

LIMITED LIABILITY COMPANY
HANZAS ELEKTRONIKA
UNIFIED REGISTRATION NUMBER 40003454390

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

(15th financial year)

Prepared in accordance with Latvian statutory requirements
Together with independent auditors' report

Riga, 2015



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INDEPENDENT AUDITORS' REPORT

To the shareholder of SIA Hanzas Elektronika

Report on the financial statements

We have audited the accompanying financial statements of SIA Hanzas Elektronika (the "Company"), set out on pages 6 through 30 of the accompanying 2014 Annual Report, which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Basis for qualified opinion

As disclosed in Note 9 to the Financial Statements as of 31 December 2014 investment in related entities was EUR 2,500 thousand (31.12.2013 – EUR 5,067 thousand). In year 2014 there were recognized impairment of investment in related entities of EUR 2,065 thousand. We were unable to determine whether adjustment might have been necessary in respect of the investment balance as of 31 December 2013 and in respect of profit for the year 2013 reported in the income statement and the net cash flows from operating activities reported in the cash flow statement. Auditors' report issued on 25 April 2014 on the financial statements by predecessor auditor for the year ended 31 December 2013 was qualified in respect of this matter. Our auditors' report on the current period's financial statements is also modified because of the possible effect of this matter on the comparative information and in respect of profit for the year 2014 reported in the income statement and the net cash flows from operating activities reported in the cash flow statement.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the first paragraph under the Basis for qualified opinion, the financial statements give a true and fair view of the financial position of SIA Hanzas Elektronika as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2014 (set out on page 5 of the accompanying 2014 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2014.

SIA Ernst & Young Baltic
Licence No. 17


Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Rīga, 28 May 2015

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General information

Name of the company	Hanzas Elektronika
Legal status of the company	Limited liability company
Unified registration number, place and date of registration	40003454390 Riga, 30 July 1999
Registration with the Commercial Register	Riga, 27 December 2002
Registered office	Akmeņu iela 72, Ogre, Latvia, LV-5001
Shareholders, until 25 August 2014	Baltic SME Fund C.V. (37.5%) Reg. No 1.175.409 Heregracht 469 1017 BS Amsterdam, the Netherlands AB Hornell Teknikinvest (25%) Reg. No 556545-7008 Bernhard Erikssons vag. 1B, SE-791 32 Falun, Sweden SIA Macro Rīga (25%) Reg. No 40003362005 Lielpriedes 19, Piņķi, Babīte pagasts, Latvia, LV-2107 AB Proditron Sweden (12.5%) Reg. No 556594-1647 Box 345, SE-781 24 Borlänge, Sweden
Shareholders, from 25 August 2014	SIA Macro Rīga (100%) Reg. No 40003362005 Lielpriedes 19, Piņķi, Babīte pagasts, Latvia, LV-2107
Board Members	Ilmārs Osmanis (Chairman of the Board) Alvis Vagulis (Board Member) Vineta Grecka (Board Member)
Council Members, until 25 August 2014	Ake Hornell (Council Member) Dagnis Dreimanis (Council Member) Rūdolfs Osmanis (Council Member)
Subsidiaries	SIA Ventspils Elektronikas Fabrika (equity interest: 100%) Reg. No 40003779058 Ventspils Augsto tehnoloģiju parks 1, Ventspils, Latvia, LV-3602 SIA HM Holding (equity interest: 100%) Reg. No 40103775264 Akmeņu iela 72, Ogre, Latvia, LV-5001 SIA Mārupes Elektronikas Tehnoloģijas (equity interest: 100%) Reg. No 40103814400 Akmeņu iela 72, Ogre, Latvia, LV-5001
Auditors	SIA Ernst & Young Baltic Licence No 17 Muitas iela 1A, Riga Latvia, LV – 1010 Diāna Krišjāne Latvian Certified Auditor, Certificate No 124

Management report

27 April 2015

The core business activity of SIA Hanzas Elektronika (hereinafter – the Company) comprises the turnkey manufacturing of electronic systems and their components, including printed circuit board assemblies (PCBA). The manufacturing process employs knowledge-intensive technologies: surface mount, soldering in a nitrogen atmosphere, furnace, selective and wave soldering, conformal coating and encapsulation, as well as the programming, adjustment, mechanical installation, final testing and packing of devices. Manufacturing is carried out as a service, only based on customer orders. Products are assembled and supplied to local and foreign manufacturers of end products and customers.

The year 2014 was the fifteenth year of the Company's operations. Net turnover for the year reached EUR 10 737 157, which exceeds the result of 2013 by 3.3%. For the reporting year, the Company incurred a loss of EUR 1 935 997, including operating profit of EUR 631 515, which is by 8.8% less than in the previous year, and had an extraordinary write-off, i.e., impairment of an investment amounting to EUR 2 567 512.

The Company intends to cover the loss from the extraordinary write-off from future profits.

During 2014, the Company continued working to set up a product development division and expand its market share, which eventually bore fruit, i.e., three long-term orders placed by new customers at the end of 2014.

In 2014, the loan portfolio was restructured, which included bond extinguishment and refinancing as medium-term loans with Citadele banka.

In 2014, the shareholder SIA Macro Rīga acquired the equity interest owned by the other shareholders in the Company.

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as at 31 December 2014, and the results of its operations and cash flows for the year then ended.

In order to carve the Company's core assets out of historic investments in the upcoming periods, in 2015 the 100% equity interest in SIA HM Holding was sold to the sole shareholder SIA Macro Rīga for EUR 2 500 000.

