

SIA "Daugavgrīvas 7"

ANNUAL REPORT

for 12 months period ended 31 December 2014

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INFORMATION ON THE COMPANY

Name of the company	Daugavgrīvas 7 (previously - "Z Towers")
Legal status of the company	Limited liability company
Number, place and date of registration	Commercial register Nr.40003667306 Riga, 27 February, 2004
Address	7 Daugavgrīvas street, Riga, LV-1048 Latvia
Type of operations	Implementation of target real estate projects NACE - 68.10, 68.20
Names of the major shareholders	S.P.I. Resources B.V. -100% (before 15.01.2015) Latvijas balzams A/S - 100% (from 15.01.2015)
Names and positions of the Board members	Olegs Alainis- Member of the board
Financial year	1 January, 2014 - 31 December, 2014
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Riga, LV-1010 Latvia Certified auditor in charge Eriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

The Company is subsidiary company of S.P.I. Group that operates as a real estate projects' developer.

Performance of the Company during the financial year

During the reporting period Company continued to lease real estate on Daugavgrivas street 7 to related company Towers Construction Management AS. The Company is involved in legal proceedings with Ierosme SIA, related to the quality of the author's supervision.

In 2014 the Company's share capital was increased by EUR 16 520 858, by contribution in kind to the share capital. The reporting year was finished with a loss of EUR 1 206 093.

Financial risk management

The policy of financial risk management of the Company is described in the Note 22 to the financial statements.

Post balance sheet events

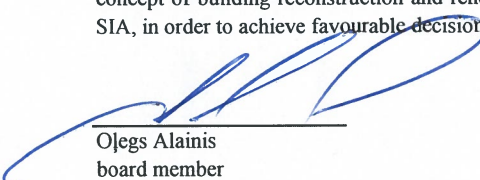
In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the Company.

On January 15, 2015 S.P.I. Group entity Latvijas balzams A/S has become an 100 % shareholders of the Company.

On January 30, 2015 the Company has submitted a notice of reorganization and reorganization agreement to Register of Enterprises of the Republic of Latvia on commencement of reorganization by merging the Company to Latvijas balzams A/S. On February 11, 2015 Register of Enterprises of the Republic of Latvia has made a decision on commencement of reorganization.

Future prospects

The Company will continue to lease real estate on Daugavgrivas street 7, Riga, simultaneously the development and validation of the concept of building reconstruction and renovation project is planned. It is also planned to continue legal proceedings with Ierosme SIA, in order to achieve favourable decision for the Company.



Oļegs Alainis
board member

Riga, 17 April 2015

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INCOME STATEMENT

	Notes	2014 EUR	2013 EUR
Administrative expenses	(1)	(27 158)	(41 053)
Other operating income	(2)	71 433	558 005
Other operating expenses	(3)	(25 783)	(28 675)
Interest and similar income	(4)	-	718 849
Interest and similar expenses	(5)	(1 216 947)	(972 936)
Profit or losses before taxes		(1 198 455)	234 190
Other taxes	(7)	(7 638)	(3 933)
Net profit or losses		(1 206 093)	230 258

Notes on pages 10 to 19 are an integral part of these financial statements.


Oļegs Alainis
board member

Rīga, 17 April 2015

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BALANCE SHEET

	Notes	31.12.2014. EUR	31.12.2013. EUR
<u>ASSETS</u>			
Non-current assets			
Tangible assets			
Tangible assets under construction	(8)	1 043 299	1 013 099
Total tangible assets:		<u>1 043 299</u>	<u>1 013 099</u>
Investment property:			
Land and buildings	(8)	722 223	741 655
Total non-current financial investments:		<u>722 223</u>	<u>741 655</u>
Total non-current investments:		<u>1 765 522</u>	<u>1 754 754</u>
Account receivable			
Receivables			
Receivables from group companies	(10)	62 791	1 015 367
Trade receivables	(9)	-	688
Other receivables	(11)	449	5 046
Deferred expenses	(12)	1 681	1 448
Accrued income		1 520	2 594
Total receivables:		<u>66 441</u>	<u>1 025 143</u>
Cash and bank		-	1
Total current assets:		<u>66 441</u>	<u>1 025 144</u>
<u>Total assets</u>		<u><u>1 831 963</u></u>	<u><u>2 779 898</u></u>

