JOINT STOCK COMPANY "BRIVAIS VILNIS"

(UNIFIED REGISTRATION NUMBER 40003056186)

ANNUAL REPORT FOR 2014

(the 23rd financial year)

PREPARED IN ACCORDANCE WITH THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

AND WITH INDEPENDENT AUDITORS` REPORT

Salacgriva, 2015

CONTENTS

General information

Name of the company	JSC “Brivais vilnis”
Legal status	Joint Stock Company
Common registration number, place and date of registration	40003056186, Riga, February 7, 1992
Legal address	1 Ostas Street, Salacgriva, Salacgriva region, LV-4033, Latvia
Largest shareholders	“BALTIC FINANCE & CAPITAL” Ltd. (49,97 %) Registration No. 40003612793 (8 Riga Alley, Adazi, Adazi region, LV-2164, Latvia) “A Corporation” Ltd. (47.28 %) Registration No. 40003799285 (8 Riga Alley, Adazi, Adazi region, LV-2164, Latvia)
Members of the Board	Arnolds Babris, Chairman of the Board Māris Trankalis, Member of the Board Zinaida Ekmane, Member of the Board Vasilijs Iļušins, Member of the Board
Members of the Council	Ilona Drikina, Chairman of the Council Anda Caune, Deputy of Chairman of the Council Ilmārs Reinis, Member of the Council Kaspars Vārpiņš, Member of the Council
Financial year	1st January – 31st December, 2014
Auditors	Elita Stabiņa Certified Auditor Certificate No.162 “I.F.Revīzija” Ltd. Licence of Commercial Company No.109 45/47 Elizabetes Street, Riga, LV-1010, Latvia

Management Report

The types of activities performed by the JSC “Brivais vilnis” (“the Company”) are processing and canning of fish and fish products, wholesale of food products, including fish, shellfish and mollusc, and other commercial activities classified nowhere else.

Year 2014 was the 23rd year of operation since the Company was transformed into a Joint Stock Company.

In 2014 the JSC „Brivais vilnis” continued modernization of production process, obtained a number of new equipment for production of canned fish products.
We are a leader in product quality, we do not use genetically modified raw materials and synthetic food additives in the production.

In the reporting year the Company carried out the reregistration of the share capital from the Lats to the Euro.

In 2014 we started production of canned fish in multilayer plastic cans, any other producer of canned fish has such type of product. Canned fish in plastic can is tastier and well seen visually.

In 2014 the Company produced a total of 22.5 million cans of various types (157) of canned fish products, including 10.0 million cans of sprat. 22.4 million cans were sold for EUR 12.8 million. Gross profit in 2014 is EUR 1,5 million.

The financial result of the year 2014 is profit of EUR 257 010.
Impact on the operating results of the JSC “Brivais vilnis” left depreciation of the Russian ruble and devaluation of the Ukrainian hryvnia. To sell products, the Company had to reduce the selling prices. As well as due to depreciation of the Russian ruble, there was the fall of demand in Russia.

The management of the Company recommends covering of previous years losses with the profit of reporting year.

The Company`s goal is to continue work on introduction of new types of packaging and looking for additional markets in Mexico, China and France in 2014. We are planning intensive visiting of international exhibitions.

As from May 18, 2015 the JSC “Brivais vilnis” will temporarily stop the production to carry annual repairs out. The Company plans to restart the production in the beginning of August, 2015. To ensure fulfilment of orders in summer, the Company has produced the products in required quantity and assortment. All relieved employees will re-start the work in the Company in August.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

May 14, 2015

Profit or loss statement

	Notes	2014 EUR	2013 EUR
Net turnover	3	12 769 143	14 098 155
Cost of sales	4	(11 269 545)	(12 271 518)
Gross profit		**1 499 598**	**1 826 637**
Distribution costs	5	(228 694)	(208 205)
Administrative expenses	6	(932 432)	(829 443)
Other operating income	7	326 662	293 590
Other operating expenses	8	(234 335)	(147 326)
Interest receivable and similar income	9	65 149	39 539
Interest payable and similar expenses	10	(168 474)	(219 872)
Profit before taxes		**327 474**	**754 920**
Corporate income tax for the reporting year	11	(29 246)	(104 684)
Deferred corporate income tax	11	(20 979)	(8 559)
Other taxes	12	(20 239)	(19 740)
Profit of the reporting year		**257 010**	**621 937**
Earnings per share		**0,083**	**0,201**

