Acme Corporation SIA

Consolidated Annual Accounts for the year ended 31 December 2015

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REPORT OF THE MANAGEMENT

Acme Corporation SIA (hereinafter - 'the Company' or 'Acme Corporation') and its subsidiaries (hereinafter - 'the Group') invest in the operation and management of rental real estates (offices, retail and land development) in Latvia. As at 31 December 2015 Acme Corporation was the parent for three Latvian registered limited liability companies - Neatkarīgā patentu aģentūra SIA (office anchored real estate), Big Truck SIA (logistic development) and Slokas 161 SIA (retail anchored real estate).

In October 2014 management signed a share purchase agreement for the sale of subsidiaries Apex Investments SIA (Apex Investments) and Tukums Projekts SIA (Tukuma Projekts) to Hili Properties BV. The sale concluded on 30 January 2015.

Due to the fact that the Group has positive equity and positive net margin, there are no further doubts about its going concern position.

In both office and retail segments rents were stable. Delinquent rents are being well managed at the moment by our property manager.

For the year ended 2015 the Latvian statistics service report inflation at 0.2%. For this reason the Group will be in a position to upward revise rent charges in 2016, where applicable, only marginally.

Retail
At the end of January 2015 Apex Investments and Tukums Projekts were sold.

A separate company SIA Slokas 161 (Slokas 161) for the Slokas property was established early in January 2015 since management did not want to mix grocery anchored retail with other anchored retail. Transfer of Slokas property from Apex Investments to Slokas 161 took place in January 2015. During the year Slokas 161 signed a lease agreement with Lemon Gym for the development of 800 meters of space. The lease will require approximately EUR 150 000 of capital investment. This lease will have a positive impact on the cash flow.

Office
For our offices gross rent has settled to a market rate of EUR 11.00 to EUR 12.00 per square meter per month. There are some historical outliers to the current market rate pulling the offices average below current market. At Citadeles iela 12 the remaining 400 vacant meters have been leased. To prepare the space for occupancy EUR 80 000 will need to be invested.

Land
Management has engaged an architectural firm to prepare the detailed planning for the property. Detailed planning is expected to be complete during 2016.

Bond
Acme Corporation has made four quarterly repayment of principal to bondholders of record for 2015. Acme Corporation has made all coupon payments on the bonds to date.

During the year a subsidiary of Acme has purchased 3,805 bonds. Acme now directly or indirectly via a subsidiary owns 4,205 bonds. There remain 825 bonds outstanding and free floating on the Riga exchange at close of 2015.

Senior Debt
In March 2015 the debt pertinent to continuing operations was extended until February 2018.
At the time of writing one month EURIBOR is quoted at approximately minus 0.34%. Management has agreed with our Senior lender that our debt has a floor of zero percent. These rates are unprecedentedly low and have positive impact onto the cash flow.

The Group still is focused on conserving its cash flow and internally developing its portfolio. With this in mind, the group has agreed the purchase of Muižas Parks SIA in order to gain 100% control of the development land in Kekava parish. Nevertheless, the Group is now positive about acquisitions that can add synergy and net positive results to the group as a whole.

David Allen DeRousse	Gerald Allen Wirth
Member of the Board	Chairman of the Board

Riga, 28 April 2016

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors of Acme Corporation SIA is responsible for the preparation of the consolidated financial statements of the Group.

The consolidated financial statements on pages 8 to 36 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Group as of 31 December 2015 and the results of its operations and cash flows for the year then ended.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted in the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Board of Directors in the preparation of the consolidated financial statements.

The Board of Directors of Acme Corporation SIA is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board of Directors is also responsible for operating the Group in compliance with the legislation of the Republic of Latvia.

David Allen DeRousse	Gerald Allen Wirth
Member of the Board	Chairman of the Board

Riga, 28 April 2016

MERHELS
EXCELLENCE FOCUSED MINDSET

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Independent auditors' report
to the shareholders of Acme Corporation SIA

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements on pages 8 to 36 of Acme Corporation SIA and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibilities for the Consolidated Financial Statements

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

3. Our responsibility is to express an opinion on these consolidated 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.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider 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.

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

Basis for qualified opinion

6. As reported in our auditors' reports on the Group's consolidated financial statements for 2013 and 2014, the change in the terms of the prospectus for Acme Corporation SIA bonds became effective on 31 January 2013. As new terms of the bonds were substantially different from the original ones, existing financial liability pursuant to requirements of paragraph 40 of the International Accounting Standard 39 should have been extinguished and new liability recognized at fair value in 2013. The Group did not assess the fair value of new liability, having recognised new liability at the carrying value of the extinguished liability. The Group's management did not provide to us sufficiently detailed cash flow forecasts in relation to servicing of Acme Corporation SIA bonds and assessment of interest rate applicable for discounting these cash flows. Since we were not provided with sufficiently adequate information and we could not apply alternative audit procedures, we were not in a position to determine the effect of the Group's choice in 2013 not to recognise new liability at fair value.

Opinion

7. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the stated in the paragraph 6, the accompanying consolidated financial statements give a true and fair view of the financial position of Acme Corporation SIA and its subsidiaries as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

8. We have read the Management Report set out on pages 3 to 4 and did not identify material inconsistencies between the financial information presented in this report and that contained in the consolidated financial statements for the year ended December 31, 2015.

9. We have assured ourselves that the Group has prepared the corporate governance report for the year 2015 (included on pages 37 to 50 of accompanying consolidated financial statements for 2015) and verified information presented in the report according to the requirements provided by the article 56^2, paragraph 3, clause 1 of the Act of the Republic of Latvia On Financial Instruments Market.

Merhels Revidenti Konsultanti SIA
Licensed audit firm, licence No.1

Edvards Merhels
Chairman of the Board

Dace Merhele
Certified auditor, certificate No.157

Riga, 28 April 2016

CONSOLIDATED BALANCE SHEET

Note		31.12.2015 EUR	31.12.2014 EUR
	ASSETS		
	Non-current assets		
5	Property, plant and equipment	144 647	104 492
6	Investment property	12 228 446	13 005 544
7	Loans	-	8 860
	Other financial assets	-	4 000
		12 373 093	**13 122 896**
	Current assets		
4	Assets held for sale	-	10 070 803
	Inventory	56	-
8	Trade receivables	16 697	8 543
	Current income tax assets	50 184	-
7	Loans	9 125	3 876
9	Other debtors	482 401	49 660
10	Cash and cash equivalents	226 757	170 150
		785 220	**10 303 032**
	Total assets	**13 158 313**	**23 425 928**
	EQUITY		
	Capital and reserves attributable to equity holders of the Group		
11	Share capital	2 844	2 844
	Accumulated deficit	(10 526 513)	(12 745 457)
	Profit for the year	15 253 114	2 218 944
	Total equity	**4 729 445**	**(10 523 669)**
	LIABILITIES		
	Non-current liabilities		
12	Borrowings	5 296 713	6 498 609
13	Deferred income tax liabilities	1 036 162	993 972
		6 332 875	**7 492 581**
	Current liabilities		
4	Liabilities held for sale	-	16 814 795
12	Borrowings	1 722 463	9 275 886
14	Trade and other payables	373 480	316 199
	Current income tax liabilities	50	50 136
		2 095 993	**26 457 016**
	Total liabilities	**8 428 868**	**33 949 597**
	Total equity and liabilities	**13 158 313**	**23 425 928**

The notes on pages 12 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note		2015 EUR	2014 EUR
	CONTINUING OPERATIONS		
15	Revenue	1 280 068	1 220 469
16	Cost of sales	(706 016)	(588 411)
6	(Impairment charge)/ reversal of impairment charge on non-financial assets	(391 500)	2 331 654
	Gross profit	**182 552**	**2 963 712**
	Selling expenses	(23 023)	(15 098)
17	Administrative expenses	(101 530)	(59 148)
	Other operating income	8 181	618
18	Other operating expenses	(236 045)	(61 134)
	Operating profit/ (loss)	**(169 865)**	**2 828 950**
19	Finance income	2 762 562	228 029
20	Finance costs	(332 840)	(531 214)
	Profit before income tax	**2 259 857**	**2 525 765**
21	Income tax	(42 240)	(362 493)
	Profit for the year from continuing operations	**2 217 617**	**2 163 272**
	DISCONTINUED OPERATIONS		
4	Profit for the year from discontinued operations	13 035 497	55 672
	PROFIT FOR THE YEAR	**15 253 114**	**2 218 944**
	Other comprehensive income	-	-
	Total comprehensive income for the year	**15 253 114**	**2 218 944**
	Attributable to:		
	Equity holders of the Company	**15 253 114**	**2 218 944**

The notes on pages 12 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company			
	Share capital EUR	Accumulated deficit EUR	Profit for the year EUR	Total equity EUR
Balance at 31 December 2013	**2 846**	**(12 808 454)**	**62 999**	**(12 742 609)**
Transfer to accumulated deficit	-	62 999	(62 999)	-
Difference on denomination of share capital from LVL to EUR paid out to shareholders	(2)	-	-	(2)
Profit for the current financial year	-	-	2 218 944	2 218 944
Rounding difference	-	(2)	-	(2)
Balance at 31 December 2014	**2 844**	**(12 745 457)**	**2 218 944**	**(10 523 669)**
Transfer to accumulated deficit	-	2 218 944	(2 218 944)	-
Profit for the current financial year	-	-	15 253 114	15 253 114
Balance at 31 December 2015	**2 844**	**(10 526 513)**	**15 253 114**	**4 729 445**

The notes on pages 12 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Note		2015 EUR	2014 EUR
	Cash flows from operating activities		
	Profit before income tax	15 295 930	3 048 719
	Adjustments for:		
16;17	▪ Depreciation	486 613	955 221
	▪ Loss on disposal and write-off of fixed assets and components of investment property	20 416	56 965
19	▪ Finance income	(389)	(528)
20	▪ Interest expense	383 631	1 148 944
	▪ Consolidation adjustments	(2 762 173)	(251 638)
4(c)	▪ Gain on sale of subsidiaries	(12 969 161)	-
6	▪ Impairment loss on investment property	391 500	-
6	▪ Reversal of impairment of investment property	-	(2 649 285)
	Changes in working capital		
	▪ Inventory	507	574
	▪ Trade and other receivables	(40 815)	106 475
	▪ Trade and other payables	92 814	(10 617)
	Cash generated from operations	**898 873**	**2 404 830**
	Income tax paid and transferred	(101 356)	(8 925)
	Net cash generated from operating activities	**797 517**	**2 395 905**
	Cash flows from investing activities		
6	Improvements made to investment properties	(129 264)	(171 607)
5	Purchases of property, plant and equipment	(55 824)	(78 764)
	Repayments on issued loans	3 505	3 371
	Interest received	495	629
4(d)	Net cash inflow on disposal of subsidiaries	4 484 272	-
	Net cash used in investing activities	**4 303 184**	**(246 371)**
	Cash flows from financing activities		
	Repayment of share capital	-	(2)
	Proceeds from loans	1 800 000	-
	Repayment of debt	(5 061 309)	(869 938)
	Repurchase of bonds	(1 616 283)	(176 277)
	Interest payments	(433 506)	(1 147 649)
	Net cash used in financing activities	**(5 311 098)**	**(2 193 866)**
	Net increase/ (decrease) in cash and cash equivalents	**(210 397)**	**(44 332)**
10	Cash and cash equivalents at the beginning of the period	437 154	481 486
10	**Cash and cash equivalents at the end of the period**	**226 757**	**437 154**

The notes on pages 12 to 36 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Nature of operations and general information

Acme Corporation SIA ('the Company') and its subsidiaries' ('the Group') principal activities include operation and management of retail and office rental real estates in Latvia.