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BALANCE SHEET

		31.12.2014. EUR	31.12.2013. EUR
	Notes		
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(13)	20 853 502	4 332 644
Other reserves		1	-
Retained earnings			
previous year's accumulated losses		(24 959 174)	(25 189 432)
current years profit or losses		(1 206 093)	230 258
Total equity:		<u>(5 311 764)</u>	<u>(20 626 530)</u>
Liabilities			
Non-current liabilities			
Payables to group companies	(15)	6 992 085	23 256 067
Total non-current liabilities:		<u>6 992 085</u>	<u>23 256 067</u>
Current liabilities			
Loans from banks		12	13
Payables to group companies	(15)	-	213
Trade payables	(14)	149 075	150 135
Taxes and social insurance payments	(16)	2 555	-
Total current liabilities:		<u>151 642</u>	<u>150 361</u>
Total liabilities:		<u>7 143 727</u>	<u>23 406 428</u>
<u>Total equity, provisions and liabilities</u>		<u><u>1 831 963</u></u>	<u><u>2 779 898</u></u>

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Oļegs Alainis
board member

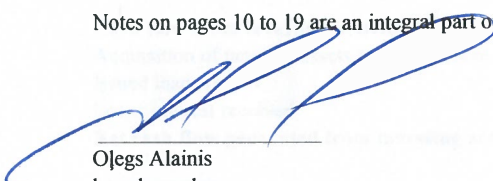
Riga, 17 April 2015

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Other reserves	Total
	EUR	EUR	EUR	EUR
31.12.2012.	4 332 644	(25 189 432)	-	(20 856 788)
Losses for the year	-	230 258	-	230 258
31.12.2013.	4 332 644	(24 959 174)	-	(20 626 530)
Share capital increase	16 520 858	-	1	16 520 859
Profit / losses for the year	-	(1 206 093)	-	(1 206 093)
31.12.2014.	<u>20 853 502</u>	<u>(26 165 267)</u>	<u>1</u>	<u>(5 311 764)</u>

Notes on pages 10 to 19 are an integral part of these financial statements.


Oļegs Alainis
board member

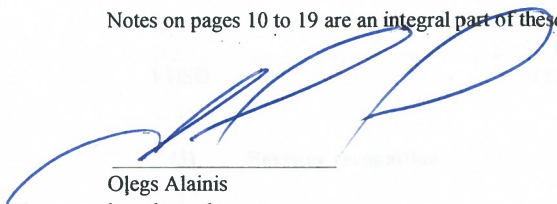
Rīga, 17 April 2015

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CASH FLOW STATEMENT

	Notes	2014 EUR	2013 EUR
Cash flow from operating activities			
Profit or losses before taxes		(1 198 455)	234 190
<u>Adjustments for:</u>			
depreciation of tangible assets and investment properties		19 432	19 432
interest payment	(5)	393 592	972 936
interest income		-	(10)
gains from revaluation of tangible assets		(30 200)	(494 690)
(gains)/losses from exchange rate fluctuations	(4)	823 355	(718 839)
Cash flow prior to changes in current assets and liabilities		<u>7 724</u>	<u>13 019</u>
Account receivable (increase)/decrease		(1 370)	16 366
Account payable increase/(decrease)		(6 355)	(39 537)
Net cash flow generated from operating activities		<u>(1)</u>	<u>(10 152)</u>
 Cash flow from investing activities			
Acquisition of tangible assets and investment properties		-	(410)
Issued loans repaid		-	10 169
Loans interest received		-	350
Net cash flow generated from investing activities		<u>-</u>	<u>10 110</u>
 Net increase / (decrease) in cash and cash equivalents		<u>(1)</u>	<u>(42)</u>
 Cash and cash equivalents at the beginning of the financial year		<u>1</u>	<u>43</u>
 Cash and Cash equivalents at the end of the financial year		<u>-</u>	<u>1</u>

Notes on pages 10 to 19 are an integral part of these financial statements.


Oļegs Alainis
board member

Rīga, 17 April 2015

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the turnover method. The cash flow statement has been prepared under indirect cash flow method.

There are no changes in the accounting and evaluation methods of the Company in comparison to a previous year.