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

May 14, 2015

Balance Sheet

ASSETS

	Notes	31.12.2014 EUR	31.12.2013 EUR
NON-CURRENT ASSETS			
Intangible assets			
Concessions, patents, licences, trademarks and similar expenses		685	5 236
TOTAL	15	**685**	**5 236**
Fixed assets			
Land, buildings and constructions		3 539 111	3 492 571
Equipment and machinery		343 855	315 353
Other fixed assets and inventory		148 007	135 565
Tangible costs		165	-
Advance payments for fixed assets		-	90 949
TOTAL	16	**4 031 138**	**4 034 438**
TOTAL NON-CURRENT ASSETS		**4 031 823**	**4 039 674**
CURRENT ASSETS			
Stock			
Raw materials		677 112	649 312
Finished goods and goods for sale		603 777	512 129
TOTAL	17	**1 280 889**	**1 161 441**
Receivables			
Trade receivables	18	2 966 973	2 779 395
Other receivables	19	184 383	203 501
Prepaid expenses	20	105 395	6 268
TOTAL		**3 256 751**	**2 989 164**
Cash		88 016	275 777
TOTAL CURRENT ASSETS		**4 625 656**	**4 426 382**
Total assets		**8 657 479**	**8 466 056**

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

May 14, 2015

Balance Sheet

LIABILITIES

EQUITY	Notes	31.12.2014 EUR	31.12.2013 EUR
Share capital	21	4 339 230	4 410 120
Non-current assets revaluation reserve		2 130 791	2 161 448
Reserves:		70 890	-
Retained earnings:			
retained earnings of previous years / (outstanding losses)		(2 676 389)	(3 298 326)
retained earnings of reporting year		257 010	621 937
TOTAL EQUITY		**4 121 532**	**3 895 179**
PROVISIONS			
Provisions for vacations	22	141 095	130 682
TOTAL PROVISIONS		**141 095**	**130 682**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	23	1 576 780	1 712 948
Other loans	24	185 329	246 437
Deferred income	25	58 857	-
Deferred tax liabilities		122 196	101 217
TOTAL		**1 943 162**	**2 060 602**
Current liabilities			
Loans from credit institutions	23	408 000	505 942
Other loans	24	106 633	219 438
Customer advances		342 455	305 115
Accounts payable to suppliers and contractors		1 266 206	918 792
Taxes and social insurance contributions	26	134 041	179 746
Other liabilities	27	169 340	243 730
Deferred income	25	18 215	-
Accrued liabilities		6 800	6 830
TOTAL		**2 451 690**	**2 379 593**
TOTAL LIABILITIES		**4 394 852**	**4 440 195**
Total equity and liabilities		**8 657 479**	**8 466 056**

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris

Cash flow statement

	2014 EUR	2013 EUR
Cash flow from operating activities		
Profit or loss for the reporting period before extraordinary items and taxes	327 474	754 920
Adjustments:		
Depreciation of fixed assets	180 822	121 123
Intangible value write-offs	4 551	10 812
Increase / (decrease) of reserves	10 413	21 195
(Profit) / losses from exchange rate fluctuations	40	(1 437)
Interest income	(2 248)	(4 424)
Interest expenses	165 653	183 552
Loss (profit) on sale / write-off of fixed assets	(1 200)	(176)
Long-term investment revaluation reserve write-off	(30 657)	(30 656)
Profit or loss before corrections of the current assets and current liabilities balance change impact	**654 848**	**1 054 910**
Decrease / (increase) of stock	(119 448)	398 242
Decrease / (increase) in receivables	(344 147)	(706 769)
Increase / (decrease) in payables	351 850	237 732
Cash from operating activities	**543 103**	**984 115**
Interest paid	(165 653)	(187 022)
Corporate income tax paid	(148 874)	(86 836)
Real estate tax costs	(20 239)	(19 740)
Cash flow before extraordinary items	**208 337**	**690 517**
Net cash from operating activities	**208 337**	**690 517**
Cash flow of investment changes		
Purchase of fixed and intangible assets	(105 742)	(53 847)
Proceeds from sales of fixed and intangible assets	1 200	176
Proceeds from repayment of loans	76 560	-
Interest received	2 248	4 424
Net cash flow of investment changes	**(25 734)**	**(49 247)**
Cash flow from financing activities		
Loans received	330 000	285 000
Loans repaid	(610 422)	(759 781)
Received subsidies, grants, gifts and donations	30 454	-
Lease payments	(120 396)	(20 260)
Net cash from financing activities	**(370 364)**	**(495 041)**
Increase / (decrease) of cash and cash equivalents	**(187 761)**	**146 229**
Cash and cash equivalents at the beginning of the period	**257 777**	**129 548**
Cash and cash equivalents at the end of the period	**88 016**	**275 777**

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

May 14, 2015

Address: 1 Ostas Street , Salacgriva, LV-4033
Unified registration number: 40003056186