The Company is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in the Republic of Latvia. The address of the Company's registered office and its principal place of business is Citadeles 12, Riga LV-1010, Latvia.

As at 31 December 2015 the Company has the following participating interest in subsidiaries:

Name	Country	Participating interest in share capital of subsidiaries	
		31.12.2015	31.12.2014
Apex Investments SIA	Latvia	-	100%
Big Truck SIA	Latvia	100%	100%
Neatkarīgā patentu aģentūra SIA	Latvia	100%	100%
Slokas 161 SIA	Latvia	100%	-
Tukuma Projekts SIA	Latvia	-	100%

The Company was set-up on 21 April 2009 within the restructure of the subsidiaries and retiring of Apex Investments SIA bonds in April 2009.

The Group's financial year is from 1 January 2015 till 31 December 2015.

2 Summary of significant accounting policies

2.1 Overall considerations

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS).

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

2.2 Presentation of financial statements

The consolidated financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (Revised 2007). The Group has elected to present the 'Statement of comprehensive income' in one statement.

IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances. The latter so far has not been applicable to the Group.

2.3 Application of new and revised IFRSs

Amendments to IFRSs and the new interpretation which are mandatorily effective for the current year

Amendments to IFRSs which became effective in 2015 did not have material impact on the financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the

Group's financial statements is provided below (certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements):

- *IFRS 9 'Financial Instruments' (2014)*. The International Accounting Standard Board has released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. Management have yet to assess the impact of IFRS 9 on the financial statements of the Group. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018. However, it has not yet been adopted by the EU.
- *IFRS 15 'Revenue from Contracts with Customers'.* IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018 and has not yet been approved by the EU. The Company's management have not yet assessed the impact of IFRS 15 on the financial statements.
- *Amendments to IAS 16.* The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Company's management provisional analysis is that amendments to IAS 16 will have no impact on the financial statements.
- *Amendments to IAS 1*. The amendments to IAS 1 'Presentation of Financial Statements' were issued in December 2014 as part of an initiative to improve the presentation and disclosures in financial reports. The amendments clarify that materiality is applicable to the entire financial statements and that the inclusion of immaterial information reduces the effectiveness of disclosures. The amendments will be applicable for annual periods beginning on or after 1 January 2016 and were endorsed by the EU on 19 December 2015. The Company's management provisional analysis is that amendments to IAS 1 will have no impact on the financial statements.
- *IFRS 16 'Leases'.* IFRS 16 was issued in January 2016 and replaces IAS 17 'Leases'. The new standard significantly changes the way lessee entities should account for leases. For lessees, the standard eliminates the distinction between finance and operating leases and requires entities to recognise assets and liabilities arising from most leases on the balance sheet. For lessors, the requirements remain largely unchanged and maintain the distinction between finance and operating leases. IFRS 16 is applicable from 1 January 2019, and has not yet been approved by the EU. Management have yet to assess the impact of IFRS 16 on the financial statements of the Company.

2.4 Summary of accounting policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2015. Subsidiaries are all entities over which the parent company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

Inter-company transactions, balances and unrealised gains or loss on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired during the year are recognised from the effective date of acquisition.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquire and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

If the assets acquired are not a business, the Group accounts for the transaction as an asset acquisition.

Combinations of entities under common control are accounted for using the pooling of assets method as follows:

- the assets and liabilities of the acquiree are recorded at book value
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable IFRS
- no goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented as a separate reserve within equity on consolidation
- any expenses of the combination are written off immediately in the income statement
- the results are only combined from the date on which the combination transaction occurred.

Foreign currency translation

On 1 January 2014 Latvia joined the euro-zone and the Latvian Lat which was the Group's functional currency, was replaced by the euro. As a result, starting from 1 January 2014 the Group maintains its financial accounting in euro.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Euro' ('EUR'), which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the official exchange rates prevailing at the dates of the transactions as set by the European Central Bank. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Investment property

Property which is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company and the companies in the consolidated Group is classified as investment property. Investment property comprises freehold land and freehold buildings.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight - line basis to allocate the cost of each component of buildings held as investment property to their residual values over their estimated useful lives of 2 - 33 years. Land is not depreciated.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses are included in the income statement during the period in which they are incurred.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost of the assets to their residual amount over their estimated useful lives using the following rates set by the management:

- Equipment: 10-50% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement during the period in which they are incurred.

Impairment testing

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill, if any, is allocated to such cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest budget. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount. A reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of: (a) its recoverable amount (if determinable) and (b) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured at fair value.

The Group categorises its financial assets, except derivative financial instruments if any, under loans and receivables.

The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.

The Group’s financial liabilities include borrowings, trade and other payables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed (including transaction costs) or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Upon recognition loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The changes of the provision are recognised in the statement of comprehensive income within other operating expenses. When a loan or receivable is uncollectible, it is written off against the provision account for loans and receivables. Subsequent recoveries of amounts previously written off are credited against ‘other operating expenses’ in the statement of comprehensive income.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at its fair value.

Derivative financial instruments
Derivative financial instruments are initially recognised and subsequently reported at fair value. Fair values are obtained from quoted market prices and financial models, as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are reported in the profit and loss, unless the Group's derivative financial instruments meet criteria for hedge accounting. At close of the reporting period the Group holds no derivative financial instruments.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and cash at bank.

Equity and reserves
Share capital represents the nominal value of shares that have been issued.

Retained earnings (accumulated deficit) include all current and prior period retained profits (accumulated losses).

Employee benefits
The Group pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis.

Income tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax
Current income tax assets and/ or liabilities comprise those obligations to, or claims from, fiscal authority relating the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Current tax is calculated in accordance with tax laws of the Republic of Latvia. The enacted tax rate stands at 15%.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the individual financial statements of the Group companies. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from the different accounting and taxation depreciation rates of investment property, property, plant and equipment, from impairment of investment property and financial assets, from accrued expenses deductible for the tax purposes in next period, as well as tax losses carried forward. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Fair value estimation

In respect of financial assets and liabilities held in the balance sheet at carrying amounts other than fair values, the fair values are disclosed separately in notes.

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments unless there is information on market prices.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services

The Group generates revenue from rent of premises and, to lesser extent, from property management services. Revenue is recognised in the period when the services are provided.

Gain/ loss on sale of real estate

Gain/ loss on disposal of real estate is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the real estate and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold. Gain/ loss on disposal of real estate is shown within 'Other operating income' or 'Other operating expenses'.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings and bonds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'. So far the Group has not incurred any borrowing costs directly attributable to qualifying assets.

Operating leases

The Group is the lessee

Leases in which a significant proportion of the risks and rewards of ownership are retained by lessor are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the income statement on a straight-line basis over period of the lease.

The Group is the lessor
Properties leased out under operating leases are shown in the balance sheet under investment properties. The revenue thereof is recognised in income on a straight-line basis over the lease term. Amounts collected from tenants on behalf of the providers of utility services are not considered as economic benefits which flow to the entity and, therefore, they are excluded from revenue. Incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset.

Segment reporting
Operating segments identified by management – grocery, household, office and property development segments - are linked to the type of real estate that the Group owns.

The activities undertaken by the:

- Grocery segment consists of owning, managing and renting premises whose anchor tenant is a grocery supermarket
- Household segment consists of owning, managing and renting premises whose anchor tenant is a household goods supermarket
- Office segment consists of owning, managing and renting premises to offices
- Property development segment consists of owning the land with a view of its development in the future.

Each of these operating segments is managed separately. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business;
- Is part of a single co-ordinated plan to dispose of a separate major line of business.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are presented separately and measured at the lower of their carrying amount and fair value less costs to sell. However, some held-for-sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held-for-sale, the assets are no longer amortised or depreciated.

Significant management judgment and estimation uncertainty
When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:

- *Leases.* In applying the classification of leases in IAS 17, management considers all lease contracts with the Group's tenants as operating lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgement in determining whether the lease is an operating lease arrangement which does not transfer substantially all the risks and rewards incidental to ownership.

- *Deferred tax assets.* The Group's management has evaluated the recoverability of a deferred tax asset pertinent to tax loss carried forward. The ability to utilise tax losses is based on the management's forecasts about the taxable income available in the following years.
- *Impairment of investment property.* An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the asset's fair value and value-in-use. The Group uses both fair values and value-in-use amounts to determine impairment losses. To determine the value in use, management estimates expected future cash flows for each investment property exhibiting impairment indicators and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. Fair values, when used, are those determined by an independent real estate appraiser with an exception for land carried in the property development segment whose fair value occasionally is determined by the Group's management.
- *Useful lives of depreciable assets.* Management reviews the useful lives of depreciable assets at each reporting date. This, inter-alia, includes reviews of residual values. Estimates regarding useful lives of investment property are described in the relevant accounting policy.
- *Modification of the terms of the prospectus for the Acme Bond.* Having assessed modifications to the terms of bond made on 31 January 2013, the Management concluded that such modification is substantial. In accordance with paragraph 40 of the IAS 39 the existing financial liability thus should have been extinguished and new liability recognised at its fair value. The Group did not assess fair value of the new liability, having recognised new liability at the carrying value of the extinguished liability. Consequently, these financial statements do not take into account potential effect of any adjustments which might have been necessary, had the Group recognised the new liability at its fair value.

3 Financial risk management

The Group's activities expose it to such financial risks as market risk, liquidity risk and credit risk. The Group's management seeks to minimise potential adverse effects of financial risks on the financial performance of the Group.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which result from its financing activities.

3.1 Currency risk

The Group's financial assets and liabilities are denominated in euro. Revenues are collected and daily purchases are incurred in euro.

As at 1 January 2014 Latvia joined the Eurozone and now the only legal tender in Latvia is euro.

Given the currency profile of the Group, it was not exposed to currency risk during the reporting and prior period.

3.2 Interest rate risk

The Group's interest rate risk arises from long-term borrowings:

- Bank borrowings - these have variable interest rates, however, due to negative rate of EURIBOR, the interest rate as at 31 December 2015 effectively is fixed;
- Discount bonds - starting from 1 February 2013 bonds carry a fixed interest rate;
- Borrowings from related parties - these are either free of interest or carry a fixed interest rate.

