JOINT STOCK COMPANY "BRIVAIS VILNIS"

(UNIFIED REGISTRATION NUMBER 40003056186)

ANNUAL REPORT FOR 2013

(the 22nd financial year)

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

AND WITH INDEPENDENT AUDITORS` REPORT

Salacgriva, 2014

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General information

Name of the company	JSC “Brivais vilnis”
Legal status	Joint Stock Company
Common registration number, place and date of registration	40003056186, Riga, February 7, 1992
Legal address	1 Ostas Street, Salacgriva, Salacgriva region, LV-4033, Latvia
Largest shareholders	“Brivais Vilnis Company” Ltd. (49,97 %) Registration No. 40103202073 (1 Ostas Street, Salacgriva, Salacgriva region, LV-4033, Latvia) “A Corporation” Ltd. (47.04 %) Registration No. 40003799285 (8 Riga Alley, Adazi, Adazi region, LV-2164, Latvia)
Members of the Board	Arnolds Babris, Chairman of the Board Māris Trankalis, Member of the Board Zinaida Ekmane, Member of the Board Vasilijs Iļušins, Member of the Board
Members of the Council	I+lona Drikina, Chairman of the Council (until May 20, 2013 - Deputy of Chairman of the Council) Anda Caune, Deputy of Chairman of the Council (until May 20, 2013 - Member of the Council) Ilmārs Reinis, Member of the Council (from May 20, 2013) Kaspars Vārpiņš, Member of the Council (from May 20, 2013) Vera Korčaka, Member of the Council (until May 20, 2013)
Financial year	1st January – 31st December, 2013
Auditors	Māris Bergmanis Certified Auditor Certificate No.67 “ABrevīzija” Ltd. Licence of Commercial Company No.122 45/47 Elizabetes Street, Riga, LV-1010, Latvia

Management Report

April 29, 2014

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

Year 2013 was the 22nd year of operation since the Company was transformed into a Joint Stock Company.

In 2013 the JSC „Brivais vilnis” obtained a number of new equipment for production of canned fish products.
We are a leader in product quality, we do not use genetically modified raw materials and synthetic food additives in the production.
In 2013 we started production of canned fish products with plastic lids. In 2014 we will produce canned fish in multilayer plastic cans, any other producer of canned fish has such type of product. Canned fish in plastic can is more tasty, well seen visually, as well as the plastic can is cheaper than a metal can.

In 2013 the Company produced a total of 24.3 million cans of various types (140) of canned fish products, including 11.7 million cans of sprat. 24.8 million cans were sold for LVL 9.9 million. Gross profit in 2013 is LVL 1,3 million.

The financial result of the year 2013 is profit of LVL 437 100. This profit is from economic activities of the Company.

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

The Company`s goal is to continue work on real decrease of production expenses, introduction of new types of packaging and adoption of new markets in 2014.

The JSC “Brivais vilnis”, despite the short-term product sales difficulties, related to the events in Ukraine (the business segment of the Company in Ukraine was about ten percent), continues to work and realize production to other CIS regions.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

Profit or loss statement

	Notes	2013 LVL	2012 LVL
Net turnover	3	9 908 240	9 771 651
Cost of sales	4	(8 624 472)	(8 459 488)
Gross profit		**1 283 768**	**1 312 163**
Distribution costs	5	(146 327)	(130 800)
Administrative expenses	6	(582 936)	(552 508)
Other operating income	7	206 336	613 248
Other operating expenses	8	(103 541)	(445 862)
Interest receivable and similar income	9	27 788	21 545
Interest payable and similar expenses	10	(154 527)	(226 631)
Profit before taxes		**530 561**	**591 155**
Corporate income tax for the reporting year	11	(73 572)	(42 535)
Deferred corporate income tax	11	(6 016)	605
Other taxes	12	(13 873)	(14 309)
Profit of the reporting year		**437 100**	**534 916**
Earning per share		**0,141**	**0,173**

The accompanying notes on pages 10 to 22 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