Statement of Changes in Equity

	Share capital	Reserves	Long term investment revaluation reserve	Retained earnings (losses) of previous years	Retained earnings (losses) of the reporting year	**Total**
As at 31st December 2012	**4 410 120**	**-**	**2 192 104**	**(4 059 443)**	**761 117**	**3 303 898**
Revaluation reserve write-off	-	-	(30 656)	-	-	**(30 656)**
Reclassification of profit	-	-	-	761 117	(761 117)	**-**
Profit of the reporting year	-	-	-	-	621 937	**621 937**
As at 31st December 2013	**4 410 120**	**-**	**2 161 448**	**(3 298 326)**	**621 937**	**3 895 179**
Revaluation reserve write-off	-	-	(30 657)	-	-	**(30 657)**
Balance transfer to capital reserves as a result of denomination	(70 890)	70 890	-	-	-	**-**
Reclassification of profit	-	-	-	621 937	(621 937)	**-**
Profit of the reporting year	-	-	-	-	257 010	**257 010**
As at 31st December 2014	**4 339 230**	**70 890**	**2 130 791**	**(2 676 389)**	**257 010**	**4 121 532**

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

May 14, 2015

Appendix to the financial statements

1. General information of the Company

Joint Stock Company “Brivais vilnis" (“the Company”), address: 1Ostas Street, Salacgriva, LV 4033. The types of activities performed by the Company are processing and canning of fish and fish products, wholesale of food products (NACE classification code: 1020).

2. Accounting and evaluation methods – general accounting principles

Basis of preparation

The financial statements of JSC “Brivais vilnis” are prepared in accordance with the “Accounting Law” and “Annual Reports Law”, as well regulations No.488 of Cabinet of Ministers from June 21, 2011 “Application of Annual Reports Law” and regulations No.481 of Cabinet of Ministers from June 21, 2011 “Regulations on content and preparation of the cash flow statement and changes in equity”.

Income statement is prepared in accordance with the turnover method. Cash flow statement is prepared under indirect method.

The financial statements give a true and fair view of the Company’s financial position, operation results and cash flow.

The Company’s accounting policies ensure that the financial statements provide information that is comprehensible to users of financial statements to make decisions. Statements properly disclose the Company’s operating results and financial position – reflecting not only the legal form of business, but also the economic substance.

All figures in the financial statement are given in Euro (EUR) unless otherwise stated. Comparative figures for 2013 have been converted from the Latvian Lats (LVL) to the Euro under the Latvian Bank`s official exchange rate: 1 EUR = 0,702804 LVL.

Financial statements cover the period from 1st January to 31st December, 2014.

Use of estimates

In the preparation of financial statements, management is required to make estimates and assumptions that impact balances disclosed under certain balance sheet and profit and loss statement items, including the amount of potential liabilities. Future events may impact the assumptions underlying these estimates. Any impact from changes in estimates is disclosed in the financial statements as determined.

Foreign exchange transactions

All dealings in foreign currencies are revaluated in Euro by applying the official exchange rate of the European Central Bank on the date of the beginning of business transaction.

Foreign currency cash balances and foreign currencies made advances, loans or loan balances, as well as debtor and creditor balances payable in foreign currencies in the financial statement are shown by converting into Euro according to the European Central Bank`s published rate in force in the end of last day of the reporting year. Foreign currency exchange rate fluctuation profit or loss is displayed in profit or loss statement.

	31.12.2014	31.12.2013
	EUR	EUR
1 USD	1,2141	1,3647

Intangible assets

Intangible assets are carried at cost which is amortized over the useful life of the asset on a straight-line basis. If certain events or changes in circumstances evidence that the carrying amount of intangible assets may not be recoverable, the value of such assets is revised to state the effects of impairment.

Fixed assets

Fixed assets are initially carried at cost. Further land and buildings that fair value can be measured with reasonable certainty, after initial recognition accounts at revaluated amount that is equal to its fair value at the date of revaluation, less accumulated depreciation and impairment losses. Land is not depreciated. Other fixed assets after initial recognition accounts at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated in the following useful life of the asset on straight - line basis:

	% per year
Buildings and constructions	*1-5*
Equipment and machinery	*20*
Vehicles	*20*
Other fixed assets	*10-50*
Software	*33*

Depreciation is calculated starting from the next month after the assets is placed in service or involvement in commercial activity. For each part of assets that cost is significant in relation to the total cost of this asset, depreciation must be calculated separately. If the company depreciates separately some parts of the asset, it also depreciates separately the remainder of the fixed part. The remainder consists of fixed parts that individually are not important. The remainder of the depreciation is calculated using the approximation methods in order to reflect truly the useful life of them.