The following table illustrates the sensitivity of profit to a change in interest rates within the range from +0.00% to +0.5% in 2014 and +0.00% in 2015. Based on observation of current market conditions, the

Group foresees that interest rates in 2016 effectively will be fixed. The calculations below are based on a change in the average market interest rate for each period and the financial liabilities held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Influence on profit for the year	
	+0.00/ +0.00 EUR	**+0.00/ +0.5 EUR**
31 December 2015 (+0.00%)	-	-
31 December 2014 (+0.00 to +0.50%)	-	(124 464)

3.3 Credit risk analysis

Credit risk is the risk that counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	31.12.2015 EUR	**31.12.2014 EUR**
Classes of financial assets		
Loans	9 125	12 736
Trade receivables	16 697	23 409
Other receivables	482 401	160 634
Cash at bank	226 757	437 154
Carrying amount	734 980	633 933

The Group continuously monitors defaults of customers and other counterparts at an individual level and incorporates this information into its credit risk controls. The credit risk in relation to customers is reduced as main part of rental revenue is received in advance. The Group's policy is to deal only with creditworthy counterparties.

Except for guarantee deposits or bank guarantees which are required from the tenants, there are no other collateral or credit enhancements to secure the Group's financial assets.

In respect of all trade and other receivables, the Group's top 5 customers from generated 62% (2014: 59%) of total rent revenues for the current financial year, thus exposing the Group to fairly significant credit risk concentration.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable local banks with adequate credit history.

The management has considered credit quality of financial assets. Certain individual financial assets were found to be impaired. An allowance for credit losses of EUR 5 974 thereof has been recorded in profit and loss (31.12.2014: EUR 6 464 whereas EUR 3 890 of it relate to continuing operations).

Information on all financial assets past due but not impaired is as follows:

Overdue	**31.12.2015 EUR**	**31.12.2014 EUR**
Not more than 3 months	5 495	16 112
Within 3 to 6 months	-	-
Within 6 to 12 months	-	-
More than one year	-	-
	5 495	16 112

3.4 Liquidity risk analysis

Liquidity risk is the risk arising from the Group not being able to meet its obligations. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The Group's objective is to maintain cash to meet its liquidity requirements for 30-day periods at a minimum.

As at 31 December 2015 the Group’s contractual undiscounted financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	31 December 2015			31 December 2014		
	Less than 1 year	Between 1 and 5 years	Later than 5 years	Less than 1 year	Between 1 and 5 years	Later than 5 years
	EUR	EUR	EUR	EUR	EUR	EUR
Bank borrowings	1 727 294	4 155 869	-	24 904 786	-	-
Bonds	86 569	79 257	507 268	317 536	1 250 176	3 931 561
Other borrowings	82 401	329 604	683 315	96 755	-	1 336 220
Trade and other payables	373 480	-	-	597 791	-	-
Total	2 269 744	4 564 730	1 190 583	25 916 868	1 250 176	5 267 781

As at 31 December 2015 and 2014 the Group does not hold any derivative financial liabilities.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its trade receivables. The Group’s existing cash and trade receivables are sufficient to handle the current cash outflow requirements.

3.5 Capital management policies and procedures

The Group’s capital management objectives are to ensure the Group’s ability to continue as a going concern, to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Group may seek adjusting the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the return on assets (ROA). Return on assets is calculated as net operating income divided by cost of investment property at the end of the previous financial period.

The Group’s internal target is 10%. The actual return on assets was as follows:

	2015*	2014
	EUR	EUR
Operating profit	(169 865)	3 969 634
Add: depreciation	486 613	955 220
Add: impairment on non-financial assets	391 500	-
Less: reversal of impairment on non-financial assets	-	(2 649 285)
Net operating income	708 248	2 275 569
Cost of investment property at 31 December 2014 and 2013	22 222 292	40 993 544
ROA	**3.19%**	**5.55%**

* ROA for 2015 takes into account only input pertinent to continuing operations, whereas ROA for 2014 took into account both continuing and discontinuing operations.

As per to the loan agreements with the bank the Group companies Neatkarīgā patentu aģentūra SIA and Slokas 161 SIA are subject to a number of covenants. Inter-alia, the named Group companies are required to ensure that EBITDA for the previous financial year exceeds the aggregate of the principal and interest payable to the bank during the current financial year (DSCR ratio) by a multiple of 1.1. The named Group companies have honoured their covenant obligations during the year.

4 Discontinued operations

On 15 October 2014 the Group concluded sales purchase agreement for sale of shares of Apex Investments SIA and Tukuma projekts SIA, representing the Group's grocery and household segments. The closing of transaction took place on 30 January 2015. The new shareholder took over shares of Apex Investments SIA and Tukuma projekts SIA on 5 February 2015. Consequently, assets and liabilities of Apex Investments SIA and Tukuma projekts SIA on 15 October 2014 were classified as a disposal group. Revenues and expenses, gains and losses relating to the discontinuation of this group have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss.

(a) Consideration received

	2015 EUR
Unadjusted consideration received in cash and cash equivalents	5 193 463
Purchase price adjustment	(542 648)
Consideration received in cash and cash equivalents	4 650 815
Deferred sales proceeds *	400 000
Total consideration received	5 050 815

* On 2 February 2016 the whole amount was released to the Group.

(b) Analysis of assets and liabilities over which control was lost on 30 January 2015

	EUR
Non-current assets	
Property, plant and equipment	159 237
Investment property	9 600 773
	9 760 010
Current assets	
Inventory	82
Trade receivables	19 643
Other debtors	112 830
Due from Group companies	126 435
Cash and cash equivalents	166 543
	425 533
Assets classified as held-for-sale	**10 185 543**
Non-current liabilities	
Deferred income tax liabilities	472 151
Other liabilities	38 368
	510 519
Current liabilities	
Borrowings	16 132 562
Due to Group companies	1 089 043
Trade and other payables	371 765
	17 593 370
Liabilities classified as held-for-sale	**18 103 889**
Net assets disposed of	**(7 918 346)**

(c) Gain on disposal of subsidiaries

	2015 EUR
Total consideration received	5 050 815
Net assets (negative) disposed of	7 918 346
Gain on disposal	12 969 161

(d) Net cash inflow on disposal of subsidiaries

	2015 EUR
Consideration received in cash and cash equivalents	4 650 815
Less: cash and cash equivalent balances disposed of	(166 543)
	4 484 272

(e) Results of discontinued operations

	2015 EUR	2014 EUR
Revenue	182 679	2 099 114
Cost of sales	(31 368)	(947 215)
Reversal of impairment of investment property	-	317 631
Gross profit	**151 311**	**1 469 530**
Other operating expenses, net	(33 608)	(328 846)
Operating profit	**117 703**	**1 140 684**
Finance items, net	(50 791)	(617 730)
Profit before income tax	**66 912**	**522 954**
Income tax expense	(576)	(467 282)
Profit for the year from discontinued operations	**66 336**	**55 672**
Gain on disposal of subsidiaries	12 969 161	-
Attributable income tax expense	-	-
Profit for the period from discontinued operations	**13 035 497**	**55 672**

The results from the discontinued operations in 2015 and 2014 are attributable to the owners of the Group.

(f) Cash flows used in discontinued operations

	2015 EUR	2014 EUR
Net cash used in operating activities	130 760	1 562 904
Net cash from investing activities	680 997	(212 106)
Net cash from financing activities	(912 218)	(1 184 568)
Net cash flow for the period	**(100 461)**	**166 230**

(g) Assets and liabilities of disposal group held-for-sale

	31.12.2015 EUR	31.12.2014 EUR
Non-current assets		
Property, plant and equipment	-	79 905
Investment property	-	9 592 192
	-	9 672 097
Current assets		
Inventory	-	645
Trade receivables	-	14 866
Other debtors	-	116 191
Cash and cash equivalents	-	267 004
	-	398 706
Assets classified as held-for-sale	**-**	**10 070 803**
Non-current liabilities		
Deferred income tax liabilities	-	473 563
Other liabilities	-	19 374
	-	492 937
Current liabilities		
Borrowings	-	16 028 382
Trade and other payables	-	293 476
	-	16 321 858
Liabilities classified as held-for-sale	**-**	**16 814 795**

5 Property, plant and equipment

	2015			2014		
	Equipment EUR	Under construction EUR	Total EUR	Equipment EUR	Under construction EUR	Total EUR
Cost						
At 1 January	186 255	70 309	256 564	233 326	81 670	314 996
Additions	55 824	60 018	115 842	31 149	47 615	78 764
Reclassification	-	-	-	3 404	(3 404)	-
Reclassification to investment property	-	(68 089)	(68 089)	-	(44)	(44)
Reclassified to assets held-for-sale	-	-	-	(64 777)	(55 522)	(120 299)
Disposals	(7 780)	-	(7 780)	(16 846)	-	(16 846)
Rounding difference	-	-	-	(1)	(6)	(7)
At 31 December	234 299	62 238	296 537	186 255	70 309	256 564
Accumulated depreciation						
At 1 January	(152 072)	-	(152 072)	(199 540)	-	(199 540)
Charge for the year	(7 254)	-	(7 254)	(9 204)	-	(9 204)
Reclassified to assets held-for-sale	-	-	-	40 393	-	40 393
On disposals	7 780	-	7 780	16 274	-	16 274
Rounding difference	(344)	-	(344)	5	-	5
At 31 December	(151 890)	-	(151 890)	(152 072)	-	(152 072)
Net book value at 31 December	**82 409**	**62 238**	**144 647**	**34 183**	**70 309**	**104 492**

6 Investment property

	2015 EUR	2014 EUR
At start of the year		
Cost	22 222 292	40 993 544
Accumulated depreciation	(9 216 748)	(20 214 341)
Net book amount	13 005 544	20 779 203
Year ended 31 December		
Opening net book amount	13 005 544	20 779 203
Development costs	113 640	82 310
Reclassification from fixed assets	-	44
Disposals	(35 726)	(50 062)
Reclassified to assets held-for-sale	-	(18 803 549)
Depreciation charge	(479 359)	(946 016)
Depreciation on disposals	15 847	30 489
Reversal of impairment	-	2 649 285
Impairment charge	(391 500)	-
Depreciation on reclassified to assets held-for-sale	-	9 263 835
Rounding difference	-	5
Closing net book amount	12 228 446	13 005 544
At 31 December		
Cost	22 300 206	22 222 292
Accumulated depreciation	(10 071 760)	(9 216 748)
Net book amount	**12 228 446**	**13 005 544**

The Group has signed mortgage agreements with a commercial bank registered in the Republic of Latvia. The subject of the mortgage agreements is all investment property owned by the Group.

Reversal of impairment charge in 2014

Mairis Žērbelis, an appraiser certified by the Latvian Association of Property Appraisers, performed valuation of:

- Investment property held within the office and property development segment (valuation made with reference to 25 November 2014 and 21 November 2014 accordingly)
- Slokas street property being part of retail segment (valuation made with reference to 27 August 2014).

Having analysed the results of the appraisal and impairment loss on investment property recognised in prior periods, the Group's management recognised reversal to impairment loss in amount of EUR 2 331 654.