As of the last day of the reporting year until the date of signing these financial statements there have been no other significant events which could produce a considerable impact on the annual result.

The annual report was approved by the general shareholders' meeting on 28th April 2015.



Ilmārs Osmanis
Chairman of the Board

Income statement

	Notes	2014 EUR	2013 EUR
Net turnover	3	10 737 157	10 389 821
Cost of sales	4	(8 624 001)	(8 475 653)
Gross profit		2 113 156	1 914 168
Distribution costs	5	(361 345)	(332 748)
Administrative expense	6	(769 566)	(715 728)
Other operating income	7	-	15 791
Other interest receivable and similar income	8	104 192	123 510
Write-offs of the value of non-current financial assets	9	(2 567 512)	-
Interest payable and similar expense	10	(345 069)	(206 339)
(Loss)/ profit before tax		(1 826 144)	798 654
Current and deferred corporate income tax	11	(104 667)	(101 303)
Real estate tax	36	(5 186)	(5 186)
Net (loss)/ profit for the year		(1 935 997)	692 165

The accompanying notes form an integral part of these financial statements.



Ilmārs Osmanis
 Chairman of the Board

Balance sheet

ASSETS	Notes	31/12/2014 EUR	31/12/2013 EUR
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets		170 777	138 853
Total intangible assets	14	170 777	138 853
Property, plant and equipment			
Land and buildings		3 119 315	3 268 256
Equipment and machinery		1 819 327	2 123 974
Other fixtures and fittings, tools and equipment		147 362	124 222
Construction in progress		17 187	10 072
Total property, plant and equipment	15	5 103 191	5 526 524
Non-current financial assets			
Investments in related and other companies	16	2 962 502	442 502
Other investments	17	-	5 064 712
Other loans and receivables	18	1 992	1 992
Total non-current financial assets		2 964 494	5 509 206
TOTAL NON-CURRENT ASSETS		8 238 462	11 174 583
CURRENT ASSETS			
Inventories			
Raw materials	19	1 011 983	921 139
Work in progress		158 080	301 517
Total inventories		1 170 063	1 222 656
Receivables			
Trade receivables	20	284 230	459 267
Receivables from related companies	21	115 604	-
Other receivables	22	415 512	16 815
Prepaid expense	23	12 724	16 389
Total receivables		828 070	492 471
Cash and cash equivalents	24	91 027	29 596
TOTAL CURRENT ASSETS		2 089 160	1 744 723
TOTAL ASSETS		10 327 622	12 919 306

The accompanying notes form an integral part of these financial statements.

Ilmārs Osmanis
Chairman of the Board

Balance sheet

EQUITY AND LIABILITIES	Notes	31/12/2014 EUR	31/12/2013 EUR
EQUITY			
Share capital	25	1 280 272	1 280 585
Share premium	25	761 415	761 415
Other reserves	26	313	-
Non-current asset revaluation reserve	27	1 468 231	1 534 800
Retained earnings/ (accumulated deficit):			
a) brought forward		482	955 317
b) for the period		(1 935 997)	692 165
TOTAL EQUITY		1 574 716	5 224 282
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	29	5 012 921	2 543 681
Loans from related companies	30	-	69 639
Deferred income	31	325 377	393 878
Deferred income tax liability	11	548 876	548 077
Total non-current liabilities		5 887 174	3 555 275
Current liabilities			
Issued debt securities	28	-	1 935 409
Loans from credit institutions	29	1 122 396	856 339
Prepayments received from customers		23 675	32 929
Trade payables	32	901 120	823 424
Payables to related companies	33	22 400	-
Taxes payable	36	129 953	147 564
Other liabilities	34	475 508	97 797
Deferred income	31	68 501	68 501
Undrawn dividends		-	53 358
Accrued liabilities	35	122 179	124 428
Total current liabilities		2 865 732	4 139 749
TOTAL LIABILITIES		8 752 906	7 695 024
TOTAL EQUITY AND LIABILITIES		10 327 622	12 919 306

The accompanying notes form an integral part of these financial statements.

Ilmārs Osmanis
Chairman of the Board

Cash flow statement

	Notes	2014 EUR	2013 EUR
CASH FLOWS TO/ FROM OPERATING ACTIVITIES			
(Loss)/ profit before tax		(1 826 144)	798 655
Adjustments for:			
Amortisation and depreciation		579 391	618 364
Interest expense	10	232 081	179 407
Gain on disposal of property, plant and equipment		24 620	-
Income from grant recognition	8	(68 501)	(121 613)
Adjustments for:			
Decrease in inventories		52 593	182 177
(Increase)/ decrease in receivables		(335 599)	126 738
Increase in payables		429 584	30 379
Cash generated from operations, gross		(911 975)	1 814 107
Interest paid		(232 081)	(179 407)
Corporate income tax paid	36	(126 334)	-
Real estate tax paid	36	(5 223)	(5 186)
Net cash flows to/ from operating activities		(1 275 613)	1 629 514
CASH FLOWS TO/ FROM INVESTING ACTIVITIES			
Purchase of intangible assets and property, plant and equipment	14,15	(292 204)	(716 154)
Project investments		-	(1 992)
Investments in subsidiaries	16	2 544 712	-
Proceeds from sale of property, plant and equipment		1 287	1 831
Net cash flows to/ from investing activities		2 253 795	(716 315)
CASH FLOWS TO/ FROM FINANCING ACTIVITIES			
Dividends paid		(1 647 000)	-
Loans from credit institutions (repaid)/ received, net	29	799 888	(856 338)
Loans from related companies (repaid)/ received, net	30	(69 639)	(54 068)
Net cash flows to/ from financing activities		(916 751)	(910 406)
Change in cash and cash equivalents for the year		61 431	2 793
Cash and cash equivalents at the beginning of the year		29 596	26 803
Cash and cash equivalents at the end of the year	24	91 027	29 596