If certain events or changes in circumstances evidence that the carrying amount of fixed assets may not be recoverable, the value of such fixed assets is revised to state the effects of impairment. If evidence of impairment exists and the carrying value of an asset exceeds its estimated recoverable amount, the asset or its cash generating unit is written down to its recoverable amount. The recoverable amount is the largest of net sales value and value in use. The value in use is determined by discounting the estimated future cash flow at present value using a pre-tax discount rate which reflects the current market forecast regarding the changes in the asset’s value and risk related to it. The recoverable amounts of assets not generating largely independent cash flows is determined for the cash generating asset to which it belongs. Impairment loss is recognized in the profit and loss statement as cost of goods sold.

Fixed assets are de-recognized upon disposal or in the case when future inflow of economic benefits from the asset is no longer expected. Any profit or loss arising from de-recognition of a fixed asset (calculated as the difference between the net income from disposal and the book value of the asset) are charged to the profit and loss statement as incurred.

Costs related to leasehold improvements are capitalized as fixed assets. Depreciation of these assets is calculated over the lease period on a straight - line basis.

Construction in progress represents formation of fixed assets and unfinished construction costs, and it is stated at cost. Initial cost includes construction costs and other direct costs. Construction in progress is not depreciated until the assets had not been completed and put into operation.

Investments in subsidiaries and associated companies

Investments in subsidiaries (i.e., companies in that the Company holds more than 50% of share capital or is under its control in any other way) and associated companies (i.e., companies in that the Company has a significant influence, but not controlling shares, in that it has a 20 – 50% share capital) are stated at cost.

Stock

Stock has been valued at lower of cost or net realisable value. Costs incurred to deliver stock to their current location and state are disclosed as follows:

- raw materials are recognized at purchase price based on the FIFO method;

- finished goods and work in progress is recognized according to the FIFO method at direct costs of materials and labour, plus an overall portion of production costs.

Net realisable value is the estimated selling price in the course of regular business less estimated costs required to finish and sell the goods. Net realisable value is disclosed as cost less allowances.

Stock is recognized at net book value less allowances for obsolete, slow-moving or damaged stock recognized based on an individual ageing analysis of obsolete or damaged stock.

Trade and other accounts receivable

Trade accounts receivable are carried at cost less doubtful debt allowances. Doubtful debt allowances are recognized when full recovery of the liability is no longer probable. Accounts receivable are written off when their recoverability is considered impossible.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and bank accounts.

Loans and borrowings

Loans and borrowings are initially carried at cost.

Contingent liabilities and assets

No contingent liabilities are recognized in these financial statements. Such liabilities are only recognized to the extent that an outflow of funds is reasonably expected. Contingent assets are not recognized in these financial statements. Such assets are recognized to the extent that an inflow of economic benefits related to the particular transaction is reasonably expected.

Provisions

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

As at the year end, a provision for unused vacations has been recognized in accordance with the number of vacation days unused as at 31st December 2013 and the average remuneration of personnel during the last six months of the reporting year.

Revenue recognition

Revenue is recognised when it is probable that the Company will gain economic benefits and to the extent it is possible to reasonably estimate the amount of such benefits. Revenue is recognized on the following conditions:

Sale of goods

Revenue is recognized when the Company has transferred all significant risks and rewards of ownership and the amount of revenue may be reasonably estimated.

Services

Revenue is recognized based on the stage of completion.

Earnings per share

Earnings per share are calculated by dividing profit after tax by the average weighted number of shares in the reporting period.

Corporate income tax

Corporate income tax comprises current and deferred tax. Current tax is calculated by applying a 15% rate to the taxable income during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The primary temporary differences result from different depreciation rates applied for accounting and tax purposes, certain non-deductible provisions for tax purposes and transferable tax losses to be used during the next five years.

Deferred tax liabilities are disclosed under long term liabilities.

Subsequent events

Financial statements reflect events that occurred subsequent to the year end and that provide additional information on the Company's financial position at the balance sheet date (adjusting events). If subsequent events do not have an adjusting nature, they are disclosed in the notes to the financial statements only if they are significant.

Related parties

As related parties are defined the Company`s major shareholders, members of the Board, their close relatives and companies in that they have a significant influence or control.

Operations with related parties – resources, services or liabilities between the reporting company and the related person, regardless of whether a price is charged.

3. Net turnover

Business segment		2014	2013
Fish processing		12 769 143	14 098 155
	TOTAL:	**12 769 143**	**14 098 155**

Inter alia:

	2014	2013
Sold canned fish	12 387 001	14 022 414
Sold fish	82 142	75 741

Breakdown of the net turnover by geographic markets is not placed in annex of the financial statement, because the management of the Company finds that giving of this information could harm interests of the Company.