Further, based on principles laid down in share purchase agreement for determination of fair value of investment property subject to sale, the Group's management determined the fair value of such investment property. Since fair value of such investment property was found to exceed its carrying value, the Group's management recognised reversal to impairment loss recognised in prior years in amount of EUR 317 631.

Reversal of an impairment loss attributable to each individual investment property did not exceed the carrying amount of such investment property that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment charge in 2015

Colliers International Advisors SIA performed valuation of the Group's land carried in the property development segment with reference to 1 December 2015. This exercise resulted in identification of impairment of EUR 391 500 which was recognised in the financial year ended 31 December 2015.

Fair values of investment property

The fair value of the Group's investment property as at 31 December 2015 based on appraisals performed by Colliers International Advisors SIA in November and December 2015 stands at EUR 14.4 million (31.12.2014: EUR 35.9 million, of which EUR 13.7 million pertain to continuing operations).

7 Loans

	31.12.2015 EUR	31.12.2014 EUR
Non-current portion	-	8 860
Current portion	9 125	3 876
	9 125	**12 736**

The loan matures on 31 March 2016. It carries interest of 4% p.a. The loan is secured by the 2nd mortgage on the land of 10.248 hectares in Ķekava parish, Riga district, Latvia. The fair value of the loan approximates to its carrying value.

8 Trade receivables

	31.12.2015 EUR	31.12.2014 EUR
Trade receivables, gross	24 857	12 433
Allowance for credit losses	(8 160)	(3 890)
Trade receivables	**16 697**	**8 543**

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of EUR 5 974 (2014: EUR 3 890) has been recorded accordingly within 'Other operating expenses' (see Note 18). The impaired trade receivables are due from tenants that are experiencing financial difficulties. The movement in the allowance for credit losses can be reconciled as follows:

	2015 EUR	2014 EUR
Balance at start of the year	3 890	19 498
Impairment loss	5 974	3 890
Reclassified to assets held-for-sale	-	(19 498)
Write-off of allowance for credit losses	(1 704)	-
Balance at 31 December	**8 160**	**3 890**

9 Other debtors

	31.12.2015 EUR	31.12.2014 EUR
Financial assets:		
Deferred purchase consideration	400 000	-
Accrued income	43 774	42 193
Other debtors	33 972	4 364
	477 746	46 557
Non-financial assets:		
Deferred expenses	3 251	1 525
Overpaid tax	1 404	1 578
	4 655	3 103
Other debtors, total	**482 401**	**49 660**

10 Cash and cash equivalents

	31.12.2015 EUR	31.12.2014 EUR
Cash at bank	226 757	170 150
Cash on hand	-	-
Cash and cash equivalents as per the balance sheet	**226 757**	**170 150**
Cash and cash equivalents included in assets held-for-sale	-	267 004
Cash and cash equivalents as per the statement of cash flows	**226 757**	**437 154**

11 Share capital

The total authorised number of ordinary shares is 2 844 with a nominal value of EUR 1.00 per share. All authorised shares are issued and fully paid.

12 Borrowings

	31.12.2015 EUR	31.12.2014 EUR
Non-current (at amortised cost)		
Payable after 5 years:		
▪ Non-convertible bonds	644 973	3 923 538
▪ Borrowings from related parties	394 100	1 336 220
	1 039 073	5 259 758
Payable between 1 and 5 years:		
▪ Bank borrowings	4 027 772	-
▪ Non-convertible bonds	229 868	1 238 851
	4 257 640	1 238 851
	5 296 713	**6 498 609**
Current (at amortised cost)		
Bank borrowings	1 597 756	8 864 426
Non-convertible bonds	57 952	314 705
Borrowings from related parties	66 755	96 755
	1 722 463	**9 275 886**
Total borrowings	**7 019 176**	**15 774 495**

The fair values of borrowings

	31.12.2015 EUR	31.12.2014 EUR
Bank borrowings	5 625 528	8 864 426
Non-convertible bonds	335 742	3 996 953
Borrowings from related parties	447 766	1 387 309
	6 409 036	**14 248 688**

The fair value of the:

- bank borrowings approximate their carrying amount, as they bear floating interest rate;
- bonds as at 31 December 2015 were assessed with reference to the price at which transfer of 3 615 bonds was executed during public trading session on 21 December 2015. Bonds as at 31 December 2014 were assessed with reference to the price at which transfer of 140 bonds was executed during public trading session on 30 January 2015;
- other borrowings have been determined by calculating their present value at the reporting date with reference to effective market interest rates available to the Group.

Bank borrowings

As at 31 December 2015 the borrowings were comprised of facilities under the standard loan and credit line. The principal terms and conditions were as follows:

- Interest rate stood at 1m EURIBOR + 2.85%, whereas the floor for variable part of cost cannot be lower than nil;
- Maturity for standard loan was set at February 23, 2018;
- Repayment schedule of standard loans assumes an eighteen year amortization method. Interest and principle are to be serviced on a monthly basis. The outstanding amount of principle and interest are to be settled at maturity;
- Maturity for credit line initially was set on March 20, 2016. In April 2016 it was prolonged until April 12, 2017;
- Initial credit line facility amounted to 2.5 million EUR. As at December 31, 2015 the Group had used facility in amount of 1.4 million EUR. In 2016 credit line facility of 1.4 million was refinanced by standard loan and new limit set at 1.1 million EUR.

Bank borrowings are secured by all assets owned by the Group. The bank has rights to require immediate settlement of the debt if the Group is in breach with the contractual covenants.

Bonds

The bonds originated within roll over of Apex Investments bonds, which were due on 30 April 2009, into Acme Corporation bonds on 30 April 2009. These bonds were listed with NASDAQ OMX Riga on 3 August 2010.

The Company has issued 5 030 bonds. The key terms and conditions for bonds are as follows:

- Nominal (redemption) value per prospectus – EUR 1 202.87
- The maturity - 30 October 2022
- Yield to maturity - 3% p.a.
- Interest is payable once a quarter on 30 July, 30 October, 30 January and 30 April
- Servicing of principal starts on 30 January 2015.

Borrowings from related parties

	2015 EUR	2014 EUR
At start of the period	1 432 975	1 437 773
Origination on assignment of debt	682 117	-
Release via netting	(832 119)	-
Repayment of loans	(843 874)	(44 419)
Accrued interest expense	21 756	40 033
Prepaid interest expense	-	(412)
As at 31 December	**460 855**	**1 432 975**

Short term borrowings carry no interest. Long term borrowings carry interest within the range from 3% - 5% p.a. They mature during the period from August 2026 until May 2030.

13 Deferred income tax liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised below:

	01.01.2015 EUR	Recognised in comprehensive income EUR	31.12.2015 EUR
Investment property and PPE	1 356 998	(27 042)	1 329 956
Investment property (land)	(75 766)	(58 725)	(134 491)
Equity investments of subsidiaries	(5 976)	-	(5 976)
Loans and receivables	(583)	(239)	(822)
Provisions and accrued liabilities	(83)	(61)	(144)
Unused tax losses	(429 782)	69 592	(360 190)
Unrecognized tax assets	149 164	58 665	207 829
	993 972	**42 190**	**1 036 162**
Recognised as:			
Deferred tax asset	-		-
Deferred tax liability	**993 972**		**1 036 162**

Deferred taxes for the comparative period can be summarised as follows:

	01.01.2014 EUR	Recognised in comprehensive income EUR	Disposal group reclassified to held-for-sale EUR	31.12.2014 EUR
Investment property and PPE	1 664 742	(329 094)	21 350	1 356 998
Investment property (land)	(92 763)	(16 997)	33 994	(75 766)
Equity investments of subsidiaries	(14 513)	(8 537)	17 074	(5 976)
Bonds	6 931	-	(6 931)	-
Loans and receivables	(1 187 441)	(477 289)	1 664 147	(583)
Provisions and accrued liabilities	(9 431)	83	9 265	(83)
Unused tax losses	(657 358)	5 245	222 331	(429 782)
Unrecognized tax assets	999 273	514 232	(1 364 341)	149 164
	709 440	(312 357)	596 889	993 972
Recognised as:				
Deferred tax asset	**-**			**-**
Deferred tax liability	**709 440**			**993 972**

Deferred tax is calculated by using the tax rate of 15%. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

As at 31 December 2015 the Group had accumulated tax losses of EUR 2 401 262 (31.12.2014: EUR 3 852 668 of which EUR 2 865 213 related to continuing operations and EUR 987 455 - to discontinued ones). These tax losses can be carried forward without any time limit.

14 Trade and other payables

	31.12.2015 EUR	31.12.2014 EUR
Trade payables	49 161	32 359
Advances received from tenants	109 553	102 884
Accrued expenses	64 431	37 467
Tax liabilities	21 855	19 050
Other payables	128 480	124 439
	373 480	**316 199**

The carrying values of trade and other payables approximate their fair values due to their short term nature. Trade and other payables carry no interest.

15 Revenue

	2015 EUR	2014 EUR
Continuing operations		
Rental income from investment property	1 141 352	1 089 566
Other income	138 716	130 903
	1 280 068	**1 220 469**

Rental income includes income from rent of investment property leased out under operating leases. The future aggregate minimum rentals receivable under operating leases for continuing operations are as follows:

	31.12.2015 EUR	31.12.2014 EUR
Not later than 1 year	1 036 627	1 035 478
Later than 1 year and no later than 5 years	1 793 852	1 055 636
Later than 5 years	308 550	93 510
	3 139 029	**2 184 624**

16 Cost of sales

	2015 EUR	2014 EUR
Continuing operations		
Depreciation and amortization	(486 613)	(316 696)
Property management charges	(52 276)	(51 185)
Real estate tax	(127 834)	(125 178)
Property maintenance and public utilities	(17 920)	(77 481)
Salaries	(13 097)	(10 185)
Compulsory social insurance contributions	(3 089)	(2 403)
Insurance of real estate	(4 481)	(4 201)
Other expenses	(706)	(1 082)
	(706 016)	**(588 411)**

17 Administrative expenses

	2015 EUR	2014 EUR
Continuing operations		
Salaries	(4 070)	-
Compulsory social insurance contributions	(960)	-
Professional fees	(91 438)	(58 316)
Other administrative expenses	(5 062)	(832)
	(101 530)	**(59 148)**

Total fees for the audit of the Group's consolidated financial statements and financial statements of all subsidiaries stand at EUR 36 512. Fees to auditors for other services stand at EUR 18 596 (2014: audit fee – EUR 45 700, other fees – EUR 6 216).