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

	Share capital EUR	Share premium EUR	Other reserves EUR	Non-current asset revaluation reserve EUR	Retained earnings EUR	Profit/ (loss) for the year EUR	Total EUR
Balance as at 31 December 2012	1 280 585	761 415	-	1 601 368	399 886	555 431	4 598 685
Transfer of prior year result	-	-	-	-	555 431	(555 431)	-
Non-current asset revaluation reserve taken to income	-	-	-	(78 315)	-	-	(78 315)
Deferred corporate income tax directly attributable to the revaluation reserve	-	-	-	11 747	-	-	11 747
Profit for the reporting year	-	-	-	-	-	692 165	692 165
Balance as at 31 December 2013	1 280 585	761 415	-	1 534 800	955 317	692 165	5 224 282
Transfer of prior year result	-	-	-	-	692 165	(692 165)	-
Share capital denomination	(313)		313				-
Dividends paid					(1 647 000)		(1 647 000)
Non-current asset revaluation reserve taken to income	-	-	-	(78 315)	-	-	(78 315)
Deferred corporate income tax directly attributable to the revaluation reserve	-	-	-	11 746	-	-	11 746
Loss for the reporting year	-	-	-	-	-	(1 935 997)	(1 935 997)
Balance as at 31 December 2014	1 280 272	761 415	313	1 468 231	482	(1 935 997)	1 574 716

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. Corporate information

SIA Hanzas Elektronika (hereinafter – the Company) was registered with the Republic of Latvia Enterprise Register on 30 July 1999 and re-registered with the Republic of Latvia Commercial Register on 27 December 2002 under unified registration number 40003454390. The registered office of the Company is at Akmeņu iela 72, Ogre.

The core business activity of the Company comprises the manufacturing of components of various electronic and telecommunication equipment.

The financial statements of the Company for the year ended 31 December 2014 were approved by a resolution of the Company's Board on 28th April 2015.

2. Summary of significant accounting policies

Basis of preparation

The financial statements of SIA Hanzas Elektronika have been prepared in accordance with the Laws of the Republic of Latvia on Accounting and on Annual Reports.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is the euro (EUR). The financial statements cover the period 1 January 2014 through 31 December 2014.

The consolidated financial statements of the Company are prepared separately.

The income statement has been prepared according to the function of expense method.

The cash flow statement has been prepared under the indirect method.

The accounting methods employed by the Company are consistent with those of the previous reporting year.

The financial statements have been prepared in accordance with the following principles:

- 1) Going concern principle;
- 2) The same valuation principles have been consistently applied;
- 3) Prudence principle:
 - a) The financial statements comprise only the profit generated to the balance sheet date;
 - b) All expected risk amounts and losses incurred during the reporting year or in the previous years have been taken into consideration, even if identified during the period from the last day of the reporting year until the date of drawing these financial statements;
 - c) All impairment and depreciation amounts have been calculated and considered irrespective of whether the financial result was loss or profit;
- 4) Income and expenses for the reporting year have been included in the income statement irrespective of the payment date or the invoice date. Expenses have been matched with the respective income;
- 5) Assets and liabilities items have been valued separately;
- 6) The opening balance agrees with the prior year closing balance;
- 7) All items having a material impact on the evaluation or decision making by the users of the financial statements are presented;
- 8) Business transactions are recorded according to their substance and economic reality and not merely their legal form.

Changes in accounting policies

In 2014, the Company revised its accounting policy applied to work in progress. Considering the differences existing between the stage of completion and various costs of products, starting from 2014 overheads related to work in progress have been calculated as 50% of the prior-year consolidated production costs.

In these financial statements, accrued income from the ERDF is presented under other income, while in the previous period the respective income was deducted from production costs.

In these financial statements, employee training expense is stated as actual expense less financing received for the purpose of training.

2. Summary of significant accounting policies (cont'd)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Foreign currency translation

The functional and presentation currency of the Company is the euro (EUR), the monetary unit of the Republic of Latvia. Transactions in foreign currencies are translated into the euro at the euro foreign exchange reference rate published by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the euro foreign exchange reference rate published by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the income statement accounts.

Intangible assets

Intangible non-current assets are stated at cost and amortised over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognised where the carrying value of intangible non-current assets exceeds their recoverable amount.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can be foreseen with reasonable certainty. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	over 20 to 33 years
Equipment and machinery	over 5 to 8 years
Other property, plant and equipment	over 3 to 14 years

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the cost of sales caption.

2. Summary of significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Expenses related to leasehold improvements are capitalised as property, plant and equipment and depreciated over the lease period on a straight-line basis.

Construction in progress represents assets under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Investments in subsidiaries and associates

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) and associates (i.e. where the Company has significant influence, but less than a controlling interest, which is presumed to exist with 20 to 50% interest of the share capital of the entity) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries and associates are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries and associates are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis;

Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is disclosed at the purchase (production) cost less allowances made.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when recovery is deemed impossible.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement as interest income/ expense when the liabilities are derecognised through the amortisation process.

2. Summary of significant accounting policies (cont'd)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by a respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rendering of services

The Company basically provides manufacturing services. Revenue is recognised in the period when the services are rendered.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company 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 deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse.