April 29, 2014

Balance Sheet

ASSETS

	Notes	31.12.2013 LVL	31.12.2012 LVL
NON-CURRENT ASSETS			
Intangible assets			
Concessions, patents, licences, trademarks and similar expenses		3 680	7 658
TOTAL	15	**3 680**	**7 658**
Fixed assets			
Land, buildings and constructions		2 454 593	2 497 596
Equipment and machinery		221 631	17 262
Other fixed assets and inventory		95 276	67 526
Advance payments for fixed assets		63 919	52 267
TOTAL	16	**2 835 419**	**2 634 651**
TOTAL NON-CURRENT ASSETS		**2 839 099**	**2 642 309**
CURRENT ASSETS			
Stock			
Raw materials		456 339	656 451
Finished goods and goods for sale		359 926	530 700
TOTAL	17	**816 265**	**1 096 151**
Receivables			
Trade receivables	18	1 953 370	1 431 816
Other receivables	19	143 021	164 201
Prepaid expenses	20	4 405	8 059
TOTAL		**2 100 796**	**1 604 076**
Cash		193 817	91 047
TOTAL CURRENT ASSETS		**3 110 878**	**2 791 274**
Total assets		**5 949 977**	**5 433 583**

The accompanying notes on pages 10 to 22 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

April 29, 2014

Balance Sheet

LIABILITIES

	Notes	31.12.2013 LVL	31.12.2012 LVL
EQUITY			
Share capital	21	3 099 450	3 099 450
Non-current assets revaluation reserve		1 519 074	1 540 619
Reserves:			
Retained earnings:			
retained earnings of previous years / (outstanding losses)		(2 318 077)	(2 852 993)
retained earnings of reporting year		437 100	534 916
TOTAL EQUITY		**2 737 547**	**2 321 992**
PROVISIONS			
Provisions for vacations	22	91 844	76 948
TOTAL PROVISIONS		**91 844**	**76 948**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	23	1 203 867	1 367 769
Other loans	24	173 197	22 582
Deferred tax liabilities		71 136	65 121
TOTAL		**1 448 200**	**1 455 472**
Current liabilities			
Loans from credit institutions	23	355 578	379 514
Other loans	24	154 222	191 081
Customer advances		214 436	247 233
Accounts payable to suppliers and contractors		645 730	533 518
Taxes and social insurance contributions	25	126 326	114 081
Other liabilities	26	171 294	108 944
Accrued liabilities		4 800	4 800
TOTAL		**1 672 386**	**1 579 171**
TOTAL LIABILITIES		**3 120 586**	**3 034 643**
Total equity and liabilities		**5 949 977**	**5 433 583**

The accompanying notes on pages 10 to 22 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

April 29, 2014

Cash flow statement

	2013 LVL	2012 LVL
Cash flow from operating activities		
Profit or loss for the reporting period before extraordinary items and taxes	530 561	591 155
Adjustments:		
Depreciation of fixed assets	85 126	80 177
Intangible value write-offs	7 599	5 960
Interest expenses	129 001	157 415
Increase / (decrease) in provisions	14 896	15 484
(Profit) / losses from exchange rate fluctuations	(1 010)	821
Loss (profit) on sale / write-off of fixed assets	(124)	-
Non-current assets revaluation reserve write-off	(21 545)	(21 545)
Operating profit before working capital changes	**744 504**	**829 467**
Decrease / (increase) of stock	279 886	(267 567)
Decrease / (increase) in receivables	(496 720)	329 503
Increase / (decrease) in payables	167 079	(194 731)
Cash from operating activities	**694 749**	**696 672**
Interest paid	(131 440)	(159 072)
Corporate income tax paid	(61 029)	(8 516)
Real estate tax costs	(13 873)	(14 309)
Net cash from operating activities	**488 407**	**514 775**
Cash flow of investment changes		
Purchase of fixed and intangible assets	(37 844)	(61 663)
Proceeds from sales of fixed and intangible assets	124	2 000
Net cash flow of investment changes	**(37 720)**	**(59 663)**
Cash flow from financing activities		
Loans received	200 299	35 140
Loans repaid	(533 977)	(432 869)
Lease payments	(14 239)	(10 605)
Net cash from financing activities	**(347 917)**	**(408 334)**
Increase / (decrease) of cash and cash equivalents	**102 770**	**46 778**
Cash and cash equivalents at the beginning of the period	**91 047**	**44 269**
Cash and cash equivalents at the end of the period	**193 817**	**91 047**

The accompanying notes on pages 10 to 22 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board
April 29, 2014