18 Other operating expenses

	2015 EUR	2014 EUR
Continuing operations		
Write-off of investment property's component and fixed assets	(24 532)	(14 496)
Listing fees and expenses	(6 566)	(376)
Impairment loss on trade receivables	(5 974)	(3 890)
Fees in relation to fundraising	(7 697)	(6 970)
Fees and commissions in relation to disposal of subsidiaries	(177 244)	-
Other operating expenses	(14 032)	(35 402)
	(236 045)	**(61 134)**

19 Finance income

	2015 EUR	2014 EUR
Continuing operations		
Gain on elimination of bonds at consolidation	2 762 173	227 501
Interest income on financial assets carried at amortised cost	389	528
	2 762 562	**228 029**

20 Finance costs

	2015 EUR	2014 EUR
Continuing operations		
Interest on borrowings at amortised cost:		
▪ On loans from the bank	(157 343)	(332 154)
▪ On issued bonds	(153 741)	(175 897)
▪ On loans from related parties	(21 756)	(23 163)
	(332 840)	**(531 214)**

21 Income tax relating to continuing operations

	2015 EUR	2014 EUR
Reconciliation of expected and actual tax expense		
Profit before tax	2 259 857	2 525 765
Effective tax rate for the Group	15%	15%
Expected tax (expense)/ income	**(338 979)**	**(378 865)**
Adjustment for non-deductible items	(73 928)	619 234
Transfer pricing adjustment	-	(44 635)
Effect of gain on disposal of subsidiaries	726 554	-
Adjustment for unrecognised deferred tax asset	(80 346)	59 410
Consolidation adjustment	(275 491)	(617 587)
Statutory minimal tax charge	(50)	(50)
Tax expense	**(42 240)**	**(362 493)**
Tax (expense) comprises:		
Current tax expense	(50)	(50 136)
Deferred tax expense	(42 190)	(312 357)
	(42 240)	**(362 493)**

Information on the Group's deferred tax assets and liabilities is provided in Note 13.

22 Related-party transactions

Related parties are defined as the shareholders of the Company, the members of the Board of the Group companies, their close relatives and the companies in which they have a significant influence or control.

The shareholders of the Company Gerald Allen Wirth and David Allen De Rousse each hold 50% of the Company's shares. They have received remuneration from Apex Investments SIA until 31 December 2014 where they were the members of the Board until February 11, 2015. At close of 2015 Gerald Allen Wirth and David Allen De Rousse started receiving remuneration for work in Neatkarīgā patentu aģentūra SIA:

	2015 EUR	2014 EUR
Salary	(4 070)	(164 768)
Compulsory social insurance contributions	(706)	(11 849)
	(4 776)	**(176 617)**

The following transactions were carried out with related parties, pertinent both to continuing and discontinued operations:

Services received and rendered

	2015 EUR	2014 EUR
Services received:		
▪ Property management services	(64 763)	(194 151)
▪ Project management and intermediary services	(17 052)	(35 115)
▪ Other	(423)	(423)
	(82 238)	**(229 689)**

	2015 EUR	2014 EUR
Services rendered:		
▪ Lease of office premises	6 749	6 749
Other		
Interest expense on borrowings	(21 756)	(40 033)
Interest income on loans	389	528

During 2015 purchases of fixed assets from related parties amounted to EUR 40 909. See Note 12 for information about borrowings from related parties.

23 Operating leases as lessee

The future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2015 EUR	31.12.2014 EUR
Within 1 year	-	8 057
1 to 5 years	-	26 485
After 5 years	-	48 356
	-	**82 898**

Operating leases related solely to leases of land used in grocery segment being a discontinued activity (see Note 4). Lease payments recognised as an expense during the reporting period amount to EUR 1 376 (2014: EUR 17 066). No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Group.

24 Segment reporting

Management currently identifies the Group's operating segments with reference to the type of real estate that the Group owns. These operating segments are monitored and strategic decisions are made on the basis of operating results for each property which are reported in the same form as general purpose financial statements. Segment information for the reporting period is as follows:

	Grocery rent EUR	Household rent EUR	Office rent EUR	Property develop-ment EUR	Total EUR
Revenue from external customers	-	88 653	1 191 415	-	1 280 068
Discontinued operations	157 269	25 410	-	-	182 679
Revenue from other segments	-	-	-	-	-
Segment revenues	157 269	114 063	1 191 415	-	1 462 747
Selling expense	(200)	(11 523)	(11 500)	-	(23 223)
Administrative expense	(1 024)	(3 354)	(44 757)	(2 778)	(51 913)
Depreciation and amortisation charges	-	(49 391)	(437 222)	-	(486 613)
Impairment (charge)/ reversal	-	-	-	(391 500)	(391 500)
Credit loss (charge)/ reversal	-	(4 383)	(397 591)	-	(401 974)
Other operating income	-	-	8 180	-	8 180
Other operating expenses	(62 979)	(46 655)	(221 293)	(495)	(331 422)
Segment operating profit	93 066	(1 243)	87 232	(394 773)	(215 718)
Finance income	8 087	2 361	10 859	389	21 696
Finance expense	(50 049)	(26 839)	(291 622)	(25 474)	(393 984)
Profit before tax	**51 104**	**(25 721)**	**(193 531)**	**(419 858)**	**(588 006)**
Segment assets	**-**	**787 158**	**13 416 642**	**129 436**	**14 333 236**

Segment information for 2014 is as follows:

	Grocery rent	Household rent	Office rent	Property develop-ment	Total
	EUR	EUR	EUR	EUR	EUR
Revenue from external customers	67 598	-	1 152 871	-	1 220 469
Discontinued operations	1 794 196	304 918	-	-	2 099 114
Revenue from other segments	-	-	-	-	-
Segment revenues	1 861 794	304 918	1 152 871	-	3 319 583
Selling expense	(36 735)	-	(7 044)	-	(43 779)
Administrative expense	(237 515)	(7 411)	(26 454)	(2 888)	(274 268)
Depreciation and amortisation charges	(732 232)	(139 378)	(279 227)	-	(1 150 837)
Impairment reversal	307 946	-	2 208 643	113 317	2 629 906
Credit loss (charge)/ reversal	(2 574)	-	(3 890)	-	(6 464)
Other operating income	1 705	-	618	8 076	10 399
Other operating expenses	(434 176)	(24 318)	(257 251)	(1 293)	(717 038)
Segment operating profit	728 213	133 811	2 788 266	117 212	3 767 502
Finance income	5 505 457	34 901	658 073	528	6 198 959
Finance expense	(4 590 303)	(64 733)	(625 757)	(34 908)	(5 315 701)
Profit before tax	**1 643 367**	**103 979**	**2 820 582**	**82 832**	**4 650 760**
Segment assets	**9 411 178**	**2 121 019**	**12 633 453**	**522 323**	**24 687 973**

EUR 796 538 or 62% of the Group's continuing revenues (2014: EUR 768 628 or 63% of the Group's revenues) were contributed by the Group's 5 largest customers. No other single customer contributed 10% or more to the Group's revenue in 2015 and 2014.

Geographically the Group's activities are performed solely in Latvia. The Group's revenue by type of service is disclosed within the Note 15.

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in its financial statements as follows:

	2015	2014
	EUR	EUR
Revenues		
Revenue from external customers, continuing operations	1 280 068	1 220 469
Revenue from external customers, discontinued operations	182 679	2 099 114
Group revenues	1 462 747	3 319 583
Profit or loss		
Segment profit before tax	(588 006)	4 650 760
Reversal of credit loss incurred within the Group	-	(5 505 700)
Credit loss incurred within the Group	396 000	-
Gain/ (loss) on bonds	2 762 173	(104 718)
Loss on sale of equity investments within the Group	-	3 764 500
Gain on disposal of subsidiaries	12 969 161	-
Effect of reclassification of investment property as held for sale	-	214 995
Operating expenses of the Company	(233 494)	(28 923)
Finance items of the Company	(153 931)	(189 656)
Finance items within the Group	144 027	247 461
Group profit before tax for continuing and discontinued operations	15 295 930	3 048 719

	31.12.2015 EUR	31.12.2014 EUR
Assets		
Total segment assets	14 333 236	24 687 973
Total intercompany loans and receivables	(125 122)	(1 376 634)
Elimination of intercompany bonds	(1 615 406)	(120 036)
Effect on reclassification of assets to held-for-sale	-	214 994
Non-intercompany assets of holding company	565 605	19 631
Group assets	13 158 313	23 425 928

25 Events after the balance sheet date

In addition to disclosed within Note 12, on 14 January 2016 the Company entered into agreement with related company H.B.I. SIA for acquisition of shares of Muižas parks SIA for total purchase consideration of EUR 90 000.

26 Average number of personnel

The average number of staff at the Group during the year was 1 (2014: 3).

27 Contingencies

The tax authorities may at any time inspect the books and records within 3 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to potentially material liability in this respect.

28 Authorisation of financial statements

The consolidated financial statements for the financial year ended 31 December 2015 were approved by the board of directors on 28 April 2016.

David Allen DeRousse	Gerald Allen Wirth
Member of the Board	Chairman of the Board

CORPORATE GOVERNANCE REPORT

INTRODUCTION

SIA Acme Corporation (hereinafter Acme) Corporate Governance Report of the year 2015 (hereinafter – the Report) is prepared on the basis of requirements of the article 56^2, paragraph three, clause one of the Financial Instruments Market Act and NASDAQ OMX Riga "Corporate governance principles and recommendation on their implementation" issued in 2010. The Report is made by Acme Board.

Corporate governance principles were adjusted to Acme as much as possible and Acme complied with the biggest part of them, carrying out its operational activities, in 2015. The Report informs also according to the principle "observe or explain" on those principles, which Acme observed partially or did not observe in 2015, and on the circumstances that justified it.

The Report is submitted to NASDAQ OMX Riga as part of Acme audited consolidated financial statements for 2015.

On behalf of SIA Acme Corporation management

David Allen DeRousse	Gerald Allen Wirth
Member of the Board	Chairman of the Board

28 April 2016

PRINCIPLES OF GOOD CORPORATE GOVERNANCE

A. SHAREHOLDERS' MEETING

Shareholders realize their right to participate in the management of the Issuer at shareholders' meetings. In compliance with legal acts the Issuers shall call the annual shareholders' meeting as a minimum once a year. Extraordinary shareholders' meetings shall be called as required.

1. Ensuring shareholders' rights and participation at shareholders' meetings

The Issuers shall ensure equal attitude towards all the shareholders – holders of one category of shares. All shareholders shall have equal rights to participate in the management of the Issuer – to participate at shareholders' meetings and receive information that shareholders need in order to make decisions.
1.1. It shall be important to ensure that all the holders of shares of one category have also equal rights, including the right to receive a share of the Issuer's profit as dividends or in another way in proportion to the number of the shares owned by them if such right is stipulated for the shares owned by them.

Acme applies this principle.

1.2. The Issuer shall prepare a policy for the division of profit. In the preparation of the policy, it is recommended to take into account not only the provision of immediate benefit for the Issuer's shareholders by paying dividends to them but also the expediency of profit reinvesting, which would increase the value of the Issuer in future. It is recommended to discuss the policy of profit division at a shareholders' meeting thus ensuring that as possibly larger a number of shareholders have the possibility to acquaint themselves with it and to express their opinion on it. The Report shall specify where the Issuer's profit distribution policy is made available.

Acme applies this principle according to articles of association.

1.3. In order to protect the Issuer's shareholders' interest to a sufficient extent, not only the Issuers but also any other persons who in compliance with the procedure stipulated in legislative acts call, announce and organize a shareholders' meeting are asked to comply with all the issues referred to in these Recommendations in relation to calling shareholders' meetings and provision of shareholders with the required information.