2. Summary of significant accounting policies (cont'd)

Corporate income tax (cont'd)

The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as temporary difference in securities in excess of set limits and tax losses carried forward for the subsequent years.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Net turnover

	2014	2013
	EUR	EUR
Export sales	6 992 030	7 149 750
Domestic sales	3 745 127	3 240 071
TOTAL:	10 737 157	10 389 821

4. Cost of sales

	2014	2013
	EUR	EUR
Costs of raw materials	4 928 175	5 038 719
Staff costs	1 426 340	1 211 601
Costs related to the production process	1 398 951	1 234 202
Depreciation (see Note 15)	466 050	507 133
Utilities	144 068	137 960
Transport expense	141 325	118 561
Low-value items	42 448	41 440
Allowances for slow-moving items (see Note 19)	29 199	143 192
Lease of equipment and premises	23 371	10 538
Repair and maintenance expense	22 096	31 394
Other production costs	1 978	913
TOTAL:	8 624 001	8 475 653

5. Distribution costs

	2014	2013
	EUR	EUR
Staff costs	312 574	273 354
Transport expense	17 583	17 435
Marketing expense	15 267	21 635
Business trips	11 096	17 884
Communications expense	4 825	2 440
TOTAL:	361 345	332 748

6. Administrative expense

	2014	2013
	EUR	EUR
Staff costs	327 445	269 280
Research costs	135 725	128 622
<i>including staff costs</i>	92 757	51 437
<i>including amortisation and depreciation (see Note 15)</i>	21 843	62 743
Amortisation and depreciation (see Note 15)	104 251	67 757
Bank charges	42 493	46 680
Professional fees*	35 516	18 497
Transport expense	33 920	22 067
Employee training	8 091	18 312
Non-operating expense	16 409	20 276
Office expense	15 235	14 882
Insurance	9 038	7 699
IT expense	6 580	7 658
Business trips	5 935	3 994
Representation expense	4 112	4 704
Communications expense	2 996	2 415
Allowances for doubtful receivables	-	71 938
Other administrative expense	21 820	10 947
TOTAL:	769 566	715 728

* The total fee paid to the firm of certified auditors SIA Ernst & Young Baltic for the annual audit/ review amounts to EUR 9 000.

7. Other operating income

	2014	2013
	EUR	EUR
Intra-group IT services	-	15 791
TOTAL:	-	15 791

8. Other interest receivable and similar income

	2014	2013
	EUR	EUR
Income from EU grant recognition (accrued)	68 501	121 612
Income from EU grant recognition	35 414	1 790
Other income	277	108
TOTAL:	104 192	123 510

9. Write-offs of the value of non-current financial assets

	2014	2013
	EUR	EUR
Impairment of the investment	2 567 512	-
TOTAL:	2 567 512	-

SIA HM Holding was established in 2014, and the related investment amounted to EUR 5 067 512. In 2015, by the date of drawing these financial statements, an agreement has been signed on the sale of SIA HM Holding for EUR 2 500 000.

10. Interest payable and similar expense

	2014	2013
	EUR	EUR
Interest payments	232 081	179 407
Expense related to the conclusion of contracts	80 821	15 250
Currency exchange loss, net	22 273	8 163
Penalties paid	8 836	3 519
Extra loss on disposal of property, plant and equipment	1 058	-
TOTAL:	345 069	206 339

11. Corporate income tax

	2014	2013
	EUR	EUR
Current corporate income tax charge for the reporting year	92 122	56 192
Deferred corporate income tax	12 545	45 111
Tax charged to the income statement:	104 667	101 303

Deferred corporate income tax:

	2014	2013
	EUR	EUR
Deferred corporate income tax liability, 15%		
Temporary differences in the carrying amounts of non-current assets for accounting and taxation purposes	301 703	288 409
Deferred tax from the revaluation reserve (buildings)	226 830	238 579
Deferred tax from the revaluation reserve (land)	32 270	32 269
Gross deferred tax liability	560 803	559 257
Deferred corporate income tax asset, 15%		
Vacation pay reserve	(11 927)	(11 179)
Tax loss carried forward	-	-
Gross deferred tax asset	(11 927)	(11 179)
Net deferred tax	548 876	548 078

	2014	2013
	EUR	EUR
Change in deferred corporate income tax due to changes in temporary differences	12 545	45 111
Increase in deferred corporate income tax through the non-current asset revaluation reserve	(11 747)	(11 747)
Increase/ (decrease) in deferred corporate income tax	798	33 364

12. Staff costs and number of employees

	2014	2013
	EUR	EUR
Wages and salaries	1 739 729	1 439 269
Statutory social insurance contributions	395 119	345 919
Employee health insurance	23 596	19 883
Unemployment risk duty	672	601
Other staff costs	0	0
TOTAL:	2 159 116	1 805 672

Including Board compensation

	2014	2013
	EUR	EUR
Wages and salaries	83 242	38 285
Statutory social insurance contributions	13 362	9 223
Employee health insurance	167	0
Unemployment risk duty	4	0
TOTAL:	96 604	47 508

In 2014 and 2013, the Council Members did not receive remuneration for their functions in the Council.