(2) Foreign currencies

Starting from the 1st January 2014 the national currency of the Latvian Republic is euro (EUR), as a result from this date the Company performed its accounting in euros. All assets, liabilities and components of equity are converted from the lats to the euros, applying flat rate 0.702804 LVL/EUR. This conversion has no impact on the income statement. Financial statement comparative indicators for the previous year also are converted, using flat rate 0.702804 LVL/EUR.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2014.	31.12.2013.
	EUR	EUR
1 USD	0.8237	0.7251

(3) Revenue recognition

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis.

Amounts collected on behalf of third parties that are received by the Company and whose aim is not intended to increase the Company's equity is not included in the Company's revenues.

(4) Tangible assets

Tangible assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of tangible assets. In financial statements the tangible assets are recognized at purchase cost or revalued amount less depreciation.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the tangible assets:

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Tangible assets (continuation)

	Depreciation % per annum
Buildings	2.5
Other machinery and equipment, transport vehicles	20-33

The Company capitalizes its tangible assets valued over EUR 142 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than EUR 142 is recognized in full after its ready for use.

If sufficient evidence is acquired that the future economic benefit associated with subsequent costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the tangible asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of tangible assets is calculated, as the difference between the carrying amount of the tangible asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period, when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of tangible assets could exceed its recoverable value, appropriate value of fixed asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

(5) Investment property

Investment property is property (land, building or part of building) held by the owner to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of investment properties. Further investment properties are recognized at purchase cost less depreciation and impairment losses.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life, its 2.5%.

(6) Account receivable

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Provisions for doubtful receivables are established when the management of the Company considers that it is probable that the total amount of receivables will not be collected.

(7) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from applying different tangible asset depreciation rates, impairment of assets as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilised.

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(8) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank accounts.

(9) Group companies

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

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II. OTHER NOTES

	2014	2013
	EUR	EUR
(1) Administrative expenses		
Professional services costs	24 064	40 698
Other administrative expenses	<u>3 094</u>	<u>302</u>
	<u><u>27 158</u></u>	<u><u>41 053</u></u>
(2) Other operating income		
Reversal of impairment of non-current assets	30 200	494 690
Lease of premises	41 202	25 612
Vehicle rental income	-	3 040
Other income	<u>31</u>	<u>34 663</u>
	<u><u>71 433</u></u>	<u><u>558 005</u></u>
(3) Other operating expenses		
Depreciation of investment properties	19 432	19 432
Provisions for doubtful debts	4 133	1 595
Insurance payments	1 896	2 800
Bank charges	195	200
Penalties	7	209
Other expenses	<u>120</u>	<u>4 439</u>
	<u><u>25 783</u></u>	<u><u>28 675</u></u>
(4) Interest and similar income		
Net income from exchange rate increase	-	718 839
Interest income	<u>-</u>	<u>10</u>
	<u><u>-</u></u>	<u><u>718 849</u></u>
(5) Interest and similar expenses		
Interest charge	393 592	972 936
Net loss from exchange rate fluctuations	<u>823 355</u>	<u>-</u>
	<u><u>1 216 947</u></u>	<u><u>972 936</u></u>
(6) Corporate income tax		
a) Components of corporate income tax		
Changes in deferred income tax	-	-
Corporate income tax according to the tax return	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

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Corporate income tax (continuation)

	2014	2013
	EUR	EUR
Profit before taxes	(1 198 455)	234 190
Real estate tax	<u>(7 638)</u>	<u>(3 933)</u>
Profit or loss before corporate income tax	<u>(1 206 093)</u>	<u>230 257</u>
Theoretically calculated tax at 15% tax rate	(180 914)	34 538
Tax effects on:		
Permanent differences	55 147	72 285
Deviation in the calculations of temporary differences in the previous period	-	(105 904)
Changes in unrecognized deferred tax asset	<u>125 767</u>	<u>(919)</u>
Total corporate income tax expenses	<u>-</u>	<u>-</u>
b) Movement and components of deferred tax		
Deferred tax liabilities (asset) at the beginning of the reporting year	-	-
Deferred tax expensed according to the income statement	<u>-</u>	<u>-</u>
Deferred tax liabilities (asset) at the end of the reporting year	<u>-</u>	<u>-</u>

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2014.	31.12.2013.
	EUR	EUR
Temporary difference on depreciation of tangible assets and investment properties	<u>22 551</u>	<u>15 935</u>
Gross deferred tax liabilities	22 551	15 935
Tax losses carried forward*	(2 676 276)	(2 543 893)
Unrecognized deferred tax asset	<u>2 653 725</u>	<u>2 527 958</u>
Gross deferred tax assets	(22 551)	(15 935)
Net deferred tax liability (assets)	<u>-</u>	<u>-</u>

* Accumulated tax losses as at 31 December 2014 amounted to EUR 17 841 841 (31 December 2013 - EUR 16 959 288).