Acme applies this principle. Up to now the Shareholders' Meetings have been called by the Board of Acme in compliance with the law and Acme`s Statutes.

1.4. Shareholders of the Issuers shall be provided with the possibility to receive in due time and regularly all the required information on the relevant Issuer, participate at meetings and vote on agenda issues. The Issuers shall carry out all the possible activities to achieve that as many as possible shareholders participate at meetings; therefore, the time and place of a meeting should not restrict the attendance of a meeting by shareholders. Therefore, it should not be admissible to change the time and place of an announced shareholders' meeting shortly before the meeting, which thus would hinder or even make it impossible for shareholders to attend the meeting.

Acme applies this principle. Acme is a closely held private company. Its current shareholders are engaged in daily running of the business. There have not been any of the mentioned obstacles for participation at the Shareholders' Meeting.

1.5. The Issuers shall inform their shareholders on calling a shareholders' meeting by publishing a notice in compliance with the procedure and the time limits set forth in legislative acts. The Issuers are asked to announce the shareholders' meeting as soon as the decision on calling the shareholders' meeting has been taken; in particular, this condition applies to extraordinary shareholders' meetings. The information on calling a shareholders' meeting shall be published also on the Issuer's website on the Internet, where it should be published also at least in one foreign language. It is recommended to use the English language as the said other language so that the website could be used also by foreign investors. When publishing information on calling a shareholders' meeting, also the initiator of calling the meeting shall be specified.

Acme does not apply this principle. Acme is closely held by two individuals who are engaged in daily management of Acme.

1.6. The Issuer shall ensure that compete information on the course and time of the meeting, the voting on decisions to be adopted, as well as the agenda and draft decisions on which it is planned to vote at the meeting is available in due time to the shareholders. The Issuers shall also inform the shareholders whom they can address to receive answers to any questions on the arrangements for the shareholders' meeting and the agenda issues and ensure that the required additional information is provided to the shareholders.

Acme applies this principle.

1.7. The Issuer shall ensure that at least 14 (fourteen) days prior to the meeting the shareholders have the possibility to acquaint themselves with the draft decisions on the issues to be dealt with at the meeting, including those that have been submitted additionally already after the announcement on calling the meeting. The Issuer shall ensure the possibility to read a complete text of draft decisions, especially if they apply to voting on amendments to the Issuer’s statutes, election of the Issuer’s officials, determination of their remuneration, division of the Issuer’s profit and other issues.

Acme applies this principle.

1.8. In no way may the Issuers restrict the right of shareholders to nominate representatives of the shareholders for council elections. The candidates to the council and candidates to other offices shall be nominated in due time so that the information on the said persons would be available to the shareholders to the extent as stipulated in Clause 1.9 of this Section as minimum 14 (fourteen) days prior to the shareholders' meeting.

Acme applies this principle.

1.9. Especially, attention should be paid that the shareholders at least 14 (fourteen) days prior to the shareholders' meeting have the possibility to acquaint themselves with information on council member candidates and audit committee member candidates whose approval is planned at the meeting. When disclosing the said information, also a short personal biography of the candidates shall be published.

Acme applies this principle in accordance with the laws and regulations of the Republic of Latvia.

1.10. The Issuer may not restrict the right of shareholders to consult among them during a shareholders' meeting if it is required in order to adopt a decision or to make clear some issue.

Acme applies this principle.

1.11. To provide shareholders with complete information on the course of the shareholders' meeting, the Issuer shall prepare the regulations on the course of shareholders' meeting, in which the agenda of shareholders' meeting and the procedure for solving any organizational issues connected with the shareholders' meeting (e.g., registration of meeting participants, the procedure for the adoption of decisions on the issues to be dealt with at the meeting, the Issuer’s actions in case any of the issues on the agenda is not dealt with, if it is impossible to adopt a decision etc.). The procedures adopted by the Issuer in relation to participation in voting shall be easy to implement.

Acme applies this principle.

1.12. The Issuer shall ensure that during the shareholders' meeting the shareholders have the possibility to ask questions to the candidates to be elected at the shareholders' meeting and other attending representatives of the Issuer. The Issuer shall have the right to set reasonable restrictions on questions, for example, excluding the possibility that one shareholder uses up the total time provided for asking of questions and setting a time limit of speeches.

Acme applies this principle.

1.13. Since, if a long break of meeting is set, the right of shareholders to dispose of freely with their shares is hindered for an undetermined time period, it shall not be recommended to announce a break during a shareholders' meeting. The conditions upon which it is possible to announce a break shall be stipulated also in the regulations on the course of meeting. A break of meeting may be a lunch break, a short break (up to 30 minutes) etc.

Acme applies this principle.

1.14. When entering the course and contents of discussions on the agenda issues to be dealt with at the shareholders' meeting in the minutes of shareholders' meeting, the chairperson of the meeting shall ensure that, in case any meeting participant requires it, particular debates are reflected in the minutes or that shareholder proposal or questions are appended thereto in written form.

Acme applies this principle.

2. Participation of members and member candidates of the Issuer's management institutions at shareholders' meetings Shareholders' meetings shall be attended by the Issuer's board members, auditors, and as possibly many council members.

2.1. The attendance of members of the Issuer's management institutions and auditor at shareholders' meetings shall be necessary to ensure information exchange between the Issuer's shareholders and members of management institutions as well as to fulfil the right of shareholders to receive answers from competent persons to the questions submitted. The attendance of the auditor shall not be mandatory at shareholders' meetings at which issues connected with the finances of the Issuer are not dealt with. By using the right to ask questions shareholders have the possibility to obtain information on the circumstances that might affect the evaluation of the financial report and the financial situation of the Issuer.

Acme applies this principle partially. Given that Acme is a closely held company whose owners are engaged in managing the company's daily operations, the Auditor normally does not attend shareholders' meetings unless specifically invited.

2.2. Shareholders' meetings shall be attended by the Issuer's official candidates whose election is planned at the meeting. This shall in particular apply to council members. If a council member candidate or auditor candidate is unable to attend the shareholders' meeting due to an important reason, then it shall be admissible that this person does not attend the shareholders' meeting. In this case, all the substantial information on the candidate shall be disclosed before the shareholders' meeting.

Acme applies this principle.

2.3. During shareholders' meetings, the participants must have the possibility to obtain information on officials or official candidates who do not attend the meeting and reasons thereof. The reason of non-attendance should be entered in the minutes of shareholders' meeting.

Acme applies this principle.

B. BOARD
The board is the Issuer's executive institution, which manages and represents the Issuer in its everyday business, therefore the Issuer shall ensure that it is efficient, able to take decisions, and committed to increase the value of the company, therefore its obligations and responsibilities have to be clearly determined.

3. Obligations and responsibilities of the Board. The Issuers shall clearly and expressively determine the obligations and authorities of the board and responsibilities of its members, thus ensuring a successful work of the board and an increase in the Issuer's value.

3.1. The board shall have the obligation to manage the business of the Issuer, which includes also the responsibility for the realization of the objectives and strategies determined by the Issuer and the responsibility for the results achieved. The board shall be responsible for the said to the council and the shareholders' meeting. In fulfilment of its obligations, the board shall adopt decisions guided by interests of all the shareholders and preventing any potential conflict of interests.

Acme applies this principle.

3.2. The powers of the board shall be stipulated in the Board Regulations or a similar document, which is to be published on the website of the Issuer on the Internet. This document must be also available at the registered office of the Issuer.

The power of the board is stipulated by the articles of association and applicable legislation. Acme has not published on the website or elsewhere on the Internet the powers of the board.

3.3. The board shall be responsible also for the compliance with all the binding regulatory acts, risk management, as well as the financial activity of the Issuer.
3.4. The board shall perform certain tasks, including:
1) corporate strategies, work plan, risk control procedure, assessment and advancement of annual budget and business plans, ensuring control on the fulfilment of plans and the achievement of planned results;
2) selection of senior managers of the Issuer, determination of their remuneration and control of their work and their replacement, if necessary, in compliance with internal procedures (e.g. personnel policy adopted by the Issuer, remuneration policy etc.);
3) timely and qualitative submission of reports, ensuring also that the internal audits are carried out and the disclosure of information is controlled.
3.5. In annual reports, the board shall confirm that the internal risk procedures are efficient and that the risk management and internal control have been carried out in compliance with the said control procedures throughout the year.
3.6. It shall be preferable that the board submits decisions that determine the objectives and strategies for achievement thereof (participation in other companies, acquisition or alienation of property, opening of representation offices or branches, expansion of business etc.) to the Issuer's council for approval.

Acme applies these principles.

4. Board composition and requirements for board members
A board composition approved by the Issuer shall be able to ensure sufficiently critical and independent attitude in assessing and taking decisions.

4.1. In composing the board, it shall be observed that every board member has appropriate education and work experience. The Issuer shall prepare a summary of the requirements to be set for every board member, which specifies the skills, education, previous work experience and other selection criteria for every board member.

Acme applies this principle.

4.2. On the Issuer's website on the Internet, the following information on every Issuer's board member shall be published: name, surname, year of birth, education, office term, position, description of the last three year's professional experience, number of the Issuer's or its parent companies/subsidiaries shares owned by the member, information on positions in other capital companies.

Acme does not apply this principle directly. However, information about the Company's board members is available at the website of a related company.

4.3. In order to fulfil their obligations successfully, board members must have access in due time to accurate information on the activity of the Issuer. The board must be capable of providing an objective evaluation on the activity of the Issuer. Board members must have enough time for the performance of their duties.

Acme applies this principle.

4.4. It is not recommended to elect one and the same board member for more than four successive terms. The Issuer has to evaluate whether its development will be facilitated in the result of that and whether it will be possible to avoid a situation where greater power is concentrated in hands of one or a number of separate persons due to their long-term work at the Issuer. If, however, such election is admitted, it shall be recommended to consider to change the field of work of the relevant Board member at the Issuer.

Acme is a closely held whose shareholders are engaged in daily running of the business.

5. Identification of interest conflicts in the work of board members
Every board member shall avoid any interest conflicts in his/her work and be maximally independent from any external circumstances and willing to assume responsibility for the decisions taken and comply with the general ethical principles in adopting any decisions connected with the business of the Issuer.

5.1. It shall be the obligation of every board member to avoid any, even only supposed, interest conflicts in his/her work. In taking decisions, board members shall be guided by the interests of the Issuer and not use the cooperation offers proposed to the Issuer to obtain personal benefit.
5.2. On the occurrence of any interest conflict or even only on its possibility, a board member shall notify other board members without delay. Board members shall notify on any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the board member in question, as well as inform on any interest conflicts occurred during the validity period of concluded agreements. For the purposes of these Recommendations the following shall be regarded as persons who have close relationship with a board member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the board member has had a common household for at least one year. For the purposes of these recommendations the following shall be regarded as persons who are connected with a board member: legal persons where the board member or a closely related to him/her person is a board or council member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.
5.3. Board members should not participate in taking decisions that could cause an interest conflict.