4. Cost of goods sold

		2014	2013
Materials		7 271 844	8 402 148
Personnel costs		2 981 326	2 821 397
Energy resources		481 474	519 185
Depreciation of fixed assets		149 673	92 441
Other costs of goods sold		385 228	436 347
	TOTAL:	**11 269 545**	**12 271 518**

5. Selling expenses

		2014	2013
Delivery costs and marketing		144 932	116 253
Personnel costs		51 917	54 038
Depreciation of fixed assets		304	222
Other selling expenses		31 541	37 692
	TOTAL:	**228 694**	**208 205**

6. Administrative expenses

		2014	2013
Personnel costs		392 273	353 306
Depreciation of fixed and intangible assets		32 133	38 836
Bank services		6 404	8 597
Other external expenses		176 026	233 506
Other administrative expenses		284 672	152 705
Gifts, social assistance		40 924	42 493
	TOTAL:	**932 432**	**829 443**

7. Other operating income

	2014	2013
Income from sales of fixed assets, net	1 200	142
Income from public utilities services	91 332	105 192
Income from sales of current assets, net	6 199	3 482
Income from auxiliary production services	72 228	62 680
Rent income	11 325	11 411
Unclaimed liabilities	8 456	-
Co-financing from the Rural Support Service (part related to annual earnings)	16 697	-
Other operating income	119 225	110 683
	326 662	**293 590**

8. Other operating expenses

	2014	2013
Cost of public utilities services	72 396	90 653
Cost of auxiliary production services	42 866	46 959
Losses from assignment, net	113 387	-
Written-off receivables	1 608	1 430
Penalties	3 815	5 714
Other expenses	263	2 570
TOTAL:	**234 335**	**147 326**

9. Interest and similar income

	2014	2013
Income from exchange rate fluctuations	32 245	4 459
Income from loan rates	2 248	4 424
Income from fixed assets revaluation	30 656	30 656
TOTAL:	**65 149**	**39 539**

10. Interest and similar expenses

	2014	2013
Interest payments on loans	165 653	183 552
Losses from exchange conversation	2 821	36 320
TOTAL:	**168 474**	**219 872**

11. Corporate income tax

	2014	2013
Current corporate income tax change for the reporting year	29 246	104 684
Deferred corporate income tax resulting from changes in temporary differences	20 979	8 560
TOTAL:	**50 225**	**113 244**

12. Other taxes

	2014	2013
Real estate tax	20 239	19 740
TOTAL:	**20 239**	**19 740**

13. Audit expenses

	2014	2013
Audit of the annual report	6 800	6 830
TOTAL:	**6 800**	**6 830**

14. Personnel costs and number of employees

	2014	2013
Wages and salaries	2 776 220	2 601 934
Compulsory social insurance contributions	650 408	626 806
Other benefits to former employees, excluding pensions	4 737	3 651
Provisions for unused vacations	10 413	21 197
TOTAL:	**3 441 778**	**3 253 588**

Key management personnel compensation

	2014	2013
Chairman of the Board		
Wage and salary	15 839	14 753
Compulsory social insurance contributions	3 736	3 554
TOTAL:	**19 575**	**18 307**

Other members of the Board and members of the Council do not receive compensation for their work on Board and Council.

	2014	2013
Average number of employees during the reporting year	**414**	**404**

15. Intangible assets

	Software licences, trademarks	TOTAL
Cost at January 1, 2014	45 288	45 288
Cost at December 31, 2013	45 288	45 288
Accrued amortization at January 1, 2014	40 052	40 052
Amortization	4 551	4 551
Accrued amortization at December 31, 2014	44 603	44 603
Balance at January 1, 2014	**5 236**	**5 236**
Balance at December 31, 2014	**685**	**685**

16. Fixed assets

	Land	Buildings and construc-tions	Equipment and machinery	Other fixed assets	Creation of fixed assets	Advance payments for fixed assets	TOTAL
Cost at January 1, 2014	136 431	3 850 783	1 619 337	788 248	-	90 949	6 485 748
Purchased	-	15 710	38 139	66 278	165	1 160	121 452
Purchased in lease	-	-	56 070	-	-	-	56 070
Transferred	92 109	-	-	-	-	(92 109)	-
Liquidation	-	-	-	(5 528)	-	-	(5 528)
Cost at December 31, 2014	228 540	3 866 493	1 713 546	848 998	165	-	6 657 742
Accumulated depreciation at January 1, 2014	-	494 643	1 303 984	652 683	-	-	2 451 310
Depreciation	-	61 279	65 707	53 836	-	-	180 822
Depreciation of written-off fixed assets	-	-	-	(5 528)	-	-	(5 528)
Accumulated depreciation at December 31, 2014	-	555 922	1 369 691	700 991	-	-	2 626 604
Balance at January 1, 2014	**95 885**	**3 356 140**	**315 353**	**135 565**	**-**	**90 949**	**4 034 438**
Balance at December 31, 2014	**228 540**	**3 310 571**	**343 855**	**148 007**	**165**	**-**	**4 031 138**