	2014	2013
Average number of employees during the reporting year	153	137

The total staff costs are included in the following income statement captions:

	2014	2013
	EUR	EUR
Cost of sales	1 426 340	1 211 601
Distribution costs	312 574	273 354
Administrative expense	327 445	269 280
Administrative expense - research costs	92 757	51 437
TOTAL:	2 159 116	1 805 672

13. Earnings before interest, taxes, depreciation and amortisation

		2014	2013
		EUR	EUR
EBITDA	EUR	1 642 890	1 640 729
EBITDA	%	15	16

14. Intangible assets

	Other intangible assets EUR
ACQUISITION VALUE	
As at 31 December 2012	289 092
Additions	95 261
As at 31 December 2013	384 353
Additions	1 461
Reclassification	100 724
As at 31 December 2014	486 538
ACCUMULATED AMORTISATION	
As at 31 December 2012	203 239
Charge for the year	42 261
As at 31 December 2013	245 500
Charge for the year	70 261
As at 31 December 2014	315 761
NET CARRYING AMOUNT	
As at 31 December 2013	138 853
As at 31 December 2014	170 777

15. Property, plant and equipment

	Land and buildings EUR	Equipment and machinery EUR	Other fixtures and fittings, tools and equipment EUR	Construction in progress EUR	Total EUR
ACQUISITION VALUE/ REVALUED AMOUNT					
As at 31 December 2012	4 370 857	5 631 369	602 817	-	10 605 043
Additions		496 313	113 952	105 888	716 153
Disposals		(370 305)	(5 202)		(375 507)
Reclassification			555	(95 816)	(95 261)
As at 31 December 2013	4 370 857	5 757 377	712 122	10 072	10 850 428
Additions		93 925	88 710	108 108	290 743
Disposals		(192 893)	(73 300)		(266 193)
Reclassification			269	(100 993)	(100 724)
As at 31 December 2014	4 370 857	5 658 409	727 801	17 187	10 774 254
ACCUMULATED DEPRECIATION					
As at 31 December 2012	953 119	3 536 805	553 232	-	5 043 156
Charge	149 482	466 903	38 038	-	654 423
Disposals		(370 305)	(3 370)	-	(373 675)
As at 31 December 2013	1 102 601	3 633 403	587 900	-	5 323 904
Charge	148 941	373 290	65 214	-	587 445
Disposals		(167 611)	(72 675)	-	(240 286)
As at 31 December 2014	1 251 542	3 839 082	580 439	-	5 671 063
NET CARRYING AMOUNT					
As at 31 December 2013	3 268 256	2 123 974	124 222	10 072	5 526 524
As at 31 December 2014	3 119 315	1 819 327	147 362	17 187	5 103 191

Cadastral value of the Company's real estate

	31/12/2014 EUR	31/12/2013 EUR
Buildings	313 734	313 734
Land	32 028	32 028
TOTAL:	345 762	345 762

Pledges and other restrictions on title

The Company has pledged its movable and immovable properties at Akmeņu iela 72, Ogre, as security for all the loans granted by AS Citadele Banka (see Note 24).

The total depreciation costs are included in the following income statement captions:

	2014 EUR	2013 EUR
Cost of sales	466 050	507 133
Administrative expense	104 251	67 757
Research costs	21 843	62 743
SUBTOTAL:	592 144	637 633
Depreciation of revalued assets	78 315	78 315
Depreciation included in the cost of work in progress	(12 753)	(19 264)
TOTAL:	657 706	696 684

15. Property, plant and equipment (cont'd)

As at 31 December 2014, the change in the depreciation charge included in the cost of work in progress was (EUR 12 753) (31 December 2013: (EUR 19 264)).

The depreciation charge deducted from the expense resulting from the write-off of the revaluation reserve in the reporting year was EUR 78 315 (31 December 2013: EUR 78 315).

16. Investments in related and other companies

Company	Equity interest, %	31/12/2014 EUR	31/12/2013 EUR
SIA HM Holding (Latvia)	100	2 500 000	-
SIA Ventspils Elektronikas Fabrika (Latvia)	100	426 862	426 862
SIA Mārupes Elektronikas Tehnoloģijas (Latvia)	100	20 000	-
SIA LEITC (Latvia)	4	14 929	14 929
SIA LEO PĒTĪJUMU CENTRS (Latvia)	10	711	711
TOTAL:		2 962 502	442 502

On 1 April 2014, the Company established its fully-owned related company SIA HM Holding. The share capital of this company was EUR 1 002 800. The shares in Hanza AB were transferred to SIA HM Holding as a result of the reorganisation. The core business activity of SIA HM Holding comprises the sale of the shares in Hanza AB (incorporated in Sweden) on a stock exchange. In April 2015, an agreement was signed on the sale of SIA HM Holding for EUR 2 500 000.

The year 2014 was the first year of the company's operations. The company had net turnover of EUR 550 000 and net loss of EUR 3 898 908 for the reporting year.

On 1 November 2005, the Company established its fully-owned related company SIA Ventspils Elektronikas Fabrika. The share capital of this company was LVL 300 000 (EUR 426 862). The core business activity of SIA Ventspils Elektronikas Fabrika comprises the production of components of various electronic and telecommunication equipment on a contractual basis, applying state-of-the-art technologies: surface mount, furnace and wave soldering, and the programming, adjustment and testing of devices. The company's products are supplied to local and foreign manufacturers of end products.

SIA Ventspils Elektronikas Fabrika had revenues of EUR 1 402 370 (2013: EUR 1 232 621) and net loss of EUR 108 309 (2013: profit of EUR 71 774) for the period from 1 January 2014 to 31 December 2014. Its equity as at 31 December 2014 was EUR 448 302 (31 December 2013: EUR 552 111).

On 6 August 2014, the Company established its fully-owned related company SIA Mārupes Elektronikas Tehnoloģijas. The share capital of this company was EUR 20 000. The core business activity of SIA Mārupes Elektronikas Tehnoloģijas comprises the development and designing of electronic equipment and devices.