Statement of Changes in Equity

	Share capital	Long term investment revaluation reserve	Retained earnings (losses) of previous years	Retained earnings (losses) of the reporting year	**Total**
As at 31st December 2011	**3 099 450**	**1 562 164**	**(3 025 349)**	**172 356**	**1 808 621**
Revaluation reserve write-off	-	(21 545)	-	-	**(21 545)**
Reclassification of profit	-	-	172 356	(172 356)	**-**
Profit of the reporting year	-	-	-	534 916	**534 916**
As at 31st December 2012	**3 099 450**	**1 540 619**	**(2 852 993)**	**534 916**	**2 321 992**
Revaluation reserve write-off	-	(21 545)	-	-	**(21 545)**
Reclassification of profit	-	-	534 916	(534 916)	**-**
Profit of the reporting year	-	-	-	437 100	**437 100**
As at 31st December 2013	**3 099 450**	**1 519 074**	**(2 318 077)**	**437 100**	**2 737 547**

The accompanying notes on pages 10 to 22 form an integral part of these financial statements.

On behalf of the Board:

Arnolds Babris
Chairman of the Board

April 29, 2014

Appendix to the financial statements

1. General information of the Company

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

2. Accounting and evaluation methods – general accounting principles

Basis of preparation

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

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

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

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

Financial statements cover the period from 1st January to 31st December, 2013.

Use of estimates

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

Foreign exchange transactions

Functional and in financial statement used currency of the company is monetary unit of the Republic of Latvia Lats (LVL). All dealings in foreign currencies are revaluated in Lats by applying the official exchange rate of the Bank of Latvia at the date of performance of respective deal. Monetary assets and liabilities denominated in foreign currencies are converted to Latvian Lats by applying the official exchange rate prevailing at the last date of the reporting year. Differences in exchange rates resulting from payments in currencies or disclosure of assets and liabilities denominated in foreign currencies at rates other than the initial transaction accounting rates are recognised in the profit and loss statement at net value.

Exchange rates set by the Bank of Latvia are the following:

	31.12.2013	31.12.2012
	LVL	LVL
1 EUR	0,702804	0,702804
1 USD	0,515000	0,531000

Intangible assets

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

Fixed assets

Fixed assets are initially carried at cost. Further land and buildings that fair value can be measured with reasonable certainty, after initial recognition accounts at revaluated amount that is equal to its fair value at the date of revaluation, less accumulated

depreciation and impairment losses. Land is not depreciated. Other fixed assets after initial recognition accounts at cost, less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

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

Investments in subsidiaries and associated companies

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

Stock

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

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

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

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

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

Trade and other accounts receivable

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

Cash and cash equivalents

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

Loans and borrowings

Loans and borrowings are initially carried at cost.

Contingent liabilities and assets

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

Provisions

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

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

Revenue recognition

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

Sale of goods

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

Services

Revenue is recognized based on the stage of completion.

Earnings per share

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

Corporate income tax

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

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

Deferred tax liabilities are disclosed under long term liabilities.

Subsequent events

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

3. Net turnover

Business segment	2013	2012
Fish processing	9 908 240	9 771 651
TOTAL:	**9 908 240**	**9 771 651**

Inter alia:

	2013	2012
Sold canned fish	9 855 009	9 737 829
Sold fish	53 231	33 822

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

4. Cost of goods sold

	2013	2012
Materials	5 905 063	5 970 510
Personnel costs	1 982 889	1 821 698
Energy resources	364 885	352 050
Depreciation of fixed assets	64 968	54 439
Other costs of goods sold	306 667	260 791
TOTAL:	**8 624 472**	**8 459 488**

5. Selling expenses

	2013	2012
Delivery costs and marketing	81 703	72 441
Personnel costs	37 978	38 395
Depreciation of fixed assets	156	70
Other selling expenses	26 490	19 894
TOTAL:	**146 327**	**130 800**

6. Administrative expenses

	2013	2012
Personnel costs	248 305	239 754
Depreciation of fixed and intangible assets	27 294	26 779
Bank services	6 042	6 609
Other external expenses	164 109	191 760
Other administrative expenses	107 322	61 950
Gifts, social assistance	29 864	25 656
TOTAL:	**582 936**	**552 508**