Cadastral value of the Company’s real estate

	31.12.2014	31.12.2013
Land	85 504	118 113
Buildings and constructions	1 218 241	1 202 528
TOTAL:	**1 303 745**	**1 285 538**

The Company performs regular real estate change control, revaluating those estates, where significant changes in the value of long-term probability exist. At the moment all real estates, which had the potential of change the value of long-term, are revaluated.

Fully depreciated tangible assets

A number of fixed assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the reporting year was EUR 1 981 483 (2013: EUR 1 955 440).

Net carrying amount of assets under finance lease

The carrying amount of assets held under finance lease is as follows:

	31.12.2014	31.12.2013
Equipment	246 878	240 531
Other fixed assets	110 585	140 655
TOTAL:	**357 463**	**381 186**

Leased assets are pledged as a security for related finance lease liabilities.

Depreciation

The total depreciation costs are included in the following profit or loss statement positions:

	2014	2013
Cost of goods sold	149 673	92 441
Selling expenses	304	222
Administrative expenses	32 133	38 836
TOTAL:	**182 110**	**131 499**

17. Stock

	31.12.2014	31.12.2013
Raw materials (cost)	691 327	663 526
Provisions for slow moving materials and low value articles	(14 215)	(14 214)
TOTAL:	**677 112**	**649 312**

	31.12.2014	31.12.2013
Finished goods and goods for sale	606 667	515 019
Provisions for goods with sales value lower than cost	(2 890)	(2 890)
TOTAL:	**603 777**	**512 129**

18. Trade accounts receivables

	31.12.2014	31.12.2013
Trade receivables	2 966 973	2 779 395
Doubtful trade receivables	4 026 330	4 190 406
*Reserves for bad debts *)*	(4 026 330)	(4 190 406)
TOTAL:	**2 966 973**	**2 779 395**

*) By decision of the Board in 2008 are created reserves for the big export partners “Highgrove Financial Service” Ltd., “Cardigan Commerce LLC” and “Forewood Group LLC” for the total amount of EUR 4 111 836. Account receivable is formed in years 2003 and 2004 and retrieval of them is doubtful.

In December of reporting year the Company concluded agreements with some foreign buyers on extension of debt repayment period until the end of 2015. The total debt amount on hat such agreements were concluded is EUR 1 244 827. Until the date of signing of the annual report the amount of debt decreased to EUR 780 979.

19. Other receivables

	31.12.2014	31.12.2013
Prepayments – *doubtful receivables *)*	1 159 891	1 159 891
Provisions for doubtful debts	(1 159 891)	(1 159 891)
Value added tax reserve	3 581	2 116
Overpaid corporate income tax	76 268	-
Overpaid value added tax	67 447	76 900
Advance amounts issued to board members for operating expenses	903	465
Other receivables	36 184	124 020
TOTAL:	**184 383**	**203 501**

*) By decision of the Board in 2008 are created reserves for an advance payment to the *"Walder Impex LLC"* amounting to EUR 1 159 891. Account receivable is formed in year 2004 and retrieval of it is doubtful.

20. Prepaid expenses

	31.12.2014	31.12.2013
Property insurance	610	-
Media subscription	1 188	898
Other prepaid expenses	103 597	5 370
TOTAL:	**105 395**	**6 268**

21. The share capital

Registered and paid-up share capital as ta December 31, 2014 is EUR 4 339 230 and consists of 3 099 450 shares with a nominal value of EUR 1,40 each. (In December 31, 2013 – EUR 4 410 120 (LVL 3 099 450)).
In 2014 the Company carried out re-registration of the share capital from Lats to the Euro. The balance in amount of EUR 70 890 resulting from denomination of share capital was transferred to the Company`s reserves.