The year 2014 was the first year of the company's operations. The company had net loss of EUR 23 for the reporting year.

SIA LEO PĒTĪJUMU CENTRS (registration No 51203037371) is a company established on 27 July 2010 by 20 shareholders. SIA Hanzas Elektronika owns 200 (two hundred) out of 5 000 (five thousand) shares in this company.

On 12 September 2012, the interest-free loan issued to the Latvian Electrical Engineering and Electronics Industry Association was remitted in exchange for 79 shares in SIA LEITC (registration No 40008010789), which formed 3.95% of this entity's share capital.

17. Other investments

	Equity interest, %	31/12/2014 EUR	31/12/2013 EUR
Shares in Hanza Holding AB (Sweden)	10.7	-	5 064 712
TOTAL:		-	5 064 712

On 23 November 2007, the Company acquired the shares in Elektromekan i Årjäng AB from the previous shareholder Westergyllen. On 18 December 2009, an agreement was signed on the sale of Elektromekan i Årjäng AB to Hanza AB by means of a share swap. According to the agreement signed at the beginning of 2011, the Company was to receive the shares issued by Hanza AB in proportion to the shareholding in Elektromekan i Årjäng AB sold in 2010 or an equivalent payment in cash. On 26 October 2010, the Company agreed with Hanza AB on the share swap, thereby acquiring 53 192 shares in Hanza Holding AB (Hanza Interessenter AB until 14 January 2011), which was the parent of Hanza AB.

In 2014, SIA Hanzas Elektronika was reorganised by carving out the shares in Hanza Holding AB and investing them in the share capital of the subsidiary SIA HM Holding.

18. Other loans and receivables

On 1 August 2011, the Company entered into an agreement with SIA LEO PĒTĪJUMU CENTRS on cooperation under the research project “Competence Centre for the Latvian Electrical and Optical Equipment Manufacturing Sector”, which will be implemented in 2016. In 2013, the Company made a security deposit of EUR 1 992 for the purposes of project implementation.

19. Inventories

	31/12/2014 EUR	31/12/2013 EUR
Raw materials	1 350 856	1 255 672
Allowances for slow-moving items	(338 873)	(334 533)
TOTAL:	1 011 983	921 139

Movement of allowances for slow-moving items:

	31/12/2014 EUR	31/12/2013 EUR
At the beginning of the year	334 532	(203 034)
Release of allowances	29 199	11 694
Allowances established in the reporting year (see Note 4)	(24 858)	(143 192)
At the end of the year	338 873	(334 532)

20. Trade receivables

	31/12/2014 EUR	31/12/2013 EUR
Other trade receivables	284 230	531 204
Allowances for doubtful trade receivables	-	(71 937)
TOTAL:	284 230	459 267

The trade receivables are non-interest bearing and are generally on 30-60 days' terms.

21. Receivables from related companies

	31/12/2014	31/12/2013
	EUR	EUR
SIA Ventspils Elektronikas Fabrika	115 518	-
SIA Macro Rīga	86	-
TOTAL:	115 604	-

22. Other receivables

	31/12/2014	31/12/2013
	EUR	EUR
Pre-financing by the ERDF*	362 534	-
Interim payment by the ERDF for project 1.10	24 455	-
Guarantee coverage	16 113	11 847
Interim payment by the ERDF for employee training	7 581	-
Security deposit - Latvija Statoil	2 988	2 988
Security deposit - SIA Ektornet	1 733	1 733
Other receivables	108	247
TOTAL:	415 512	16 815

*In 2014, the Company entered into agreements on the implementation of the project "Set-up of the Robotic Printed Circuit Board Assembly and Production Line", for which the Investment and Development Agency of Latvia transferred 89.24% of the aid as pre-financing, and the project "Launch of the Production of Precision Metal Parts of the Volumetric 3D Display System at SIA Hanzas Elektronika", for which the Investment and Development Agency of Latvia transferred 89.20% of the aid as pre-financing.

23. Prepaid expense

	31/12/2014	31/12/2013
	EUR	EUR
Insurance	7 874	8 213
Guarantee premium	3 793	4 000
Rent of Riga office	-	2 022
Other prepaid expense	1 057	2 154
TOTAL:	12 724	16 389

24. Cash and cash equivalents

	31/12/2014	31/12/2013
	EUR	EUR
Cash at bank	91 027	29 596
TOTAL:	91 027	29 596

Cash and cash equivalents by currency profile:

	31/12/2014		31/12/2013	
	Currency	EUR	Currency	EUR
LVL	-	-	1 855	2 639
USD	2 543	2 094	17 105	12 614
EUR	88 933	88 933	14 343	14 343
TOTAL:		91 027		29 596

25. Share capital

At the beginning of the year, the share capital of the Company was EUR 1 280 585 and consisted of 9 000 shares. After the denomination, the share capital was EUR 1 280 272 and consisted of 9 016 shares. The share capital is fully paid. The par value of each share is EUR 142. The share premium as at 31 December 2014 and 2013 was EUR 761 415. In 2014, the shareholders of the Company changed.

Until 25 August 2014, the shares of the Company had been distributed as follows:

	Equity interest, %	Number of shares	Par value EUR
Baltic SME Fund C.V.	37.5	3 375	480 220
SIA Macro Rīga	25	2 250	320 146
Hornell Teknikinvest AB	25	2 250	320 146
Proditron Sweden AB	12.5	1 125	160 073
TOTAL:	100	9 000	1 280 585

Since 25 August 2014, the shares of the Company have been distributed as follows:

	Equity interest, %	Number of shares	Par value EUR
SIA Macro Rīga	100	9 016	1 280 272
TOTAL:	100	9 016	1 280 272

The dividends paid in 2014 were EUR 1 647 000. No dividends were paid in 2013.