7. Other operating income

	2013	2012
Income from sales of fixed assets, net	100	-
Income from doubtful debts provision reduction	-	297 167
Income from public utilities services	73 929	83 006
Income from sales of current assets, net	2 447	50 394
Income from auxiliary production services	44 052	64 378
Rent income	8 020	8 574
Unclaimed liabilities	-	7 243
Other operating income	77 788	102 486
	206 336	**613 248**

8. Other operating expenses

	2013	2012
Cost of public utilities services	63 711	70 339
Current assets sales cost	-	284 447
Cost of selling materials	-	53 872
Cost of auxiliary production services	33 003	33 973
Written-off receivables	1 005	-
Penalties	4 016	2 989
Other expenses	1 806	2 242
TOTAL:	**103 541**	**445 862**

9. Interest and similar income

	2013	2012
Income from exchange rate fluctuations	3 134	-
Income from loan rates	3 109	-
Income from fixed assets revaluation	21 545	21 545
TOTAL:	**27 788**	**21 545**

10. Interest and similar expenses

	2013	2012
Interest payments on loans	129 001	157 415
Losses from exchange conversation	25 526	68 396
Losses from exchange rate fluctuations	-	820
TOTAL:	**154 527**	**226 631**

11. Corporate income tax

	2013	2012
Current corporate income tax change for the reporting year	73 572	42 535
Deferred corporate income tax resulting from changes in temporary differences	6 016	(605)
TOTAL:	**79 588**	**41 930**

12. Other taxes

	2013	2012
Real estate tax	13 873	14 309
TOTAL:	**13 873**	**14 309**

13. Audit expenses

	2013	2012
Audit of the annual report	4 800	4 800
TOTAL:	**4 800**	**4 800**

14. Personnel costs and number of employees

	2013	2012
Wages and salaries	1 828 650	1 677 785
Compulsory social insurance contributions	440 522	404 178
Other benefits to former employees, excluding pensions	2 566	2 400
Provisions for unused vacations	14 897	15 484
TOTAL:	**2 286 635**	**2 099 847**

Key management personnel compensation

	2013	2012
Chairman of the Board		
Wage and salary	10 368	10 116
Compulsory social insurance contributions	2 498	2 437
TOTAL:	**12 867**	**12 553**

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

	2013	2012
Average number of employees during the reporting year	**414**	**404**

15. Intangible assets

	Software licences, trademarks	TOTAL
Cost at January 1, 2013	28 824	28 824
Purchased	3 621	3 621
Written-off	(617)	(617)
Cost at December 31, 2013	31 828	31 828
Accrued amortization at January 1, 2013	21 166	21 166
Amortization	7 599	7 599
Written-off	(617)	(617)
Accrued amortization at December 31, 2013	28 148	28 148
Balance at January 1, 2013	**7 658**	**7 658**
Balance at December 31, 2013	**3 680**	**3 680**

16. Fixed assets

	Land	Buildings and constructions	Equipment and machinery	Other fixed assets	Advance payments for fixed assets	TOTAL
Cost at January 1, 2013	95 885	2 706 345	920 578	517 058	52 267	4 292 133
Purchased	-	-	217 948	56 294	11 652	285 894
Liquidation	-	-	(449)	(19 365)	-	(19 814)
Cost at December 31, 2013	95 885	2 706 345	1 138 077	553 987	63 919	4 558 213
Accumulated depreciation at January 1, 2013	-	304 634	903 316	449 532	-	1 657 482
Depreciation	-	43 003	13 579	28 544	-	85 126
Depreciation of written-off fixed assets	-	-	(449)	(19 365)	-	(19 814)
Accumulated depreciation at December 31, 2013	-	347 637	916 446	458 711	-	1 722 794
Balance at January 1, 2013	**95 885**	**2 401 711**	**17 262**	**67 526**	**52 267**	**2 634 651**
Balance at December 31, 2013	**95 885**	**2 358 708**	**221 631**	**95 276**	**63 919**	**2 835 419**

Cadastral value of the Company's real estate

	31.12.2013	31.12.2012
Land	83 010	60 146
Buildings and constructions	1 202 528	888 960
TOTAL:	**1 285 538**	**949 106**

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

Fully depreciated tangible assets

A number of fixed assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the reporting year was LVL 1 374 291 (2012: LVL 1 310 744).