	2014	2013
	EUR	EUR
(7) Other taxes		
Real estate tax	<u>7 638</u>	<u>3 933</u>
	<u>7 638</u>	<u>3 933</u>

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(8) Investment properties and tangible assets

	Investment properties			Tangible assets		Total
	Land and buildings	Investment properties under construction	Total	Other tangible assets	Tangible assets under construction *	
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2013.	777 281	-	777 281	1 547	1 918 538	1 920 085
31.12.2014.	777 281	-	777 281	1 547	1 918 538	1 920 085
Depreciation / Impairment						
31.12.2013.	(35 626)	-	(35 626)	(1 547)	(905 439)	(906 986)
Calculated	(19 432)	-	(19 432)	-	-	-
Reversal of impairment losses	-	-	-	-	30 200	30 200
31.12.2014.	(55 058)	-	(55 058)	(1 547)	(875 239)	(876 786)
Net carrying amount						
31.12.2013.	741 655	-	741 655	-	1 013 099	1 013 099
31.12.2014.	722 223	-	722 223	-	1 043 299	1 043 299

a) tangible assets

* In 2008 Company purchased real estate on 7 Daugavgrivas street, Riga, with initial cost EUR 1 836 532. In the previous reporting years the real estate value impaired for EUR 905 439. Real estate impairment test has been performed using discounted cash flow method, fair value of real estate was established by independent expert. Impairment of real estate Daugavgrīvas Street 7 has been recognized in the income statement under "Other operating expenses".

In 2014 the evaluation of real estate at fair value has been performed by the independent expert. As the result of evaluation the estimated fair value exceeds the carrying amount by EUR 30 200. This amount is recognized in the income statement under "Other operating income" as the reversal of impairment losses recognized in the previous years. Real estate is not used in economic activity since the acquisition.

b) investment properties

Investment properties consist of real estate property - residential-office building Daugavgrivas street 7, Riga, invested in share as a contribution in kind. The Company has leased the real estate to Group company Towers Construction Management AS. According to the evaluation of independent expert, the market value of the real estate in 2014 was EUR 1 632 400.

The cadastral value of the land plots owned by the Company on 31 December 2014 is EUR 28 284 (31 December 2013 - 28 293) and buildings - EUR 476 604 (31 December 2013 - EUR 476 604).

The information on pledged tangible assets and investment properties is disclosed in the Note 15 to the financial statements.

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(9) Trade receivables	31.12.2014.	31.12.2013.
	EUR	EUR
Book value of trade receivables	5 728	2 283
(Provisions for bad and doubtful debts)	<u>(5 728)</u>	<u>(1 595)</u>
	<u><u>-</u></u>	<u><u>688</u></u>

Provisions for bad and doubtful debts have been made 100 % of their book value.

(10) Receivables from group companies	31.12.2014.	31.12.2013.
	EUR	EUR
Receivables from Towers Construction Management AS*	62 791	47 776
Receivables from SPI RE Holdings S.a.r.l. Latvian branch**	<u>-</u>	<u>967 591</u>
	<u><u>62 791</u></u>	<u><u>1 015 367</u></u>

* Towers Construction Management AS debt consists of outstanding invoices for office rent and maintenance costs.

** SPI RE Holdings S.a.r.l. Latvian branch debt consists of outstanding amount for services for real estate property management and invoiced construction costs.