Shareholders	31.12.2014		31.12.2013	
	Number of shares	Holding	Number of shares	Holding
“Brīvais Vilnis Company” Ltd.	-	-	1 548 878	49.97%
“A Corporation” Ltd.	1 465 353	47.28%	1 458 003	47.04%
“BALTIC FINANCE & CAPITAL” Ltd.	1 548 878	49.97%	-	-
Other individuals	85 219	2.75%	92 569	2.99%
TOTAL:	**3 099 450**	**100%**	**3 099 450**	**100%**

22. Provisions for vacations

	2014	2013
Provisions at the beginning of year	130 682	109 487
Provision changes during the reporting year	10 413	21 195
Provisions at the end of year	**141 095**	**130 682**

23. Loans from credit institutions

Long term:	*Current interest rate (%)*	*Repayment date*	31.12.2014	31.12.2013
Loan from the JSC “Baltic International Bank” 1) – part repayable after 2-4 years from the balance sheet date	7.0%	13.12.2017	1 576 780	1 712 948
		TOTAL:	**1 576 780**	**1 712 948**

Short term:	*Current interest rate (%)*	*Repayment date*	31.12.2014	31.12.2013
Loan from the JSC ”Baltic International Bank”, short term part 1)	7.0%	31.12.2015	408 000	505 942
		TOTAL:	**408 000**	**505 942**

1) Pledges and other encumbrances on property are discussed in Note 27.

24. Other loans

Long term:	*Interest rate during the reporting year*	*Repayment date*	31.12.2014	31.12.2013
Finance lease liabilities (long term part):				
“Citadele līzings un faktorings” Ltd.	3.5% + 6m. LIBOR	15.06.2016	2 375	6 946
“Nordea Finance Latvia” Ltd.	6.18%	01.03.2016	1 484	7 195
“Nordea Finance Latvia” Ltd.	3.5% + 6m. EURIBOR	01.06.2015	-	2 829
“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	15.12.2018	50 674	66 209
“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	15.11.2017	21 043	-
“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	15.10.2018	95 861	143 110
“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	15.01.2018	13 892	20 148
		TOTAL:	**185 329**	**246 437**

Short term:	*Interest rate during the reporting year*	*Repayment date*	31.12.2014	31.12.2013
Loan from the JSC “Belokon Holdings”	-	21.04.2013	-	46 272
Finance lease liabilities (short term part, repayable within one year from the balance sheet date):				
“Citadele līzings un faktorings” Ltd.	3.5% + 6m. LIBOR		4 196	3 970
“Nordea Finance Latvia” Ltd.	6.18%		6 248	5 435
“Nordea Finance Latvia” Ltd.	3.5% + 3m. EURIBOR		3 267	5 411

“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	15 529	56 625
“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	27 647	-
“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	43 881	96 114
“Citadele līzings un faktorings” Ltd.	3.8% + 6m. EURIBOR	5 865	5 611
	TOTAL:	**106 633**	**219 438**

25. Deferred income

	31.12.2014	31.12.2013
Long term part	58 857	-
Short term part	18 215	-
TOTAL:	**77 072**	**-**

In 2014 the Company has received the public funding to the Project No.13-00-Z20500-000024 „Purchase of specialized technological equipment and handling facilities and equipment for the production of canned fish” program from the Rural Support Service.

The Company presents the financing in deferred income and in proportion of equipment depreciation calculation of interest set, includes in annual income of the report.

26. Taxes payable

	Corporate income tax	Value added tax	Resident income tax	Compulsory social insurance contributions	Business risk state duty	Natural resource tax	Real estate tax	TOTAL
Overpayment on December 31, 2013	**-**	**(76 899)**	**-**	**-**	**-**	**-**	**-**	**(76 899)**
Commitment to December 31, 2013	**41 613**	**-**	**42 817**	**89 294**	**145**	**5 877**	**-**	**179 745**
Calculated	29 246	(1 328 003)	468 582	996 510	1 790	23 735	20 240	**213 493**
Calculated for non-residents	706	-	-	-	-	-	-	**706**
Calculated for previous periods	687	-	-	-	-	-	-	**687**
Paid	(148 874)	1 676	(430 577)	(249 997)	(1 781)	(23 381)	(20 240)	**(873 171)**
Penalty	-	9	718	604	-	6	-	**1 337**
Directed (from VAT)	354	789 950	(40 541)	(749 770)	-	7	-	**-**
Recovered	-	545 820	-	-	-	-	-	**545 820**
Overpayment on December 31, 2014	**(76 268)**	**(67 447)**	**-**	**-**	**-**	**-**	**-**	**(143 715)**
Commitment to December 31, 2014	**-**	**-**	**40 999**	**86 644**	**154**	**6 244**	**-**	**134 041**

Tax overpayment is presented in the balance sheet caption “Other debtors”.

According to the Company`s applications, the State Revenue Service has made decision to split the payment of CSIC to the periods:
1) In April 2, 2014 for a period up to December 16, 2014 the payment of EUR 75 367;
2) In September 5, 2014 for a period up to December 10, 2014 the payment of EUR 67 723.