26. Other reserves

	31/12/2014 EUR	31/12/2013 EUR
Share capital denomination reserve	313	-
TOTAL:	313	-

27. Non-current asset revaluation reserve

Real estate was revalued in 2007 and 2012. As a result, the carrying amount was increased by EUR 1 989 062 (LVL 1 397 921) in 2007 and by EUR 237 251 (LVL 166 741) in 2012. The revaluation reserve made for the building is taken to income over the useful life of the asset.

	31/12/2014 EUR	31/12/2013 EUR
Revaluation reserve (building)	1 512 200	1 590 515
Revaluation reserve (land)	215 131	215 131
Transferred to deferred corporate income tax	(259 100)	(270 846)
TOTAL:	1 468 231	1 534 800

28. Issued debt securities

In 2007, the Company issued bonds totalling EUR 2 000 000 (LVL 1 405 608), which were managed by AS Hansa Investeerimisfondid (incorporated in Estonia). New bonds were issued on 13 August 2010, and they were managed by AS Swedbank Estonia. The new issue resulted in the retirement of old bonds. The Company has pledged the shares in Hanza Holding AB to secure these bonds. In September 2014, the Company obtained a loan from AS Citadele Banka and extinguished the bonds.

29. Loans from credit institutions

				31/12/2014	31/12/2013
	Initial loan amount	Interest rate	Maturity	EUR	EUR
Swedbank AS (loan)	EUR 3 585 159	3m EURIBOR+2.5%	31/12/2017		1 898 024
Swedbank AS (loan)	EUR 836 757	3m EURIBOR+2.5%	31/12/2017		442 989
Swedbank AS (loan)	EUR 900 000	3m EURIBOR+5.0%	17/08/2017		202 668
Citadele Banka AS (loan)	EUR 2 773 083	6m EURIBOR+3.5%	06/08/2019	2 119 188	
Citadele Banka AS (loan)	EUR 2 214 362	6m EURIBOR+3.5%	06/08/2020	1 734 433	
Citadele Banka AS (loan)	EUR 1 500 000	6m EURIBOR+5.0%	24/08/2019	1 159 300	
TOTAL non-current loans from credit institutions:				5 012 921	2 543 681

				31/12/2014	31/12/2013
	Initial loan amount	Interest rate	Maturity	EUR	EUR
Swedbank AS (loan)	EUR 3 585 159	3m EURIBOR+2.5%	31/12/2017		632 675
Swedbank AS (loan)	EUR 836 757	3m EURIBOR+2.5%	31/12/2017		147 663
Swedbank AS (loan)	EUR 900 000	3m EURIBOR+5.0%	17/08/2017		76 001
Citadele Banka AS (loan)	EUR 2 773 083	6m EURIBOR+3.5%	06/08/2019	516 168	
Citadele Banka AS (loan)	EUR 2 214 362	6m EURIBOR+3.5%	06/08/2020	333 737	
Citadele Banka AS (loan)	EUR 1 500 000	6m EURIBOR+5.0%	24/08/2019	272 491	
TOTAL current loans from credit institutions:				1 122 396	856 339

TOTAL loans from credit institutions: **6 135 317** **3 400 020**

30. Loans from related companies

	31/12/2014	31/12/2013
	EUR	EUR
SIA Ventspils Elektronikas Fabrika	-	69 639
TOTAL:	-	69 639

31. Deferred income

On 31 May 2005, the Company completed a project for which a grant was awarded under the state aid programme. The Company fulfilled all the conditions set out in the agreement signed between the Company and the Investment and Development Agency of Latvia on 6 December 2004. During the project, the Company set up a production facility and acquired production equipment for a total amount of LVL 2 914 305 (EUR 4 146 682). After the conditions of project implementation had been assessed, on 27 July 2005 the Company received a grant of LVL 1 000 000 (EUR 1 422 872).

On 6 September 2011, the Company entered into an agreement on the implementation of the project "Development of New Products and Technologies" with the Investment and Development Agency of Latvia. The Company fulfilled all the conditions set out in the agreement and acquired production equipment for a total amount of LVL 1 100 400 (EUR 1 565 728). After the conditions of project implementation had been assessed, on 9 November 2012 the Company received a grant of LVL 385 140 (EUR 548 005).

Non-current and current deferred income comprises the grant received, considering the expected gradual recognition of the grant as income.

31. Deferred income (cont'd)

	31/12/2014	31/12/2013
	EUR	EUR
Non-current portion	325 377	393 878
Current portion	68 501	68 501
TOTAL:	393 878	462 379

32. Trade payables

	31/12/2014	31/12/2013
	EUR	EUR
Balances due to foreign creditors	794 461	743 064
Balances due to local suppliers for services	49 404	47 192
Balances due to local suppliers for goods	57 255	33 168
TOTAL:	901 120	823 424

33. Payables to related companies

	31/12/2014	31/12/2013
	EUR	EUR
SIA Mārupes Elektronikas Tehnoloģijas	19 900	-
SIA HM Holding	2 500	-
TOTAL:	22 400	-

34. Other liabilities

	31/12/2014	31/12/2013
	EUR	EUR
Pre-financing by the ERDF	362 534	-
Salaries	109 661	95 228
Credit cards	2 224	2 053
Balances due to employees	938	-
Other liabilities	151	516
TOTAL:	475 508	97 797