Net carrying amount of assets under finance lease

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

	31.12.2013	31.12.2012
Equipment	169 046	-
Other fixed assets	98 853	48 772
TOTAL:	**267 899**	**48 772**

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

Depreciation

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

	2013	2012
Cost of goods sold	64 968	54 439
Selling expenses	156	70
Administrative expenses	27 294	26 779
TOTAL:	**92 418**	**81 288**

17. Stock

	31.12.2013	31.12.2012
Raw materials (cost)	466 329	575 441
Provisions for slow moving materials and low value articles	(9 990)	(9 990)
TOTAL:	**456 339**	**565 451**

	31.12.2013	31.12.2012
Finished goods and goods for sale	361 957	532 731
Provisions for goods with sales value lower than cost	(2 031)	(2 031)
TOTAL:	**359 926**	**530 700**

18. Trade accounts receivables

	31.12.2013	31.12.2012
Trade receivables	1 953 370	1 431 816
Doubtful trade receivables	2 945 034	2 900 133
*Reserves for bad debts *)*	(2 945 034)	(2 900 133)
TOTAL:	**1 953 370**	**1 431 816**

*) By decision of the Board in 2008 are created reserves for the big export partners "Highgrove Financial Service" Ltd., "Grant Trading LC", "Cardigan Commerce LLC" and "Forewood Group LLC" for the total amount of LVL 2 889 815. Account receivable is formed in years 2003 and 2004 and retrieval of them is doubtful.

19. Other receivables

	31.12.2013	31.12.2012
Prepayments – *doubtful receivables *)*	815 176	815 176
Provisions for doubtful debts	(815 176)	(815 176)
Value added tax reserve	1 487	2 474
Overpaid value added tax	54 045	126 214
Advance amounts issued to board members for operating expenses	327	960
Other receivables	87 162	34 553
TOTAL:	**143 021**	**164 201**

*) By decision of the Board in 2008 are created reserves for an advance payment to the *"Walder Impex LLC"* amounting to LVL 815 176. Account receivable is formed in year 2004 and retrieval of it is doubtful.

20. Prepaid expenses

	31.12.2013	31.12.2012
Property insurance	-	585
Media subscription	631	782
Other prepaid expenses	3 774	2 728
Leased heating repair	-	3 964
TOTAL:	**4 405**	**8 059**

21. The share capital

The share capital of the Company is LVL 3 099 450, divided into 3 099 450 shares. The nominal value of each share is LVL 1.

Shareholders	31.12.2013		31.12.2012	
	Number of shares	Holding	Number of shares	Holding
"Brīvais Vilnis Company" Ltd.	1 548 878	49.97%	1 548 878	49.97%
"A Corporation" Ltd.	1 458 003	47.04%	1 267 020	40.88%
"Easy Open" Ltd.	-	-	31 885	1.03%
Sanita Kūliņa, an individual	-	-	60 202	1.94%
Other individuals	92 569	2.99%	191 465	6.18%
TOTAL:	**3 099 450**	**100%**	**3 099 450**	**100%**

22. Provisions for vacations

	31.12.2013	31.12.2012
Provisions at the beginning of year	76 948	61 464
Provision changes during the reporting year	14 896	15 484
Provisions at the end of year	**91 844**	**76 948**

23. Loans from credit institutions

Long term:			*Current interest rate (%)*	*Repayment date*	31.12.2013	31.12.2012
Loan from the JSC "Baltic International Bank" [1] – part repayable after 2-4 years from the balance sheet date	1 712 948	EUR	7.0%	13.12.2017	1 203 867	1 367 769
				TOTAL:	**1 203 867**	**1 367 769**

Short term:			*Current interest rate (%)*	*Repayment date*	31.12.2013	31.12.2012
Loan from the JSC "Baltic International Bank", short term part [1]	505 942	EUR	7.0%	31.12.2014	355 578	379 514
				TOTAL:	**355 578**	**379 514**