(11) Other receivables	31.12.2014.	31.12.2013.
	EUR	EUR
Real estate tax overpaid (see Note 16 for details)	254	1 241
VAT overpaid (see Note 16 for details)	-	2 336
Other receivables	<u>195</u>	<u>1 469</u>
	<u><u>449</u></u>	<u><u>5 046</u></u>

(12) Deferred expenses		
Prepayments of insurance payments	1 681	1 336
Other expenses	<u>-</u>	<u>112</u>
	<u><u>1 681</u></u>	<u><u>1 448</u></u>

(13) Share capital

As at 31 December 2014, 100% of the Company's share capital belongs to S.P.I. Resources B.V., registered in Netherlands. On 15 January 2015 changes in shareholders structure were made, thus Company's new shareholder is Latvijas balzams A/S, registered in Latvia.

As at 31 December 2014, the registered and fully paid share capital is EUR 20 853 502, consisting of 20 853 502 ordinary shares with a nominal value of EUR 1 each.

During the financial year the share capital was increased by EUR 16 520 858, by contribution in kind (see Note 15 to the financial statements).

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	31.12.2014.	31.12.2013.
(14) Trade payables	EUR	EUR
Payables for construction in progress	142 686	142 686
Accrued audit expenses	2 550	2 395
Other expenses	3 839	5 054
	<u>149 075</u>	<u>150 135</u>
(15) Payables to group companies		
Non-current		
Loan received and interest accrued from S.P.I. Resources B.V. repayable in 2-5 years	-	23 256 067
Payments to S.P.I. Spirits (Cyprus) Limited *	6 992 085	-
	<u>6 992 085</u>	<u>23 256 067</u>
Current		
Payments to SPI RE Holdings Sarl	-	213
	<u>-</u>	<u>213</u>

* On 15 May 2006 the Company signed loan agreement with S.P.I. Resources B.V., with amendments on 3 April 2008 for maximum credit limit of USD 60 000 000. The annual interest rate of the loan is 5.75%. The calculated and unpaid interest during reporting period amounted to EUR 393 592 (31 December 2013 - EUR 972 936).

During the reporting year the loan was decreased by investing the loan's amount of EUR 16 520 858 to the share capital as contribution in kind. The accrued interest on the loan costs has been assigned to Group company S.P.I. Spirits (Cyprus) Limited. The maturity date of the loan is May 2016.

As security of claims, which may arise according to loan contract, the Company had pledged the property on 7 Daugavgrivas street in favour of S.P.I. Spirits (Cyprus) Limited. The maximum value of mortgage is EUR 44 114 206. As at 31 December 2013 residual value of mortgaged property is EUR 1 765 522.

(16) Taxes and social insurance payments	31.12.2013.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Prior period adjustment	31.12.2014.
	EUR	EUR	EUR	EUR	EUR	EUR
VAT	(2 336)	5 418	4	(531)	-	2 555
Real estate tax	(1 241)	7 638	-	(6 651)	-	(254)
Total	<u>(3 577)</u>	<u>13 056</u>	<u>4</u>	<u>(7 182)</u>	<u>-</u>	<u>2 301</u>
Hereof						
(Overpaid) - see Note 11 for details	(3 577)					(254)
Payables	-					2 555

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(17) Fees paid to auditors	2014 EUR	2013 EUR
For the audit of financial statements	<u>2 550</u>	<u>2 550</u>
	<u><u>2 550</u></u>	<u><u>2 550</u></u>

(18) Average number of employees	2014	2013
Average number of people employed during the financial year	<u>-</u>	<u>-</u>

(19) Remuneration to the management

Board members do not receive remuneration for their duties. During the reporting year loans to the Board members were not granted.

(20) Contingent liabilities

The Company is a defendant in the lawsuit against Ierosme SIA, the claim relates to construction work done for a total amount of EUR 248 291 including fines and interest. The Company has filled the counter claim for the compensation of losses for the total amount of EUR 881 875.

According to the Riga Regional Court, Court judgment of 22 January 2014, Ierosme SIA claim was accepted partially, for a total of EUR 233 956, including principal debt EUR 159 272 and penalties EUR 64 684, and recognizing the right of Ierosme SIA to receive statutory interest from the recovered principal amount till the execution of judgments. Upon receipt of the full text of the judgment the management of the Company has submitted on February 11, 2014 an appeal against the Supreme Court of the Civil Division, the hearing date is not yet known. The outcome of the case is not clearly stated at this moment, but by the managements assessments it will be in favour of the Company. The financial statements include provisions for the principal amount, but the potential penalties and statutory interest which could arise from the negative result of the law suit has not been recognized.