35. Accrued liabilities

	31/12/2014	31/12/2013
	EUR	EUR
Vacation pay reserve	79 515	74 529
Accumulated interest to Citadele Banka	14 743	-
Accumulated interest on dividends	-	25 132
Accumulated interest on securities	-	6 858
Accumulated interest on the loans from Swedbank AS	-	843
Other accrued liabilities	27 921	17 066
TOTAL:	122 179	124 428

36. Taxes payable

	31/12/2013 EUR	Calculated EUR	Penalties EUR	Paid EUR	31/12/2014 EUR
Statutory social insurance contributions	(47 574)	(557 896)	(2 601)	566 692	(41 379)
Personal income tax	(24 973)	(303 534)	(1 447)	301 422	(28 532)
Value added tax	(18 627)	(287 083)	(966)	269 702	(36 974)
Natural resource tax	(141)	(455)	-	426	(170)
Real estate tax	-	(5 186)	(56)	5 223	(19)
Unemployment risk duty	(57)	(672)	-	674	(55)
Corporate income tax	(56 192)	(92 122)	(844)	126 334	(22 824)
TOTAL:	(147 564)	(1246 948)	(5 914)	1 270 473	(129 953)
TOTAL PAYABLE:	(147 564)				(129 953)
TOTAL RECEIVABLE:	-				-

37. Related party disclosures

Related parties are defined as subsidiaries and associates of the Company as well as shareholders that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions, members of the key management personnel of the Company or its parent company, and close members of the families of any individual referred to previously, and entities over which these persons exercise significant influence or control.

The table below summarises transactions with related parties for the relevant financial year:

Related party	Description of the transaction	Balances due to/ from related parties as at 31/12/2013	Counter- performance*	Payment	Balances due to/ from related parties as at 31/12/2014
SIA Ventspils Elektronikas Fabrika	Production services received	-	(1 689 690)	1 805 208	115 518
SIA Ventspils Elektronikas Fabrika	Lease services received (premises)	-	-	-	-
SIA Ventspils Elektronikas Fabrika	Raw materials received	-	(35 167)	35 167	-
SIA Ventspils Elektronikas Fabrika	Loan received	(69 639)	-	69 639	-
SIA Ventspils Elektronikas Fabrika	Raw materials sold	-	85 319	(85 319)	-
SIA Ventspils Elektronikas Fabrika	Services provided	-	-	-	-
SIA Macro Rīga	Dividends calculated	-	(1 647 000)	1 647 000	-
SIA Macro Rīga	Services received	-	(114 006)	114 092	86
SIA Macro Rīga	Materials sold	-	714	(714)	-
SIA Mārupes Elektronikas Tehnoloģijas	Share capital	-	(20 000)	10 000	(10 000)
SIA Mārupes Elektronikas Tehnoloģijas	Loan received	-	(9 900)	-	(9 900)
SIA HM Holding	Share capital	-	(2 800)	2 800	-
SIA HM Holding	Loan received	-	(2 500)	-	(2 500)
TOTAL:		(69 639)	(878 693)	698 049	93 204
TOTAL RECEIVABLE:		-			115 604
TOTAL PAYABLE:		(69 639)			(22 400)

* All amounts are inclusive of VAT.

37. Related party disclosures (cont'd)

Terms and conditions of transactions with related parties

Outstanding balances as at the year-end are unsecured and settlements are made in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2014, the Company has not raised any allowance for doubtful debts relating to amounts owed by related parties (2013: EUR 0).

38. Off-balance sheet items

As at 31 December 2014, the Company had raw materials received from customers. The total value of these materials was EUR 12 977 988 (31 December 2013: EUR 12 131 376). These raw materials are processed and sent back to customers.

39. Commitments and contingencies

Commitments under operating leases

The Company has entered into vehicle lease agreements. The future aggregate minimum lease payments are as follows:

	2014 EUR	2013 EUR
Payable:		
Less than one year	20371	21757
Between one and five years	29 804	35 094
More than five years		
TOTAL:	50 175	56 851

40. Financial risk management

The Company's principal financial instruments comprise loans from credit institutions, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to ensure financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

Financial risks

The main financial risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, liquidity risk, and credit risk.

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables, trade payables, as well as current and non-current borrowings. The Company is mainly exposed to foreign currency risk of the U.S. dollar. In order to manage its foreign currency risk, the Company balances the currencies of current and non-current borrowings with the currencies of future cash flows from operations.

Interest rate risk

The Company is exposed to interest rate risk mainly through its current and non-current borrowings. The Company's policy is to ensure that the majority of its borrowings are at a floating rate. The average interest rate payable on the Company's borrowings is disclosed in Note 29.

Liquidity risk

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks.

Credit risk

The Company is exposed to credit risk through its trade receivables and cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised. Moreover, the Company enters into factoring contracts to minimise this risk. The Company's counterparties in money transactions are local financial institutions.

41. Going concern

As at 31 December 2014, the Company's current liabilities exceeded its current assets by EUR 776 572 (including deferred income of EUR 68 501 representing ERDF financing, which does not affect the Company's cash flows). The Company's management has prepared the 2015 budget assuming that the local and global business environment will develop. The budget provides for the improvement of financial performance and operating profit. Future events in the business environment may differ from the management's forecasts.

42. Events after balance sheet date

In April 2015, 100% shares in the subsidiary SIA HM Holding were sold to the sole shareholder of the Parent Company (SIA Macro Rīga) for EUR 2 500 000.

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