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

24. Other loans

Long term:			*Interest rate during the reporting year*	*Repayment date*	31.12.2013	31.12.2012
Finance lease liabilities (long term part):						
"Citadele līzings un faktorings" Ltd.	6 946	EUR	3.5% + 6m. LIBOR	15.06.2016	4 882	7 931
"Nordea Finance Latvia" Ltd.	7 195	EUR	6.18%	01.03.2016	5 057	8 831
"Nordea Finance Latvia" Ltd.	2 829	EUR	4.92%	01.06.2015	1 988	5 820
"Citadele līzings un faktorings" Ltd.	66 209	EUR	3.8% + 6m. LIBOR	15.12.2018	46 532	-
"Citadele līzings un faktorings" Ltd.	143 110	EUR	3.8% + 6m. LIBOR	15.10.2018	100 578	-
"Citadele līzings un faktorings" Ltd.	20 148	EUR	3.8% + 6m. LIBOR	15.01.2018	14 160	-
				TOTAL:	**173 197**	**22 582**

Short term:			*Interest rate during the reporting year*	*Repayment date*	31.12.2013	31.12.2012
Loan from the JSC "Belokon Holdings"	145 840	LVL	8.0%	31.12.2013	-	145 840
Loan from the JSC "Belokon Holdings"	63 145	USD	-	31.12.2014	32 520	33 530
Interest for loans					-	2 439

Finance lease liabilities (short term part):

"Citadele līzings un faktorings" Ltd.	3 970	EUR	3.5% + 6m. LIBOR	31.12.2013	2 790	2 685
"Nordea Finance Latvia" Ltd.	5 411	EUR	4.92%	31.12.2013	3 803	3 326
"Nordea Finance Latvia" Ltd.	5 435	EUR	6.18%	31.12.2013	3 820	3 261
"Citadele līzings un faktorings" Ltd.	56 625	EUR	3.8% + 6m. LIBOR	15.12.2018	39 796	-
"Citadele līzings un faktorings" Ltd.	96 114	EUR	3.8% + 6m. LIBOR	15.10.2018	67 549	-
"Citadele līzings un faktorings" Ltd.	5 610	EUR	3.8% + 6m. LIBOR	15.01.2018	3 944	-
				TOTAL:	**154 222**	**191 081**

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

25. Taxes payable

	Corporate income tax	Value added tax	Resident income tax	Compulsory social insurance contributions	Business risk state duty	Natural resource tax	Real estate tax	**TOTAL**
Overpayment on December 31, 2012	**-**	**(126 214)**	**-**	**-**	**-**	**-**	**-**	**(126 214)**
Commitment to December 31, 2012	**15 783**	**-**	**29 540**	**64 538**	**3**	**4 217**	**-**	**114 081**
Calculated	76 789*	(1 129 246)	312 266	660 770	1 241	16 365	13 873	**(47 942)**
Paid	(61 029)	-	(245 627)	(233 224)	(1 140)	(16 452)	(13 873)	**(571 345)**
Penalty	204	-	114	2 053	-	-	-	**2 371**
Directed (from VAT)	(2 501)	500 085	(66 201)	(431 381)	(2)	-	-	**-**
Recovered	-	701 330	-	-	-	-	-	**701 330**
Overpayment on December 31, 2013	**-**	**(54 045)**	**-**	**-**	**-**	**-**	**-**	**(54 045)**
Commitment to December 31, 2013	**29 246**	**-**	**30 092**	**62 756**	**102**	**4 130**	**-**	**126 326**

*) Calculated corporate income tax for 2013 is LVL 73 572. Additionally calculated tax for previous years LVL 2 244. Detained tax from payments to non-residents LVL 973.

26. Other liabilities

	31.12.2013	31.12.2012
Wages and salaries	116 733	104 817
Warranties	51 766	-
Other liabilities	2 795	4 127
TOTAL:	**171 294**	**108 944**

27. Pledges and other encumbrances

The loan from the JSC "Baltic International Bank" is secured by the following Company's real estate - management building (carrying amount as at December 31, 2013 after repricing LVL 203 520), equipment and machinery (carrying amount at December 31, 2013 after repricing LVL 221 631), real estate, cadastre 6615-509-0030, section No.334; real estate, cadastre 6615-509-0052, section No.283; real estate, cadastre 6615-001-0038, section No.301, land, cadastre 6615-009-0054 and commercial pledge, registration No.100152733 (see Note 23).