Acme applies these principles.

C. COUNCIL
In compliance with legal acts a council is the institution that supervises the Issuer and represents interests of shareholders between meetings in cases stipulated in the law and in the statutes of the Issuer, supervises the work of the board.

6. Obligations and responsibilities of the council
The objective of the Issuer's council is to act in the interests of all the shareholders, ensuring that the value of the Issuer grows. The Issuer shall clearly determine the obligations of the council and the responsibility of the council members, as well as ensure that individual council members or groups thereof do not have a dominating role in decision making.

6.1. The functions of the council shall be set forth in the council regulation or a document equated thereto that regulates the work of the council, and it shall be published on the Issuer's website on the Internet. This document shall be also available at the Issuer's office.
6.2. The supervision carried out by the council over the work of the board shall include supervision over the achievement of the objectives set by the Issuer, the corporate strategy and risk management, the process of financial accounting, board's proposals on the use of the profit of the Issuer, and the business performance of the Issuer in compliance with the requirements of regulatory acts. The council should discuss every of the said matters and express its opinion at least annually, complying with frequency of calling council meetings as laid down in regulatory acts, and the results of discussions shall be reflected in the minutes of the council's meetings.
6.3. The council and every its member shall be responsible that they have all the information required for them to fulfil their duties, obtaining it from board members and internal auditors or, if necessary, from employees of the Issuer or external consultants. To ensure information exchange, the council chairperson shall contact the Issuer's board, inter alia the board chairperson, on a regular basis and discuss all the most important issues connected with the Issuer's business and development strategy, business activities, and risk management.
6.4. When determining the functions of the council, it should be stipulated that every council member has the obligation to provide explanations in case the council member is unable to participate in council meetings. It shall be recommended to disclose information on the council members who have not attended more than a half of the council meetings within a year of reporting, providing also the reasons for non-attendance.

Acme does not apply above principles. Acme has no council do to the small size of the company.

7. Council composition and requirements for council members
The council structure determined by the Issuer shall be transparent and understandable and ensure sufficiently critical and independent attitude in evaluating and taking decisions.

7.1. The Issuer shall require every council member as well as council member candidate who is planned to be elected at a shareholders' meeting that they submit to the Issuer the following information: name, surname, year of birth, education, office term as a council member, description of the last three year's professional experience, number of the Issuer's or its parent companies/subsidiaries shares owned by the member, information on positions in other capital companies. The said information shall be published also on the Issuer's website on the Internet, providing, in addition to the said information, also the term of office for which the council member is elected, its position, including also additional positions and obligations, if any.
7.2. When determining the requirements for council members as regards the number of additional positions, attention shall be paid that a council member has enough time to perform his or her duties in order to fulfil their duties successfully and act in the interests of the Issuer to a full extent.
7.3. In establishing the Issuer's council, the qualification of council members should be taken into account and assessed on a periodical basis. The council should be composed of individuals whose knowledge, opinions and experience is varied, which is required for the council to fulfil their tasks successfully.
7.4. Every council member in his or her work shall be as possibly independent from any external circumstances and have the will to assume responsibility for the decisions taken and comply with the general ethical principles when taking decisions in relation to the business of the Issuer.
7.5. It is impossible to compile a list of all the circumstances that might threaten the independence of council members or that could be used in assessing the conformity of a certain person to the status of an independent council member. Therefore, the Issuer, when assessing the independence of council members, shall be guided by the independence criteria of council members specified in the Annex hereto.
7.6. It shall be recommended that at least a half of council members are independent according to the independence criteria specified in the Annex hereto. If the number of council members is an odd number, the number of independent council members may be one person less than the number of the council members who do not conform to the independence criteria specified in the Annex hereto.
7.7. As independent shall be considered persons that conform to the independence criteria specified in the Annex hereto. If a council member does not conform to any of to the independence criteria specified in the Annex hereto but the Issuer does consider the council member in question to be independent, then it shall provide an explanation of its opinion in detail on the tolerances permitted.
7.8. The conformity of a person to the independence criteria specified in the Annex hereto shall be evaluated already when the council member candidate in question has been nominated for election to the council. The Issuer shall specify in the Report who of the council members are to be considered as independent every year.

Acme does not apply above principles. Acme has no council do to the small size of the company.

8. Identification of interest conflicts in the work of council members
Every council member shall avoid any interest conflicts in his/her work and be maximally independent from any external circumstances. Council members shall comply with the general ethical principles in adopting any decisions connected with the business of the Issuer and assume responsibility for the decisions taken.
8.1. It shall be the obligation of every council member to avoid any, even only supposed, interest conflicts in his/her work. When taking decisions, board members shall be guided by the interests of the Issuer and not use the cooperation offers proposed to the Issuer to obtain personal benefit.
8.2. On the occurrence of any interest conflict or even only on its possibility, a council member shall notify other council members without delay. Council members shall notify on any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the council member in question, as well as inform on any interest conflicts occurred during the validity period of concluded agreements. For the purposes of these recommendations the following shall be regarded as persons who have close relationship with a council member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the council member has had a common household for at least one year. For the purposes of these

recommendations the following shall be regarded as persons who are connected with a council member: legal persons where the council member or a closely related to him/her person is a board or council member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.
8.3. A council member who is in a possible interest conflict should not participate in taking decisions that might be a cause of an interest conflict.

Acme does not apply above principles. Acme has no council do to the small size of the company.

D. DISCLOSURE OF INFORMATION
Good practice of corporate governance for an Issuer whose shares are included in the market regulated by the Stock Exchange means that the information disclosed by the Issuer has to provide a view on the economic activity of the Issuer and its financial results. This facilitates a justified determination of the price of financial instruments in public circulation as well as the trust in finance and capital markets. Disclosure of information is closely connected with investor relations (hereinafter – the IR), which can be defined as the process of developing Issuer's relations with its potential and existing investors and other parties interested in the business of the Issuer.

9. Transparency of the Issuer's business
The information disclosed by the Issuers shall be provided in due time and allowing the shareholders to assess the management of the Issuer, to get an idea on the business of the company and its financial results, as well as to take grounded decisions in relation to the shares owned by them.

9.1. The structure of corporate governance shall be established in a manner that ensures provision of timely and exhaustive information on all the substantial matters that concern the Issuer, including its financial situation, business results, and the structure of owners.
9.2. The information disclosed shall be checked, precise, unambiguous and prepared in compliance with high-quality standards.

Acme applies these principles.

9.3. The Issuers should appoint a person who would be entitled to contact the press and other mass media on behalf on the Issuer, thus ensuring uniform distribution of information and evading publication of contradictory and untruthful information, and this person could be contacted, if necessary, by the Stock Exchange and investors.

Acme applies this principle. The contact person is indicated at the web site of NASDAQ OMX Riga.

9.4. The Issuers should ensure timely and compliant with the existing requirements preparation and disclosure of financial reports and annual reports of the Issuer. The procedure for the preparation of reports should be stipulated in the internal procedures of the Issuer.

Acme applies this principle.

10. Investor relations
Considering that financial instruments of the Issuers are offered on a regulated market, also such activity sphere of the Issuers as investor relations (hereinafter – the IR) and the development and maintaining thereof is equally important, paying special attention to that all the investors have access to equal, timely and sufficient information.

10.1. The main objectives of the IR are the provision of accurate and timely information on the business of the Issuer to participants of finance market, as well as the provision of a feedback, i.e. receiving references from the existing and potential investors and other persons. In the realization of the IR process, it shall be born in mind that the target group consists not only of institutional investors and finance market analysts. A greater emphasis should be put on individual investors, and more importance should be attached to informing other interested parties: employees, creditors and business partners.
10.2. The Issuer shall provide all investors with equal and easily accessible important information related to the Issuer's business, including financial position, ownership structure and management.

The Issuer shall present the information in a clear and understandable manner, disclosing both positive and negative facts, thus providing the investors with a complete and comprehensive information on the Issuer, allowing the investor to assess all information available before the decision making.
10.3. A number of channels shall be used for the information flow in the IR. The IR strategy of the Issuer shall be created using both the possibilities provided by technologies (website) and relations with mass media and the ties with the participants of finance market. Considering the development stage of modern technologies and the accessibility thereof, the Internet is used in the IR of every modern company. This type of media has become one of the most important means of communications for the majority of investors.

Acme applies these principles.

10.4. The basic principles that should be observed by the Issuers in preparing the IR section of their websites:
1) the IR section of website shall be perceived not only as a store of information or facts but also as one of the primary means of communication by means of which it is possible to inform the existing and potential shareholders;
2) all the visitors of the IR section of website shall have the possibility to obtain conveniently all the information published there. Information on websites shall be published in all the foreign languages in which the Issuer normally distributes information so that in no way would foreign investors be discriminated, however, it shall be taken into account that information must be disclosed at least in Latvian and English;
3) It shall be recommended to consider a solution that would allow the existing and potential investors to maintain ties with the Issuer by using the IR section of website – submit questions and receive answers thereto, order the most recent information, express their opinions etc.;
4) the information published on websites shall be updated on a regular basis, and the news in relation to the Issuer and its business shall be published in due time. It shall not be admissible that outdated information that could mislead investors is found on websites;
5) after the website is created the creators themselves should assess the IR section of the website from the point of view of users – whether the information of interest can be found easily, whether the information published provides answers to the most important questions etc.

Acme does not apply this principle. Acme does not maintain a website separate to NASDAQ OMX Riga.

10.5. The Issuer shall ensure that at least the following information is contained in the IR section of website:
1) general information on the Issuer - history of its establishment and business, registration data, description of industry, main types of business;
2) Issuer's Report ("*comply or explain*") on the compliance with the principles of corporate governance;
3) Number of issued and paid financial instruments, specifying how many of them are included in a regulated market;
4) information on shareholders' meetings, draft decisions to be examined, decisions adopted – at least for the last year of report;
5) Issuer's statutes;
6) Issuer's board or council regulation or a document equated thereto that regulates its work, as well as the Issuer's remuneration policy (or a reference where it is made available) and the shareholders' meeting procedure regulation, if such has been adopted;
7) Information on the performance of the Issuer's Audit Committee;
8) information on present Issuer's council and board members (on each individually): work experience, education, number of the Issuer's shares owned by the member (as at the beginning of year; the information shall be updated as required but at least annually), information on positions in other capital companies, and the term of office of board and council members;
9) Issuer's shareholders which/who own at least 5% of the Issuer's shares; and information on changes of shareholders;
10) Financial reports and annual reports of the Issuer prepared in compliance with the procedure specified in legal acts and the Stock Exchange regulations;
11) Any other information to be disclosed by the Issuer, e.g. information on any substantial events, Issuer's press releases, archived information on Issuer's financial and annual reports on previous periods etc.

Acme does not yet apply this principle.