(21) Non-cash investing and financial activity transactions

As disclosed in Note 15 in the current financial year the Company's shareholder has increased the share capital by contribution in kind of EUR 16 520 858 being the principal amount of loan.

(22) Managing financial risks

Financial risks, connected with the financial instruments of the Company, mainly, are foreign currency risk, credit risk and liquidity risk. The company do not use derivative financial instruments for financial risk management.

Foreign currency risks

The Company is subject to foreign currency exchange rate fluctuations, mainly due to its loans, performed in USD currency.

The foreign exchange open position of the Company at the end of the reporting year:

	31.12.2014.	31.12.2013.
Financial assets, USD	-	-
Financial liabilities, USD	<u>8 489 090</u>	<u>31 736 809</u>
Open position USD, net	<u>8 489 090</u>	<u>31 736 809</u>
Open position USD, calculated in euro, net	<u><u>6 992 085</u></u>	<u><u>23 256 067</u></u>

Managing financial risks (continuation)

Credit risks

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and cash and its equivalents.

Most of the credit risk is originated from group companies debts. Taking into account financial position of the Group Company management assess credit risk for deals with group companies as insignificant.

Liquidity risk

Company monitors its liquidity risk keeping appropriate amount of money and its equivalents as well as using loan from mother company. See also Note No.23 related to going concern.

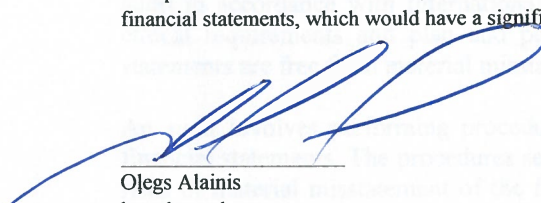
(23) Going concern

As at 31 December 2014 the Company has concluded the reporting year with losses in amount of EUR 1 206 093. On this date the Company's total liabilities exceeded assets for EUR 5 311 764. The Company is supported by S.P.I. Group companies by granting long-term financing. The Company has received a support letter from the SPI Group parent Company S.P.I.Group S.a.r.l.. In this letter is acknowledgment that the Group will continue to provide the Company with the necessary financing at least till the end of 2015. See also Note No.24 on the planned reorganization of the Company.

(24) Subsequent events

On January 15, 2015 S.P.I. group's Company Latvijas balzams A/S has become an 100 % shareholder of the Company. In 2015 both Company's reorganization by merger is planned, incorporating the Company to Latvijas balzams A/S. On January 30, 2015 the Company has submitted a notice of reorganization and reorganization agreement to Register of Enterprises of the Republic of Latvia on commencement of reorganization by merging the Company to Latvijas balzams A/S. On February 11, 2015 Register of Enterprises of the Republic of Latvia has made a decision on commencement of reorganization.

Except the above mentioned facts, there are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2014.


Oļegs Alainis
board member

Riga, 17 April 2015

The annual report has been approved by the general meeting of members _____ 2015



BAKER TILLY BALTICS

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INDEPENDENT AUDITOR'S REPORT

to the Shareholder of Daugavgrīvas 7 SIA

Report on the Financial Statements

We have audited the accompanying financial statements of Daugavgrīvas 7 SIA (the Company) set out on pages 5 to 19 of the annual report. These financial statements comprise the balance sheet as at 31 December 2014, and the income statement, statement of cash flow and statement of changes in equity 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Company as at 31 December 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.



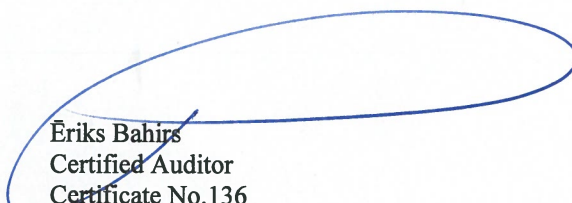
Emphasis of Matter

We draw attention to Note 20 to the financial statements which describes the uncertainty related to the outcome of the lawsuit with SIA Ierosme. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

Baker Tilly Baltics SIA
Licence No. 80


Ēriks Bahirs
Certified Auditor
Certificate No.136
Chairman of the Board

Riga, 17 April 2015

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