign currency changes, the Group uses derivative financial instruments for significant transactions in USD. There were no material open derivative contracts as of 31 December 2014 and 2013.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables (including related parties) and cash at bank, which as at 31 December 2014 amounted to EUR 9,745,384 and EUR 1,179,230: (2013: EUR 10,421,050 and EUR 1,175,121 respectively).

The Group has significant exposure of credit risk with its foreign customers. The Group's policy is to ensure that sales of products are carried out with customers having appropriate credit history. Some of the trade receivables are insured. The Group has also set credit limits for each customer. Customers from countries with increased risk are usually required to pay in advance.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to exposure of each customer.

As at 31 December 2014 and 2013 the Group has significant credit risk exposure to a single customer – related party. Sales to this related party amounted to 6% of the total sales of the Group The receivable from his customer as of 31 December 2014 amounted to EUR 633,355 or 7% of total trade receivables (2013: EUR 1,019,916). In respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with adequate credit history.

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit line. During the reporting period EUR 7 million credit line was available assigned by Swedbank AS, EUR 1 million credit line was available assigned by SEB banka AS and EUR 2 million credit line was available assigned by AS Danskebank to finance short-term working capital.

31 December 2014 Financial Instruments

Group	Receivables from customers	Financial liabilities (shown as amortization costs)	Financial liabilities (shown in Fair Value)	Financial instruments which are not related to SGS 39	Total
Financial assets					
Receivables from customers	9,745,384	-	-	-	9,745,384
Other debtors	574,147	-	-	-	574,147
Cash and equivalents	1,179,230	-	-	-	1,179,230
Total financial assets	**11,498,761**				**11,498,761**
Financial liabilities					
Finance lease	-	-	-	310,537	**310,537**
Borrowings from credit institutions	-	45,127,680	-	-	**45,127,680**
Trade payables	-	9,941,711	-	**-**	**9,941,711**
Taxes and social insurance payments	-	754,216	-	-	**754,216**
Other liabilities	-	571,660	-	-	**571,660**
Derived financial instruments	-	-	1,250,139	-	**1,250,139**
Total financial liabilities	**-**	**56,395,267**	**1,250,139**	**310,537**	**57,645,406**

Financial liabilities repayment terms are following:

31.12.2014 EUR	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	Total
Interest bearing loans	3,790,297	12,128,374	7,955,586	21,253,423	**45,127,680**
Finance lease liabilities	59,607	59,607	152,488	38,835	310,537
Trade accounts payable and other liabilities	11,267,587	-	-	-	11,267,587
Total EUR	**15,117,491**	**12,187,981**	**8,108,074**	**21,292,258**	**56,705,804**

31.12.2013 EUR	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	Total
Interest bearing loans	3,232,137	9,019,606	11,320,792	13,127,861	**36,700,396**
Finance lease liabilities	65,387	65,387	73,373	-	**204,147**
Trade accounts payable and other liabilities	10,315,863	4,001,000	-	-	**14,316,863**
Total EUR	**13,613,387**	**13,085,993**	**11,394,165**	**13,127,861**	**51,221,406**

Based on the assessment of the management, the carrying amount of the financial instruments of the Group approximates their fair values as of 31 December 2014 and 2013.

Capital management

The Group's objectives when managing capital are to safeguard its ability as a going concern and to maximize the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of borrowings, which are disclosed in Note 14, and items presented within equity in the statement of financial position. The Group's board manage the Group's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

	Group 31.12.2014 EUR	**Group 31.12.2013 EUR**	**Company 31.12.2014 EUR**	**Company 31.12.2013 EUR**
Interest bearing loans and borrowings	45,127,680	36,700,396	47,827,680	39,700,396
Less cash and cash equivalents	(1,179,230)	(1,175,121)	(355,290)	(621,385)
NET DEBT	**43,948,450**	**35,525,275**	**47,472,390**	**39,079,011**
Equity	**51,455,697**	**47,412,527**	**51,876,898**	**46,856,322**
TOTAL CAPITAL	95,404,147	82,937,802	99,349,288	85,935,333
GEARING RATIO	**85%**	**75%**	**92%**	**83%**

34. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Land lease

On 27 November 2001 the Group signed a land lease agreement on the lease of land where its production facilities are located. The term of the agreement is 25 years and is valid to 1 December 2026. The annual rent charge is 5% of the cadastral value, which amounts to EUR 1,303,370 as of 31 December 2014 and 2013.

The total future rent payments (based on current cadastral value) are as follows:

	Group 31.12.2014 EUR	**Group 31.12.2013 EUR**	**Company 31.12.2014 EUR**	**Company 31.12.2013 EUR**
Within 1 year	65,169	65,169	65,169	65,169
2 to 5 years	260,674	260,674	260,674	260,674
More than 5 years	391,009	456,178	391,009	456,178
Total	**716,852**	**782,021**	**716,852**	**782,021**

(b) Commitments for purchase of inventory and fixed assets

Inventory, equipment and software purchases contracted but not yet fulfilled and therefore not recognized in the financial statements are as follows:

	Group 31.12.2014 EUR	**Group 31.12.2013 EUR**	**Company 31.12.2014 EUR**	**Company 31.12.2013 EUR**
Within 1 year	2,438,000	1,611,800	2,438,000	1,611,800
2 to 5 years	3,280,000	2,997,400	3,280,000	2,997,400
Total	**5,718,000**	**4,609,200**	**5,718,000**	**4,609,200**

(c) Other operating lease

The Group as a lessee has entered in operating lease agreements for premises and equipment. Total lease expenses in 2014 were EUR 649,397 (2013: EUR 441,709). As of 31 December, amounts payable based on signed lease agreements were as follows:

	Group 31.12.2014 EUR	Group 31.12.2013 EUR	Company 31.12.2014 EUR	Company 31.12.2013 EUR
Within 1 year	564,821	360,620	520,956	295,832
2 to 5 years	2,179,431	1,297,418	2,102,542	1,197,364
Total	**2,744,252**	**1,658,038**	**2,623,498**	**1,493,196**

(d) Cooperation Memorandum with development agency of Dublin city and Lawrence region (USA)

In July 2014 the Group entered into a Memorandum of Understanding („MOU”) with the City of Dublin and County of Laurens Development Authority (USA), whereby the Authority agreed to provide certain inducements if the Group locates its manufacturing facility in Laurens County.

According to MOU, Group has committed to:
- establish facility in Laurens County;
- invest USD 20,000,000 in the establishment and development of manufacturing facility till 31 December 2019;
- create 150 full time jobs until 31 December 2019 and maintain for 10 years.

35. SUBSEQUENT EVENTS

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

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