E. INTERNAL CONTROL AND RISKMANAGEMENT
The purpose of internal control and risk management is to ensure efficient and successful work of the Issuer, the truthfulness of the information disclosed and conformity thereof to the relevant regulatory acts and business principles. Internal control helps the board to identify the shortcomings and risks in the management of the Issuer as well as facilitates that the council's task - to supervise the work of the board - is fulfilled efficiently.
11. Principles of the Issuer's internal and external control
To ensure successful work of the Issuer, it shall be necessary to plan regular its controls and to determine the procedure of internal and external (audit) control.

11.1. To ensure successful operation, the Issuer shall control its work on a regular basis and define the procedure of internal control.

Acme applies this principle.

11.2. The objective of risk management is to ensure that the risks connected with the commercial activity of the Issuer are identified and supervised. To ensure an efficient risk management, it shall be necessary to define the basic principles of risk management. It is recommended to characterize the most essential potential and existing risks in relation to the business of the Issuer.

Acme applies this principle.

11.3. Auditors shall be granted access to the information required for the fulfilment of the auditor's tasks and the possibility to attend council and board meetings at which financial and other matters are dealt with.

Acme applies this principle.

11.4. Auditors shall be independent in their work and their task shall be to provide the Issuer with independent and objective auditing and consultation services in order to facilitate the efficiency of the Issuer's business and to provide support in achieving the objectives set for the Issuer's management by offering a systematic approach for the assessment and improvement of risk management and control processes.

Acme applies this principle.

11.5. It shall be recommended to carry out an independent internal control at least annually in order to assess the work of the Issuer, including its conformity to the procedures approved by the Issuer.

Acme applies this principle.

11.6. When approving an auditor, it is recommended that the term of office of one auditor is not the same as the term of office of the board.

Acme applies this principle.

12. Audit Committee
The Audit Committee shall be established by a resolution of the Issuer's shareholders' meeting, and its operations and scope of responsibilities shall be set as guided by the legislation.

12.1. The functions and responsibility of the Audit Committee should be specified in the regulation of the committee or a comparable document.

Acme applies this principle.

12.2. To assure an efficient functioning of the Audit Committee, it is recommended that at least three of its members have adequate knowledge in accounting and financial reporting, because issues related to the Issuer's financial reports and control are in the focus of the Audit Committee's operations.

Acme partially applies this principle. Acme's audit committee consists of three members, namely: Cameron Greaves, Aiga Hercoga and Alona Romanova. Mr. Greaves, Chairman of the audit committee has all mentioned knowledge.

12.3. All Audit Committee members shall have access to the information about the accounting principles practiced by the Issuer. Board shall advise the audit Committee as to the approaches to significant and unusual transactions, where alternative evaluations are possible, and shall ensure that the Audit Committee has access to all information that has been specified in the legislation.

Acme applies this principle.

12.4. The Issuer shall ensure that its officials, board members and staff release the information to the Audit Committee that is necessary for its operations. The Audit Committee should also be entitled to carry out an independent investigation in order to identify, within its scope, any violations in the Issuer' activities.

Acme applies this principle.

12.5. Within its scope, the Audit Committee shall adopt resolutions, and is accountable to the shareholders' meeting for its operations.

Acme applies this principle.

F. REMUNERATION POLICY
13. General principles, types and criteria for setting remuneration
The policy of the remuneration of board and council members – type, structure and amount of remuneration - is one of the spheres where persons involved has a potentially greater risk to find themselves in a conflict of interest situation. To avoid it, the Issuer shall develop a clear remuneration policy, specifying general principles, types and criteria for the remuneration to be awarded to the board or council members.

13.1. The Issuers are called on to develop a remuneration policy in which the main principles for setting the remuneration, possible remuneration schemes and other essential related issues are determined. While preparing the remuneration policy Issuer should ensure that the remuneration of management and supervisory board members is proportionate to the remuneration of the Issuer's executive and managing directors and other employees.

Acme complies with this principle.

13.2. Without limiting the role and operations of the Issuer's management bodies responsible for setting remuneration to the board and council members, the drafting of the remuneration policy should be made a responsibility of the Issuer's board, which during the preparation of a draft policy should consult with the Issuer's council. In order to avoid conflicts of interest and to monitor the management board remuneration policy, the Issuer should appoint a responsible person having sufficient experience and knowledge in the field of remuneration for development of the remuneration policy.

Acme complies with this principle. Acme's remuneration policy during the listing of the bond was determined in the prospectus in point 6.5 "Prohibitive Actions" that Shareholder salaries shall not exceed EUR 120,000 per annum per person (two salaries maximum), all taxes included.

13.3. Should the remuneration policy contain a remuneration structure with a variable part in the form of the Issuer's shares or share options or any other payments, including premiums, it should be linked to previously defined short-term and long-term goals and performance criteria. If remuneration depends on fulfilment of short-term goals only, it is not likely to encourage an interest in the company's growth and improved performance in the long-term. The scope and structure of the remuneration should depend on the business performance of the company, share price and other Issuer's events.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.4. While setting the variable part of remuneration, Issuer should set limits on the variable component(s). The non-variable part of remuneration should be sufficient to allow the Issuer to withhold variable part of remuneration when necessary.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.5. Where a variable part of remuneration provides Issuer's shares, share options or any other acquisition rights thereof, it should be desirable to prescribe a minimum non-used period of time.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.6. Remuneration policy should include provisions that permit the Issuer to reclaim variable part of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated. Such provision should be included in contracts concluded between the respective executives and the Issuer.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.7. Remuneration schemes that include Issuer's shares as remuneration may theoretically cause loss to the Issuer's existing shareholders because the share price might drop due to a new issue of shares. Therefore, prior to the preparation and approval of this type of remuneration, it shall be required to assess the possible benefits or losses.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.8. When preparing the remuneration policy where a variable part is in the form of the Issuer's shares or share options, the Issuer shall be obliged to disclose information on how the Issuer plans to ensure the amount of shares to be granted in compliance with the approved remuneration schemes– whether it is planned to obtain them by buying on a regulated market or by issuing new shares.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.9. While drafting the remuneration policy and envisaging awarding options entitling to the Issuer's shares, the Stock Exchange rules regarding distribution of share options should be taken into account.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.10. While setting remuneration principles with regard to board and council members, they should include general approach as to compensations, if any, in cases when contracts with the said officials are terminated (termination payments). Termination payments should not be paid if the termination is due to inadequate performance.

Acme complies with this principle. It is Acme policy that inadequate employees are terminated in their first year of employment. All current employees are adequate for their position and full fill their roles. Errors in judgement are not considered as inadequate performance.

13.11. It is recommended to set an adequate maximum amount of the termination payments which should not be higher than two years of the non-variable part of remuneration.

Acme takes into consideration the recommendation; however termination payments to management are based on employment contracts which have been fully disclosed in the notes to the financial statements.

14. Remuneration Report
A clear and complete report on the remuneration policy with regard to the management body members of the Issuer should be made available to the shareholders. Public disclosure of the said information would allow the existing and potential shareholders to carry out a comprehensive evaluation of the Issuer's approach the remuneration issues; consequently, the Issuer's responsible body shall draft and made public the Remuneration Report.

14.1. The Issuer is obliged to make public the Remuneration Report – a complete report on the remuneration policy applied to the members of the Issuer's management bodies. Remuneration Report may be a separate document, or may be integrated in a special chapter of the Report prepared by the Issuer as recommended by Item 9 of the Introduction of the present Recommendations. The Remuneration Report should be posted on the Issuers website.
14.2. Remuneration Report should contain at least the following information:
1) Information as to the application of the remuneration policy to board and council members in the previous financial year, specifying the material changes to the Issuer's remuneration policy compared to the previous reporting period;
2) The proportion between the fixed and variable part of the remuneration for the respective category of officials;
3) Sufficient information as to linking the remuneration with performance. To consider the information sufficient, the report should contain:
- An explanation how the choice of performance criteria contributes to the long term interest of the Issuer;
- An explanation of the methods applied in order to determine whether performance criteria have been fulfilled;

4) Information about the Issuer's policy with regard to the contracts with the members of the Issuer's management bodies, the terms and conditions of the contracts (duration, notice deadlines about termination, including payments due in case of termination);
5) Information about the incentive schemes and the specifications and reasons for awarding any other benefits;
6) A description of any pension or early retirement schemes;
7) An overview of the remuneration paid to or any benefits received by each individual that has been board or council member in the reporting period – disclosing at least the information required in Items 14.5, 14.5 and 14.7 below.
14.3. To avoid overlapping of information, the Issuer, while preparing its Remuneration Report, may omit the information required in Items 14.2 1) to 7) above, provided it is a part of the Issuer's Remuneration Policy document. In such case, Remuneration Report should have a reference to the Remuneration Policy, together with an indication where it is made available.
14.4. If the Issuer believes that, as a result of following the provisions of Item 14.2 of these Recommendations sensitive business information might become public to the detriment of the Issuer's strategic position, the Issuer may not disclose such information and give the reasons.
14.5. The following remuneration and other benefits related information about each board and council member should be disclosed:
1) Total amount paid or outstanding (salary) for the year;
2) Remuneration and other benefits received from any company associated with the Issuer. For the understanding of this Item, "associated undertaking" is a company according to the definition in Paragraph 1 of the Law on the Financial Instruments Market;
3) Remuneration paid as profit distribution or bonus, and the reasons for awarding such remuneration;
4) Compensation for fulfilment of duties in addition to the regular job responsibilities;
5) Compensations and any other payments received by or to be received by board or council member who has left the position during the accounting period;

6) Total value of any other benefits apart from those listed under Items 1) to 5) received as remuneration.
14.6. The following information should be disclosed with regard to the shares and/or share options or any other incentive schemes resulting in ownership of the Issuer's shares:
1) the number and holding conditions of shares or share options entitling to the Issuer's shares granted over the reporting period to the members of Issuer's management bodies;
2) The number of options exercised during the reporting period, entitling to the Issuer's shares, specifying the price and the number of shares obtained, or the unit value held by the member of the Issuer's management board in a share-related incentive scheme as at the end of the reporting year;
3) The number of non-exercised options entitling to the Issuer's shares as at the end of the reporting year, the share price in the contract, expiry date and the key rules for exercising the option;
4) Information changes, if any, introduced during the reporting period with regard to the provisions of the contracts on options entitling to the Issuer's shares (such as changes in the option exercising rules, change of expiry date etc.).
14.7. The following information should be disclosed with regard to savings or contributions to pension schemes of private pension funds:
1) the amount of contributions made by the Issuer, to the benefit of individuals, to a pension scheme or schemes, and the rules for disbursement of the pension capital;
2) the participation rules, including termination of participation, to the respective pension scheme, applicable the concrete individual.
14.8. Remuneration schemes involving awarding with the Issuer's shares, share options or any other tools resulting in ownership of the Issuer's shares shall be approved by the annual general meeting of shareholders. Shareholders' meeting, while resolving on approval of the remuneration scheme, need not resolve on its application to concrete individuals.

Acme has partially implemented these principles, having disclosed in the notes to the financial statements compensation to the company's owners (simultaneously members of the Board) Mr. David DeRousse and Mr. Gerald Wirth. None of these shareholders exercise any specific rights of control.