The following agreements have been signed with respect to the security for the loan from the JSC "Baltic International Bank":

1) Mortgage agreement No.622/0108/h signed on August 28, 2000, according to that the JSC "Brivais vilnis" transfers to the bank pledge rights on its real estate.
2) Pledge agreement No.622/0108/ķ1 signed on August 1, 2000, according to that the JSC "Brivais vilnis" transfers to the bank the rights to collective property as at the date of pledge, as well as to the future components of this collective property.
3) Mortgage agreement No.25/24/04-139 signed on July 21, 2004, according to that the JSC "Brivais vilnis" transfers to the bank real estate in Salacgriva, Limbazu region, at Ostas iela 1, cadastre No 6615-509-0030, section No 334; cadastre No 6615-509-0052, section No 283.
4) Pledge agreement No.02/27/04-139 signed on August 20, 2004 and Agreement on renewal of pledge agreement signed on November 17, 2009, according to that the "Brivais Vilnis Company" Ltd. transfers to the bank the rights to its property belonging – 929 878 public issue of JSC "Brivais vilnis" shares.
5) Pledge agreement No.18/15/08-405 signed on December 4, 2008, according to that the "Brivais Vilnis Company" Ltd. guarantee for a loan transferred all its property as community of things for the pledging moment and future components for community of things.
6) Pledge agreement No.18/15/10-139 signed on September 10, 2010, according to that the "A Corporation" Ltd. pledges to the benefit of the JSC "Baltic International Bank" its 1 267 020 public issue shares of the JSC "Brivais vilnis".
7) Pledge agreement No.10/12/13-404 signed on March 5, 2013, according to that the "Baltic Finance & Capital" Ltd. pledges to the benefit of the bank its 300 shares (100%) of the "Brivais Vilnis Company" Ltd.

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

28. Operations with related persons

In 2013 the Company had transactions with related party "Brivais Vilnis Company" Ltd.

1) "Brivais Vilnis Company" Ltd. owns 1 548 878 (49.97%) shares of the JSC "Brivais vilnis".
2) In 2013 the JSC "Brivais vilnis" granted a loan EUR 76 560 to the "Brivais Vilnis Company " Ltd. that was cede to the company "MARINIR" LP.

Payables of related party shown in the balance at the end of the year of account:

	31.12.2013	31.12.2012
JSC "Brivais vilnis" – debt for services of "Brivais Vilnis Company" Ltd.	305	23
TOTAL:	**305**	**23**

Operations in the year of account with related persons:

	2013	2012
Granted loan to "Brivais Vilnis Company" Ltd.	53 807	-
"Brivais Vilnis Company" Ltd. loan cession to "MARINIR" LP	(53 807)	-
Rent of premises to "Brivais Vilnis Company" Ltd.	240	317
Loan interest from "Brivais Vilnis Company" Ltd.	3 119	-

Regulations and terms applicable in operations with related persons

Goods and services are sold to related persons and obtained from related persons for normal market price. Outstanding debts at the end of the year are not assured in any shape and payments are performed by money. The Company hasn’t created any reserves for precarious debts related with amounts that related persons are in debts to it in 2013.

29. Prosecution of operation

The Company’s management is not aware of guarantees issued, legal actions, etc., to affect the Company’s financial position as at December 31, 2013. The Company’s assets are not pledged or otherwise encumbered than is presented in the annual report (see in Note 27).

30. Subsequent events

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

SIA ABrevīzija

ZVĒRINĀTU REVIDENTU KOMERCSABIEDRĪBA

LICENCE Nr. 122

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AS „BRĪVAIS VILNIS''
(translation from Latvian)

Report on the Financial Statements

We have audited the accompanying financial statements of AS „BRĪVAIS VILNIS'' set out on pages 5 to 22 of the accompanying annual report, which comprise the balance sheet as of 31 December 2013 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of AS „BRĪVAIS VILNIS'' as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2013 set out on page 4 of the accompanying annual report for 2013 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2013.

SIA ABrevizija
Licence No. 122

Maris Bergmanis
Member of the Board
Certified auditor of Latvia
Certificate No. 67
Riga, 29 April 2014.

Elizabetes 45/47 - 508. kab.
Rīga LV-1010, Latvija
Tālr.: 67321157. Fakss: 67331513
www.abrevizija.lv

Report on board’s responsibility

April 29, 2014

The management of the JSC “Brivais vilnis” is responsible for preparation of financial statement of the Company. Financial statements are prepared on basis of accounting entries and source documents and give a real conception about financial position of the Company on December 31, 2013.

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

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

On behalf of the Board:

Arnolds Babris
Chairman of the Board