27. Other liabilities

	31.12.2014	31.12.2013
Unpaid wages	165 155	166 096
Warranties	-	73 656
Other liabilities	4 185	3 978
TOTAL:	**169 334**	**243 730**

28. Pledges and other encumbrances

The following agreements have been signed with respect to the security for the loan from the JSC “Baltic International Bank” (see Note 23):
1) Mortgage agreement No.622/0108/h signed on August 28, 2000, its annexes and additions according to that the Company transfers to the bank pledge rights on its real estate.
2) Mortgage agreement No.25/24/04-139 signed on July 21, 2004, its annexes and additions according to that the Company transfers to the bank pledge rights on its real estate.
3) Pledge agreement No.622/0108/ķ1 signed on August 1, 2000, its annexes and additions according to that the Company transfers to the bank the rights to collective property as at the date of pledge, as well as to the future components of this collective property.
4) Pledge agreement No.18/15/10-139 signed on September 10, 2010, its annexes and additions according to that the “A Corporation” Ltd. pledges to the benefit of the JSC “Baltic International Bank” its public issue shares of the JSC “Brivais vilnis”.
5) Pledge agreement No.02/27/04-139 signed on August 20, 2004 and Agreement on renewal of pledge agreement signed on January 30, 2015, according to that the “Baltic Finance & Capital” Ltd. pledges to the benefit of bank its public issue shares.

In Limbazi Land Register department of the Regional Court of Vidzeme are consolidated lease rights to premises of pass office with pumping station until August 11, 2019 (cadaster 6615-009-0080-002), leaseholder Tourism promotion and development association of Salacgriva region.

29. Operations with related persons

Operations with related persons that were performed in the reporting year, are not significant and corresponds to normal market conditions, therefore the information about such transactions is not provided to the financial statement.

30. Prosecution of operation

The Company’s management is not aware of guarantees issued, legal actions, etc., to affect the Company’s financial position as at December 31, 2014. The Company’s assets are not pledged or otherwise encumbered than is presented in the annual report.

31. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.

32. The Company`s operation continuation

As from May 18, 2015 the JSC “Brivais vilnis” will temporarily stop the production to carry annual repairs out. The Company plans to restart the production in the beginning of August, 2015. To ensure fulfilment of orders in summer, the Company has produced the products in required quantity and assortment. All relieved employees will re-start the work in the Company in August.

SIA I.F. REVĪZIJA

ZVĒRINĀTU REVIDENTU KOMERCSABIEDRĪBAS LICENCE NR. 109
REĢ. NR. 40003621245. ELIZABETES 45/47, RĪGA LV-1010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AS "Brīvais vilnis"
(translation from Latvian)

Report on the Financial Statements

We have audited the accompanying financial statements of AS "Brīvais vilnis" set out on pages 5 to 21 of the accompanying annual report, which comprise the balance sheet as of 31 December 2014 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, 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 qualified audit opinion.

Justification of qualified opinion
Item "Trade receivables" of the balance sheet of the company includes overdue trade receivables in the amount of EUR 439,525 and there is no agreement concluded about prolongation of the term of payment. The management of the company considers the account receivables to be recoverable debtor and has not created any provisions for the possible debtor value adjustment. During the audit we could not obtain sufficient appropriate audit evidence to be able to evaluate the possibility of recovery of the trade receivables mentioned above as well as to determine whether any adjustments for possible decrease in their value to be reflected in the financial statements were necessary.

Qualified opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of AS "Brīvais vilnis" as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2014 set out on page 4 of the accompanying annual report for 2014 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2014.

SIA I.F.REVIZIJA
Licence No. 109

Elita Stabiņa
Member of the Board
Certified auditor of Latvia
Certificate No. 162

Riga
14. 05.2015

Report on board’s responsibility

The management of the JSC “Brivais vilnis” is responsible for preparation of financial statement of the Company. Financial statements are prepared on basis of accounting entries and source documents and give a real conception about financial position of the Company on December 31, 2014.

Financial statements are composed in accordance with accounting standards of the Republic of Latvia, based on continuation principle of business activities. Annual report is audited.

The management of the JSC “Brivais vilnis” is responsible for fulfillment of legislation requirements of the Republic of Latvia.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

May 14, 2015

Explanation on differences of profit in audited and unaudited reports of 2014

The audited report of the Company presents assessed and qualified liabilities and assets.
There are differences that are 10% higher than in the income statement and balance sheet in unaudited and audited report of 2014.
They are related to evaluation of receivables and payables and the deferred tax liability calculation.
The financial statement includes and discloses all liabilities of the Company in accordance with the Annual Report Law.
We confirm that the financial statement discloses all known information that is relevant the company continues to operate.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

May 14, 2015